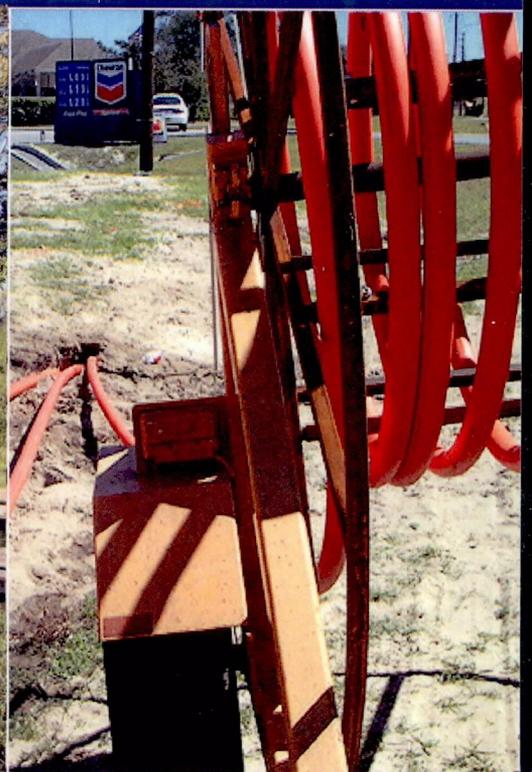


**Comprehensive Annual
Financial Report
Fiscal Year 2005-06
City of Leesburg, Florida**



CITY OF LEESBURG, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2006

Prepared by:
Finance Department

CITY OF LEESBURG, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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CITY OF LEESBURG, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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MISSION STATEMENT

"Dedicated to Our Community, Committed to Service Excellence"

June 30, 2007

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

The Comprehensive Annual Financial Report (CAFR) of the City of Leesburg, Florida for the fiscal year ended September 30, 2006, is respectfully submitted. 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 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 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, 2006, are fairly presented in conformity with GAAP.

i



LEESBURG
The Lakefront City

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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 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 31.26 square miles and has a population of 18,842. 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.

Leesburg Regional Airport is a 750-acre general aviation airport that houses fixed wing aircraft and helicopters. The airport has been designated an international airport which provides customs inspection services for international travelers. The airport is experiencing significant growth in corporate jet type aircraft. Businesses on airport property employ over 360 people. The airport features a 5,000 foot main runway and a 4,950 foot secondary runway, three nonprecision instrument approaches for landing, two RNAV/GPS precision approaches, hard surface tie downs, hangar facilities, flight schools, maintenance shops, and a motel and restaurants within ½ mile. The Fixed Base Operator offers fuel sales, both Jet A and 100LL AVGAS, car rental, aircraft maintenance and a courtesy vehicle. The City has committed to an aggressive improvement program and has obtained grant funding for security enhancements for the airport and the extension of Runway 13/31 and Taxiway A. The Air Traffic Control Tower, Airport Rescue Fire Fighting Station and Line Operations Building were also grant-related projects that were completed in fiscal year 2006.

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 and wastewater treatment.

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.

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 currently enjoys a favorable economic environment and local indicators point to continued stability. The City and Lake County as a whole has transitioned from its agricultural roots to a growth driven economy that is heavily centered in real estate, retail, personal services, and healthcare. Leesburg's top private sector employer is Leesburg Regional Medical Center, boasting a labor force of 2,092. 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.

Many higher wage industries such as finance, insurance, and real estate, construction and wholesale trade are growing at higher rates than the lower wages retail sector, which provides a positive indicator that the wage structure of Leesburg and Lake County will continue to improve over time. Lake County's December 2006 unemployment rate stands at 3.0% which rate is lower than the state average of 3.3%. 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 3,500,000 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.

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 95% 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 while family households sustain the dominant market segment to the south. The factors that will influence future growth in this area are not dissimilar to the factors that are currently influencing growth in the East Central Florida. This area has embraced both market segments, and as a result, has become one of the emerging economic submarkets in all of Central Florida.

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 June 14, 2004, was the first step to a city-wide business plan. 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, the City expects a surge in new housing that will affect all utilities and impact available capital resources. With this on the horizon, the City has taken aggressive action by amending City Ordinances requiring developer funded agreements for infrastructure wherever possible.

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

- **Electric** - The Electric Department encourages underground distribution facilities for new subdivisions and commercial developments and will continue to evaluate opportunities to convert overhead distribution to underground based on the merits of each project.
- **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. FGU is constantly looking at new options to reduce the cost of gas. On September 13, 2004, the City signed a letter of intent, as a member of Florida Gas Utility, to participate in the formation of Public Gas Partners and to acquire 20% of long-term natural gas supplies below market prices, which can be accomplished through hedging activities.
- **Water Reuse** - The City plans to construct reuse transmission lines to position the facilities for delivery of public access reuse water to existing customers. The new lines will connect with the new reuse system plant.
- **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 customers for fiber optic cable and internet services. 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 place a City-owned dumpster at all commercial accounts within two 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 MIS department owns and leases all computer equipment, and departments are charged for equipment based on a three-year payback period. The fleet maintenance division is responsible for all vehicle repairs and purchases. In fiscal year 2006, fleet services owned all vehicles, and a lease fee, based on useful life, is charged to the appropriate 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, in overnight repurchase agreements, in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, in 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 are combined to form a pool of cash and investments. For the cash and investment pool, the average monthly investment portfolio was \$22,207,990 in 2006. The average yield on investments was 3.85%. The City's investment performance compares favorably to an average rate of 3.83% for the State Investment Pool for the same period. The maturity of securities held at September 30, 2006, range from 0 to 2 years, with an average maturity of 1.25 years. 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 \$1,801,167 on all of its investments for the year ended September 30, 2006.

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 up to a maximum of \$925,000 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 the aggregate which is 125% of expected claims exposure. 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.

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.

Every year, 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 88 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.

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, 2005. This was the sixteenth consecutive year (fiscal years ended 1990-2005) 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 2005-06. This was the eighth 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. Robert Brown deserves special recognition for the guidance, expertise, and diligence he provided throughout the report preparation process. 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. 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 Evans
Interim City Manager



William Pfeilsticker
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leesburg
Florida

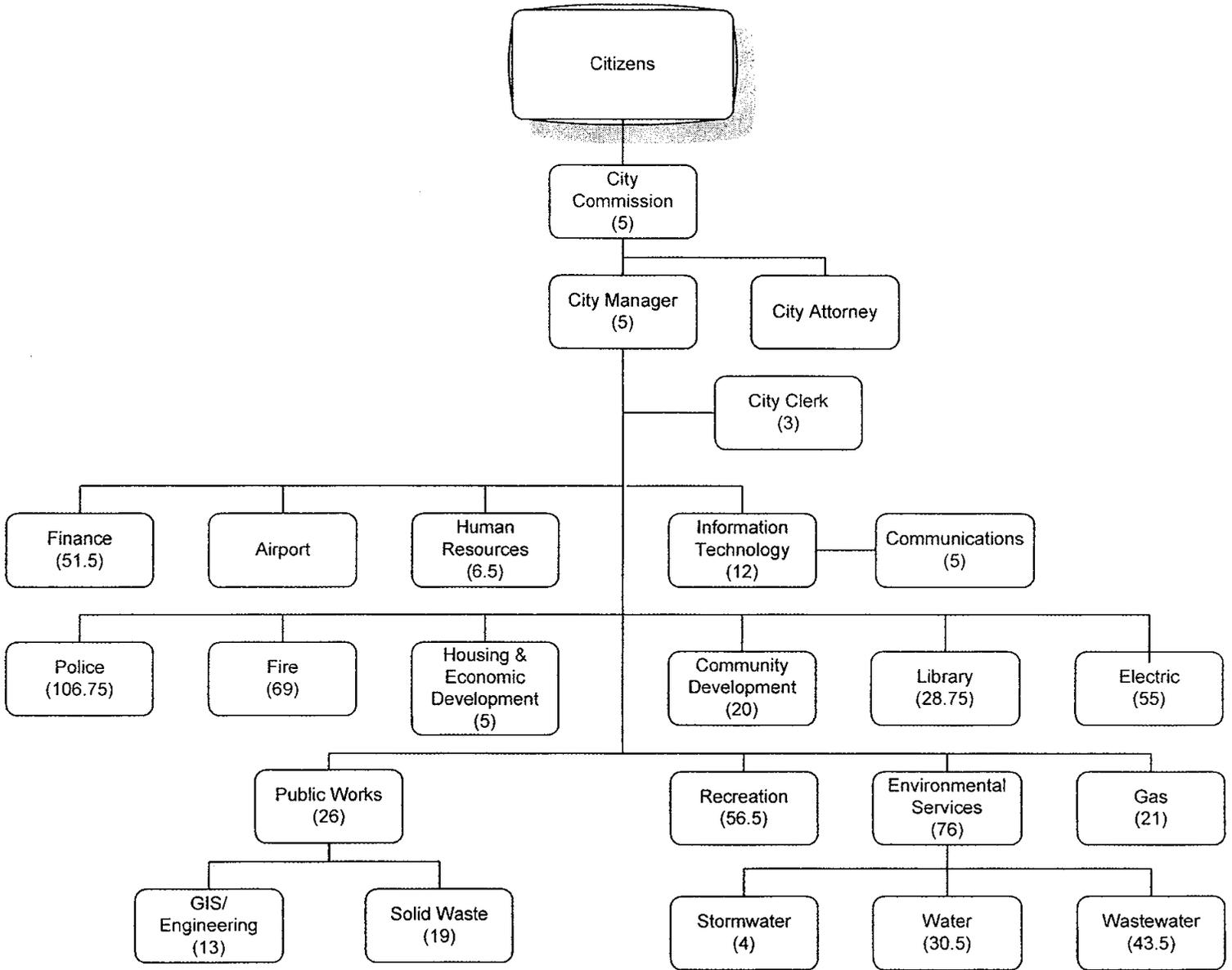
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



President

Executive Director



CITY OF LEESBURG, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2006

CITY COMMISSION

C. Robert Lovell	Seat Four, At-Large	Mayor
Sanna Henderson	Seat One, District One	Mayor, Pro-Tem
David Knowles	Seat Five, At-Large	Commissioner
John Christian	Seat Two, District Two	Commissioner
Lewis Puckett	Seat Three, District Three	Commissioner

Ron Stock
City Manager

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

William Pfeilsticker
Finance Director

Purvis Gray and Company, LLP
City Auditors

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

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, 2006, 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, 2006, 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 January 12, 2007, 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

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Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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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.

January 12, 2007
Gainesville, Florida

Kurtis, Gray and Company, LLP

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006**

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, 2006. 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 2006 by \$181,579,124 (net assets). Of this amount, \$20,667,805 (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 \$11,386,594.
- As of September 30, 2006, the City's governmental funds reported combined ending fund balances of \$15,173,330, a decrease of \$9,621,931 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, 2006, unreserved undesignated fund balance for the general fund was \$4,104,481 or 15.14% of total general fund expenditures and transfers out.
- Governmental fund revenues increased by \$958,932 over the prior fiscal year. Growth in this area resulted primarily from increases in the tax category: ad valorem tax \$593,699, communications services tax \$63,732 and local option sales tax \$272,470.
- Utility operating revenues (business-type activities) had an increase of \$14,511,588 from \$73,652,635 to \$88,164,223. Net income from operations before transfers was positive in all funds.
- The City's total debt increased by \$10,290,982 or 13.9% during fiscal year 2006. This was primarily due to the issuance of \$12,100,000 in bond anticipation notes for the purchase of the Plantation water and wastewater treatment and distribution system.
- 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.

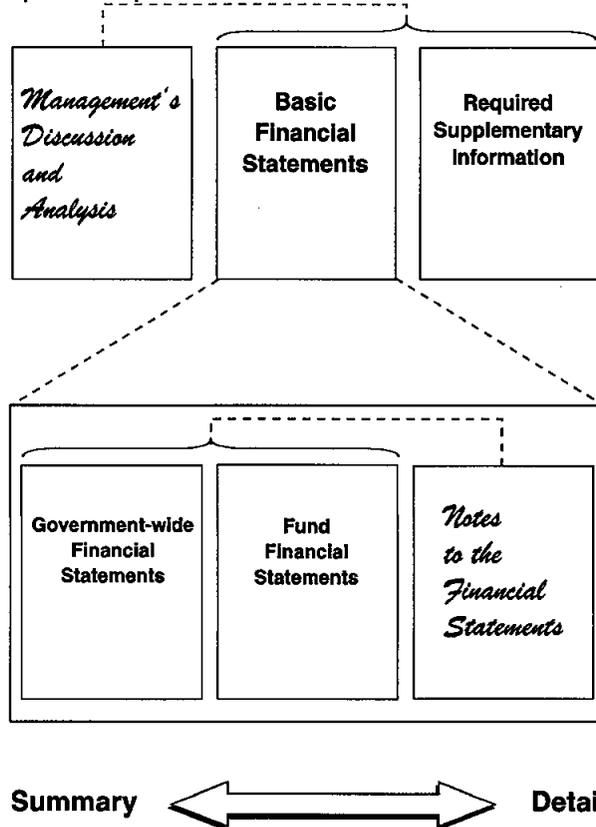
Overview of the Financial Statements

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.

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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 2006. 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,

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culture and recreation. The business-type activities include its electric, gas, water, wastewater, communications, and solid waste disposal utilities. 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.

The City maintains nine individual governmental funds. 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 six 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), and solid waste utility operations. Internal service funds are an accounting

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device used to accumulate and allocate costs 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 77 of this report.

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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 \$181,579,124 at the close of the fiscal year ended September 30, 2006.

At the end of fiscal year 2006, 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	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 25,828,903	\$ 34,610,226	\$ 34,364,911	\$ 47,268,513	\$ 60,193,814	\$ 81,878,739
Capital assets (net)	75,364,955	63,588,260	148,537,596	114,248,067	223,902,551	177,836,327
Total assets	101,193,858	98,198,486	182,902,507	161,516,580	284,096,365	259,715,066
Liabilities						
Current and other liabilities	7,636,591	6,887,371	12,535,328	10,982,654	20,171,919	17,870,025
Long term liabilities:	24,330,953	24,891,960	58,014,369	46,760,552	82,345,322	71,652,512
Total liabilities	31,967,544	31,779,331	70,549,697	57,743,206	102,517,241	89,522,537
Net assets						
Invested in capital assets net of related debt	49,495,304	30,676,655	97,725,542	76,296,976	147,220,846	106,973,631
Restricted	10,446,080	17,657,048	3,244,393	23,322,485	13,690,473	40,979,533
Unrestricted:	9,284,930	18,085,452	11,382,875	4,153,914	20,667,805	22,239,366
Total net assets	\$ 69,226,314	\$ 66,419,155	\$ 112,352,810	\$ 103,773,375	\$ 181,579,124	\$ 170,192,530

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 \$223,902,551, which is 78.8% of all assets, which total \$284,096,365. 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 (7.54%) represents resources that are subject to external restriction on how they may be used. This amount decreased from \$40,979,533 to \$13,690,473 as a result of bond proceeds being used for capital projects. The balance of unrestricted net assets totaling \$20,667,805 may be used to meet the government's ongoing obligations to citizens and creditors and to provide the funding for various projects.

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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.

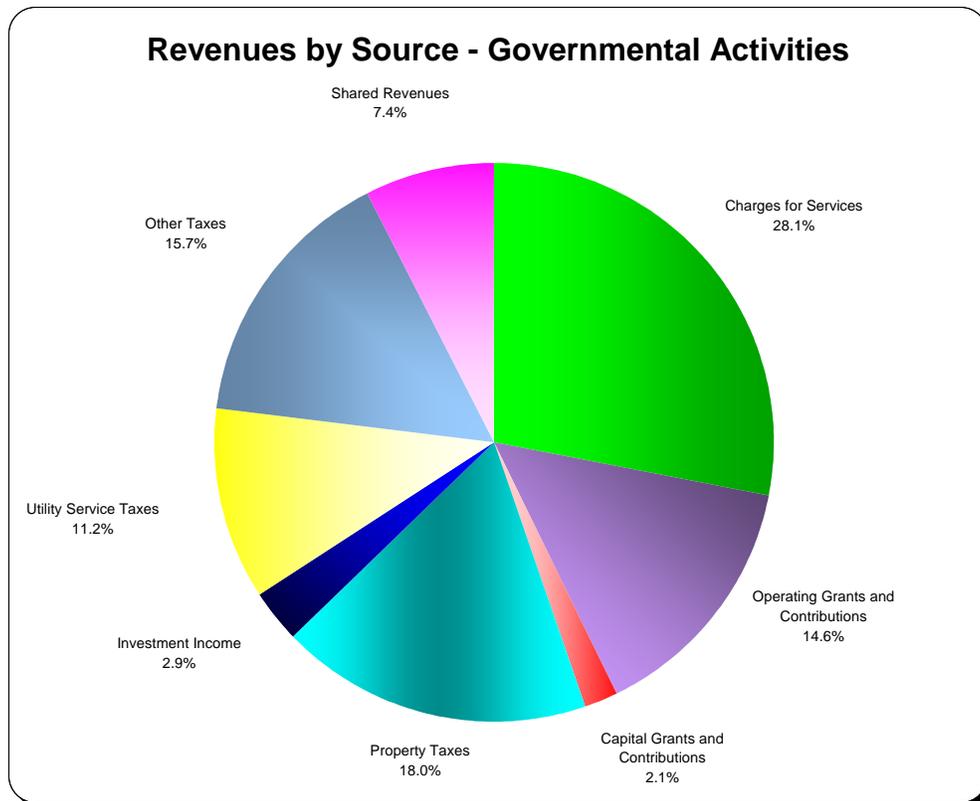
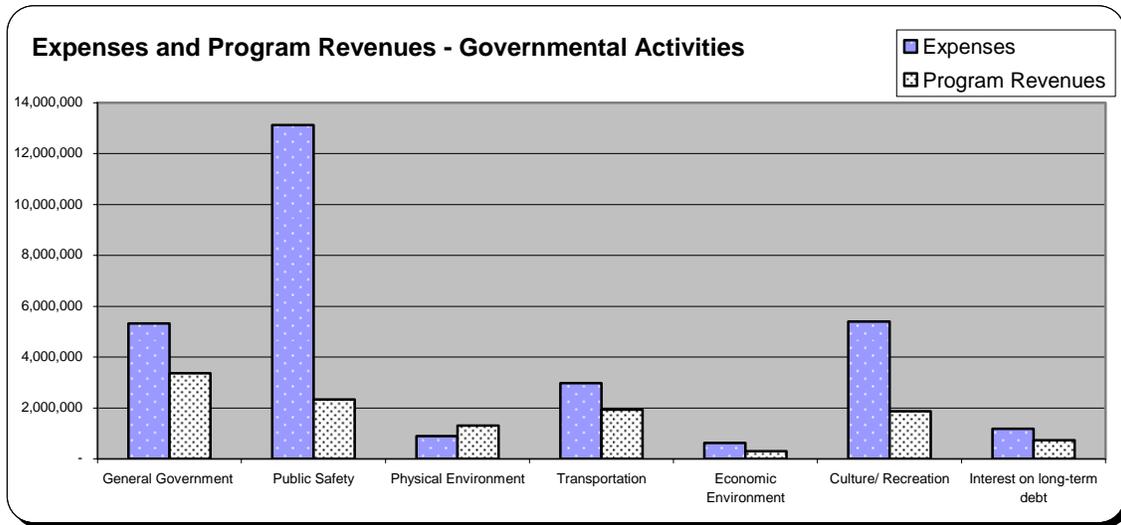
City of Leesburg's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 6,963,560	\$ 6,049,003	\$ 88,164,223	\$ 73,652,635	\$ 95,127,783	\$ 79,701,638
Operating grants and contributions	3,616,947	454,762	-	-	3,616,947	454,762
Capital grants and contributions	531,283	3,729,099	5,430,454	6,107,611	5,961,737	9,836,710
General revenues:						
Property taxes	4,465,410	3,871,712	-	-	4,465,410	3,871,712
Utility service taxes	2,770,827	2,955,112	-	-	2,770,827	2,955,112
Other taxes	3,906,212	3,584,329	-	-	3,906,212	3,584,329
Other	2,556,123	2,626,678	741,736	998,493	3,297,859	3,625,171
Total Revenues	24,810,362	23,270,695	94,336,413	80,758,739	119,146,775	104,029,434
Expenses:						
General Government	5,329,210	4,614,037	-	-	5,329,210	4,614,037
Public Safety	13,093,923	11,410,642	-	-	13,093,923	11,410,642
Physical Environment	898,955	862,018	-	-	898,955	862,018
Transportation	2,984,493	2,603,092	-	-	2,984,493	2,603,092
Economic Environment	620,672	571,765	-	-	620,672	571,765
Human Services	36,350	53,288	-	-	36,350	53,288
Culture/Recreation	5,397,094	4,968,600	-	-	5,397,094	4,968,600
Interest on long-term debt	1,180,340	1,170,569	-	-	1,180,340	1,170,569
Electric	-	-	54,527,802	45,311,308	54,527,802	45,311,308
Gas	-	-	9,252,854	7,875,053	9,252,854	7,875,053
Water	-	-	4,271,287	3,898,107	4,271,287	3,898,107
Wastewater	-	-	6,491,042	5,973,026	6,491,042	5,973,026
Solid Waste	-	-	2,902,126	3,284,528	2,902,126	3,284,528
Communications	-	-	774,033	851,896	774,033	851,896
Total expenses	29,541,037	26,254,011	78,219,144	67,193,918	107,760,181	93,447,929
Change in Net Assets Before Transfers	(4,730,675)	(2,983,316)	16,117,269	13,564,821	11,386,594	10,581,505
Transfers	7,537,834	11,544,586	(7,537,834)	(11,544,586)	-	-
Change in Net Assets	2,807,159	8,561,270	8,579,435	2,020,235	11,386,594	10,581,505
Adjustment	-	-	-	-	-	-
Net Assets - Beginning	66,419,155	57,857,885	103,773,375	101,753,140	170,192,530	159,611,025
Net Assets - Ending	\$ 69,226,314	\$ 66,419,155	\$ 112,352,810	\$ 103,773,375	\$ 181,579,124	\$ 170,192,530

Governmental Activities - Governmental activities increased the City's net assets by \$2,807,159, accounting for 24.7% of the total growth in the net assets of the City. The increase was primarily related to the excess of revenues and transfers over total expenses.

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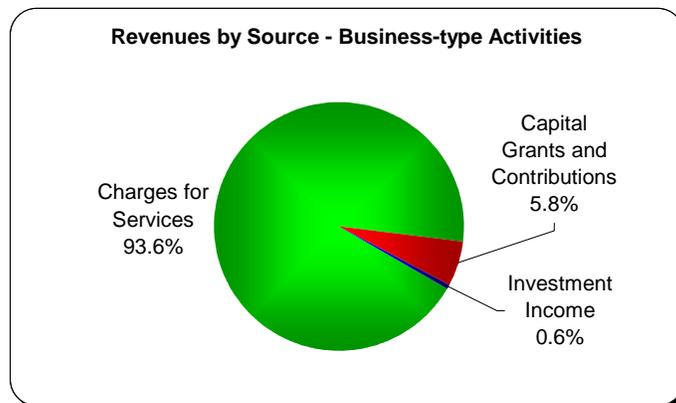
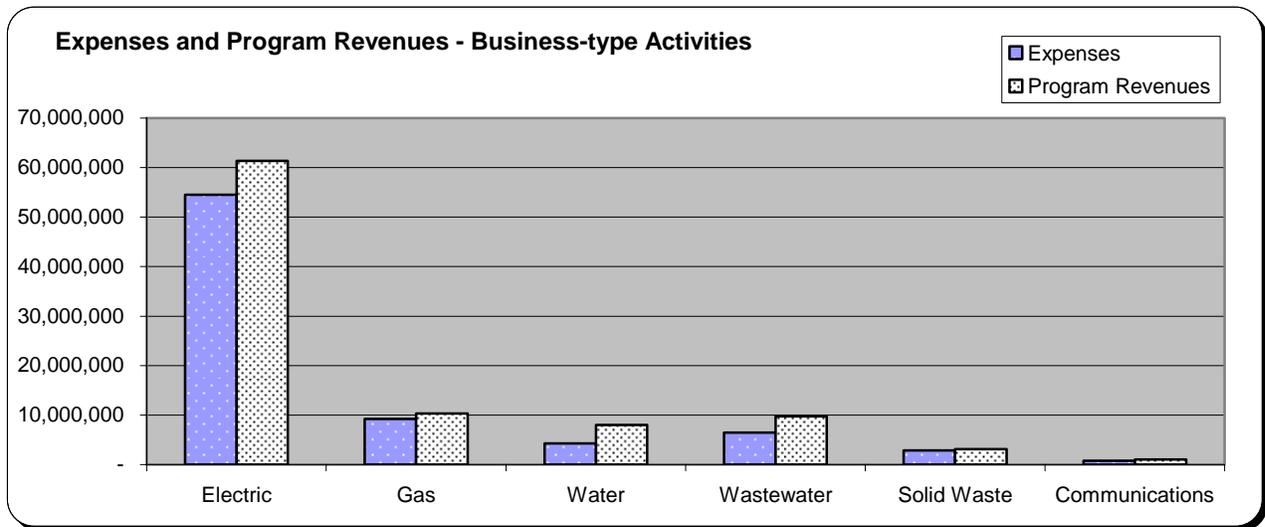
The expenses and program revenues depicted in the following graph are from the statement of activities. Please note that expenses precede revenues as governments seek to identify the needs of citizens and then raise the resources needed to meet those needs. The excess of expenditures over program revenues 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.



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Business-type Activities - Business-type activities increased the City's net assets by \$8,579,435. This increase is primarily due to the recovery of energy costs incurred during the previous year.

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 93.6% of overall business-type activities.



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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 2006, the City's governmental funds reported combined ending fund balances of \$15,173,330, a decrease of \$9,621,931 in comparison with the prior year. This is primarily related to the use of funds associated with capital projects. Unreserved fund balance of the governmental funds is \$4,392,320, 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.

The general fund is the primary general government operating fund of the City. At the end of fiscal year 2006, the fund balance of the general fund was \$5,674,123, of which \$4,104,481 was unreserved. The City has a policy to reserve 20% of the annual budget as an operating reserve. As a measure of the general fund's liquidity, it is useful to compare both total fund balance and unreserved fund balance to total fund expenditures and transfers out. Total fund balance represents 20.9%, while unreserved fund balance represents 15.1% of that same amount.

The fund balance of the City's general fund decreased by \$1,349,540 during the current fiscal year. The original budget included a decrease in fund balance of \$1,026,364, which was later amended to include carryforwards for a total budgeted decrease of \$2,383,956. The actual decrease in fund balance was \$1,034,416 less than expected.

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 amounted to:

Fund	2006	2005	Change
Electric	\$8,013,334	\$8,300,476	\$(287,142)
Gas	2,160,321	1,794,895	365,426
Water	7,258,194	4,514,763	2,743,431
Wastewater	(3,981,796)	(7,179,365)	3,197,569
Solid Waste	(535,517)	(450,999)	(84,518)
Communications	<u>(1,531,661)</u>	<u>(2,825,856)</u>	<u>1,294,195</u>
Total	\$11,382,875	\$4,153,914	\$7,228,961

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This is an improvement over last year by \$7,228,961. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, there was a \$1,945,188 increase in appropriations between the original and final amended budget. Personnel and benefits associated with the U.S. Department of Homeland Security's SAFER Grant accounted for \$606,719 of the increase. Improvements other than buildings accounted for \$523,960, which was primarily related to road resurfacing. Machinery and equipment included increases of \$665,351 for vehicle purchases associated with the Building Department, as well as additional equipment for fleet purchases.

Although actual revenues exceeded budget, the excess was not enough to fund the excess of expenditures over revenues. This resulted in a reduction in fund balance of \$1,349,540.

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, 2006, increased by \$46,066,224 to \$223,902,550, or 25.9%. 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 follows:

Governmental-type Activities - The net capital asset increase of \$11,776,725 in the governmental-type activities can be attributed to the following expenditures in the current year:

Construction Work-In-Progress (CWIP) increased \$8,755,491. The following are some of the major projects for this year:

- Air Traffic Control Tower - \$1,021,549
- Canal Street Waste Water Treatment Plant - \$835,701
- Construction of New Library - \$4,457,073
- Construction of new Public Works Facility - \$1,951,239
- Gymnasium - \$694,046
- Rails to Trails - \$476,229

Business-type Activities

Electric

- Major electric lighting projects totaling \$1,035,764 for the current year are specifically identified as follows: Canal Street improvements and Highway 441 from Mills Street to Cecil Clark Road with the remaining costs distributed across several other smaller electric lighting projects.
- Electric distribution lines totaling \$2,405,386 can be identified as follows: Canal Street improvements, Carver Middle School, Heritage Estates, Highway 441 from Radio Road to Lakes Boulevard and several other smaller projects.
- Improvements to subdivisions totaling \$640,357.
- Transformer purchases totaling \$1,322,256.

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Gas

- Installation of gas mains and service lines for new customers totaling \$657,369.

Water

- Water projects totaling \$5,723,728 included improvements to Heritage Estates, Canal Street, True Temp property and the Reuse Water Plant.

Wastewater

- Installation of the SCADA system for wastewater lift stations and associated collection sewer systems totaled \$267,976.
- Major projects for wastewater totaling \$9,104,088 included Heritage Estates, rehabilitation of Lift Station #10 and #27 and the Canal Street Plant.

Communications

- Communications projects totaling \$393,705 included interdepartmental line extensions and customer line installations.

City of Leesburg's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 8,117,649	\$ 8,058,958	\$ 7,011,697	\$ 7,039,212	\$ 15,129,346	\$ 15,098,170
Buildings	26,254,332	21,762,961	11,055,400	11,053,484	37,309,732	32,816,445
Improvements Other Than Buildings	15,075,083	14,511,521	104,114,996	90,989,128	119,190,079	105,500,649
Equipment	26,701,335	24,383,324	22,586,243	30,096,694	49,287,578	54,480,018
Infrastructure	20,715,576	20,715,576	0	0	20,715,576	20,715,576
Construction in Progress	21,814,519	12,995,896	62,313,930	30,495,339	84,128,449	43,491,235
	118,678,494	102,428,236	207,082,266	169,673,857	325,760,760	272,102,093
Less: Accumulated Depreciation	(43,313,539)	(38,840,006)	(58,544,670)	(55,425,790)	(101,858,209)	(94,265,796)
Capital Assets, Net	\$ 75,364,955	\$ 63,588,230	\$ 148,537,596	\$ 114,248,067	\$ 223,902,551	\$ 177,836,297

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 2006, the City had total long-term debt outstanding of \$84,417,191. Of this amount, \$75,505,000 represents bonds secured solely by specified revenue sources. \$23,750,000 of the revenue bonds are applicable to governmental activities, and \$51,755,000 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.

The City issued new bond anticipation notes in the amount of \$12,100,000 to purchase the Plantation water and wastewater distribution and treatment system. This increased the debt in business-type activities.

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

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for Lake County at September 30, 2006, was 3.0%, which is a decrease from a rate of 3.6% a year ago. This compares favorably to the state's average of 3.3% and the national average rate of 4.3%.
- The taxable value of commercial and residential property increased by 14% in fiscal year 2006.
- Building permit activity increased by 25% in fiscal year 2006 from 3,666 to 4,599 with an estimated construction value of \$162,042,000.
- Population increased 7.9% from the prior fiscal year to 18,842 at September 30, 2006, and the City anticipates continued steady growth over the next five years.

During the current fiscal year, total fund balance decreased by \$1,349,540 to \$5,674,123. Unreserved fund balance in the general fund increased by \$1,799,430 to \$4,104,481, which reflects the reclassification of the operating reserve from reserved to unreserved. In addition, the ad valorem tax rate for the general fund remained unchanged at 4.5 mils for the 2007 fiscal year budget.

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 60% 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 Non-Demand, 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 last cost of service and rate study was performed during 2004 and it is appropriate to conduct a Cost of Service and Retail Rate Design study at this time due to of our changing costs for energy and its distribution.

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 2006 annual report submitted to the Department of Transportation reported Leesburg's unaccounted

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for gas to be one tenth of one percent, the lowest in six 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 initiated the preliminary phases of developing a system-wide hydraulic model in order to facilitate future master planning within the central city service area.

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 impact fees will be restructured to account for the costs of these infrastructure improvements in the growth area and will be applied to new connections within the growth area.

The department has initiated a water/wastewater/reclaimed water rate study. This study will evaluate the adequacy of the present rates, evaluate the rate structure design of the present rates and will make recommendations for future rates and rate structures.

The City's Communication Utility expects to expand its base of broadband Internet users which should result in more revenue per customer. Additionally, the utility expects consistent growth in its commercial sector. The utility has also been very careful to plan activities to minimize capital costs.

In October of 2006, Solid Waste Management Services increased its rates by \$2.00 per month for residential pick up. The increase is expected to generate approximately \$200,000 in additional revenues, which will contribute to the elimination of the accumulated deficit in Solid Waste. The City is hopeful that the accumulated deficit will be eliminated by the end of fiscal year 2007.

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 (PO Box 490630), Leesburg, Florida 34749-0630, or call (352) 728-9720.

BASIC FINANCIAL STATEMENTS

CITY OF LEESBURG, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 21,901,111	\$ 5,052,843	\$ 26,953,954
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents		6,951,524	6,951,524
Investments		4,014,583	4,014,583
Receivables (Net)	1,242,967	11,249,522	12,492,489
Prepaid Items	138,851		138,851
Due from Other Governments	1,396,394	1,697,012	3,093,406
Inventories	295,175	4,413,614	4,708,789
Notes Receivable - Employees	78,596		78,596
Capital Assets, Net of Accumulated Depreciation:			
Land	8,117,649	7,011,697	15,129,346
Buildings	20,727,645	7,925,464	28,653,109
Improvements Other Than Building	7,879,096	63,790,035	71,669,131
Machinery and Equipment	9,160,872	7,496,470	16,657,342
Infrastructure	7,665,174		7,665,174
Construction in Progress	21,814,519	62,313,930	84,128,449
Net Pension Obligation	775,809		775,809
Unamortized Bond Issue Costs		985,813	985,813
Total Assets	<u>101,193,858</u>	<u>182,902,507</u>	<u>284,096,365</u>
Liabilities			
Accounts Payable	2,688,779	7,014,667	9,703,446
Accrued Liabilities	820,816	1,086,234	1,907,050
Customer Advances for Construction		130,904	130,904
Accrued Interest Payable	576,955	999,685	1,576,640
Unearned Revenue	672,308		672,308
Claims Payable - all Current	1,339,035		1,339,035
Customer Deposits		2,770,567	2,770,567
Noncurrent Liabilities:			
Due Within One Year	1,538,698	533,271	2,071,969
Due in More Than One Year	24,330,953	58,014,369	82,345,322
Total Liabilities	<u>31,967,544</u>	<u>70,549,697</u>	<u>102,517,241</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	49,495,304	97,725,542	147,220,846
Restricted for:			
Community Redevelopment	501,764		501,764
Public Safety	203,716		203,716
C.U.R.E. Program	1,160		1,160
Capital Projects	9,269,440	2,679,393	11,948,833
Debt Service	470,000		470,000
Gas Depository Trust		565,000	565,000
Unrestricted	9,284,930	11,382,875	20,667,805
Total Net Assets	<u>\$ 69,226,314</u>	<u>\$ 112,352,810</u>	<u>\$ 181,579,124</u>

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, 2006**

Functions/Programs	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
Governmental Activities						
General Government	\$ 5,329,210	\$ 3,371,932		\$ (1,957,278)	\$	\$ (1,957,278)
Public Safety	13,093,923	1,500,316	\$ 189,202	(10,767,791)		(10,767,791)
Physical Environment	898,955	969,353	342,081	413,479		413,479
Transportation	2,984,493	605,382		(1,050,508)		(1,050,508)
Economic Environment	620,672	1,328,603		(325,647)		(325,647)
Human Services	36,350	295,025		(36,350)		(36,350)
Culture/Recreation	5,397,094	1,355,705		(3,524,812)		(3,524,812)
Interest on Long-term Debt	1,180,340			(1,180,340)		(1,180,340)
Total Governmental Activities	29,541,037	6,963,560	531,283	(18,429,247)	\$ 0	(18,429,247)
Business-type Activities						
Electric	54,527,802	60,196,916	1,157,783	6,826,897		6,826,897
Gas	9,252,854	10,323,662		1,070,808		1,070,808
Water	4,271,287	5,565,429	2,466,550	3,760,692		3,760,692
Wastewater	6,491,042	7,908,315	1,825,514	3,242,787		3,242,787
Solid Waste	2,902,126	3,142,621	(19,393)	221,102		221,102
Communication Services	774,033	1,027,280		253,247		253,247
Total Business-type Activities	\$ 78,219,144	\$ 88,164,223	\$ 5,430,454	0	15,375,533	15,375,533
General Revenues						
Taxes:						
Property Taxes				4,465,410		4,465,410
Utility Service Taxes				2,770,827		2,770,827
Other Taxes				3,906,212		3,906,212
State-shared Revenues - Unrestricted				1,778,692		1,778,692
County-shared Revenues - Unrestricted				201,023		201,023
Investment Income				730,163	578,497	1,308,660
Miscellaneous				(153,755)	163,239	9,484
Transfers from (to) Other Funds				7,537,834	(7,537,834)	0
Total General Revenues, Special Items and Transfers				21,236,406	(6,796,098)	14,440,308
Change in Net Assets				2,807,159	8,579,435	11,386,594
Net Assets, Beginning of Year				66,419,155	103,773,375	170,192,530
Net Assets, End of Year				\$ 69,226,314	\$ 112,352,810	\$ 181,579,124

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, 2006**

	<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>	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 6,378,412	\$ 8,798,321	\$ 1,264,059	\$ 16,440,792
Receivables, Net	835,398	172,798	122,708	1,130,904
Due from Other Governments	381,547	1,013,802	1,045	1,396,394
Prepaid Items	138,851			138,851
Inventory	295,175			295,175
Notes Receivable - Employees	78,596			78,596
Total Assets	<u>8,107,979</u>	<u>9,984,921</u>	<u>1,387,812</u>	<u>19,480,712</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	940,732	1,243,553	53,018	2,237,303
Accrued Wages and Payroll Tax	820,816			820,816
Accrued Interest			576,955	576,955
Unearned Revenue	672,308			672,308
Total Liabilities	<u>2,433,856</u>	<u>1,243,553</u>	<u>629,973</u>	<u>4,307,382</u>
Fund Balances				
Reserved for:				
Notes Receivable - Employees	78,596			78,596
Computer Maintenance	117,483			117,483
Police Education and Other Expenditures	203,716			203,716
Prepays	138,851			138,851
C.U.R.E. Program	1,160			1,160
Capital Projects	528,072	8,741,368		9,269,440
Community Redevelopment	501,764			501,764
Debt Service			470,000	470,000
Unreserved Reported in:				
General Fund	4,104,481			4,104,481
Special Revenue Funds			287,839	287,839
Total Fund Balances	<u>5,674,123</u>	<u>8,741,368</u>	<u>757,839</u>	<u>15,173,330</u>
Total Liabilities and Fund Balances	<u>\$ 8,107,979</u>	<u>\$ 9,984,921</u>	<u>\$ 1,387,812</u>	<u>\$ 19,480,712</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, 2006**

Total Fund Balances of Governmental Funds \$ 15,173,330

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:

Cost of the Assets	\$ 118,678,494	
Accumulated Depreciation	<u>(43,313,539)</u>	75,364,955

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. 3,781,871

Net pension obligation is not an available financial resource, and therefore is not reported as an asset in the governmental funds. 775,809

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	(23,750,000)	
Notes Payable	(231,237)	
Suit Settlement Accrual	(180,000)	
Compensated Absences	<u>(1,708,414)</u>	<u>(25,869,651)</u>

Total Net Assets of Governmental Activities \$ 69,226,314

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, 2006

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 9,335,157	\$ 1,095,068		\$ 10,430,225
Licenses and Permits	1,287,389			1,287,389
Intergovernmental	1,884,696	2,134,148	\$ 2,243,399	6,262,243
Charges for Services	394,246		969,353	1,363,599
Fines and Forfeitures	383,075			383,075
Miscellaneous:				
Interest	326,631	376,107	27,424	730,162
Other	4,507,336	91		4,507,427
Total Revenues	<u>18,118,530</u>	<u>3,605,414</u>	<u>3,240,176</u>	<u>24,964,120</u>
Expenditures				
Current:				
General Government	3,192,720			3,192,720
Public Safety	12,800,910	181,537		12,982,447
Physical Environment	250,592		383,003	633,595
Transportation	1,532,023			1,532,023
Economic Environment	370,460		222,908	593,368
Human Services	36,861			36,861
Culture and Recreation	4,976,305			4,976,305
Capital Outlay	3,729,166	11,646,598	1,450,462	16,826,226
Debt Service:				
Principal Payments	30,000		140,000	170,000
Interest and Fees			1,180,340	1,180,340
(Total Expenditures)	<u>(26,919,037)</u>	<u>(11,828,135)</u>	<u>(3,376,713)</u>	<u>(42,123,885)</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(8,800,507)</u>	<u>(8,222,721)</u>	<u>(136,537)</u>	<u>(17,159,765)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	7,636,714	81,060	185,747	7,903,521
Transfers to Other Funds	(185,747)		(179,940)	(365,687)
Total Other Financing Sources (Uses)	<u>7,450,967</u>	<u>81,060</u>	<u>5,807</u>	<u>7,537,834</u>
Net Change in Fund Balances	(1,349,540)	(8,141,661)	(130,730)	(9,621,931)
Fund Balances, Beginning of Year	<u>7,023,663</u>	<u>16,883,029</u>	<u>888,569</u>	<u>24,795,261</u>
Fund Balances, End of Year	<u>\$ 5,674,123</u>	<u>\$ 8,741,368</u>	<u>\$ 757,839</u>	<u>\$ 15,173,330</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, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ (9,621,931)

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	\$ 16,826,226	
Depreciation Expense	<u>(5,089,191)</u>	11,737,035

Donated capital assets increase net assets.		39,690
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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	140,000	
Note Payable	56,156	
Capital Lease Payments and Other	188,537	
Lawsuit Settlement	<u>30,000</u>	414,693

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		(17,948)
Changes in Net Pension Obligation		(153,727)

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.

Change in Net Assets of Governmental Activities		<u><u>\$ 2,807,159</u></u>
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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, 2006

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents		\$ 1,032,769	\$ 2,333,279	\$ 1,397,316
Restricted Cash and Cash Equivalents:				
Debt Service Account	\$ 389,906	90,164	187,549	259,862
Customer Deposits Account	2,404,866	153,940	194,351	10,805
Landfill Escrow				
Due from Other Funds		800,000	4,441,438	
Due from Other Governments	406,410		1,284,105	3,074
Receivables:				
Customer Accounts - Unbilled	3,354,047	343,382	412,314	637,782
Customer Accounts - Billed	5,031,368	401,197	320,943	668,856
(Allowance for Doubtful Accounts)	(532,208)	(45,417)	(52,951)	(85,274)
Miscellaneous Receivables	364,480			
Inventory	4,358,986		38,745	15,883
Total Current Assets	15,777,855	2,776,035	9,159,773	2,908,304
Noncurrent Assets:				
Restricted Assets:				
Equity in Pooled Cash and Equivalents:				
Renewal and Replacement Account			328,367	493
Impact Fees Account				1,063,049
Depository Trust Account		565,000		
FMPA Loan - Cash with Trustee				
BAN Proceeds			62,518	75,165
Bond Proceeds with Trustee	456	847,894	99,394	202,057
Investments:				
Crystal River Decommissioning Trust Account	4,014,583			
Total Restricted Assets	4,015,039	1,412,894	490,279	1,340,764
Property, Plant and Equipment:				
Land	370,611	95,111	121,945	6,395,330
Buildings	2,441,591	564,610	426,111	7,609,232
Improvements Other Than Buildings	54,617,923	8,039,119	13,747,356	13,323,863
Machinery and Equipment	16,416,232	1,125,833	1,766,184	10,155,657
(Accumulated Depreciation and Amortization)	(28,233,747)	(3,832,688)	(9,724,325)	(15,376,187)
Construction in Progress	12,236,948	4,116,667	20,813,309	24,323,154
Total Property, Plant and Equipment	57,849,558	10,108,652	27,150,580	46,431,049
Other Assets:				
Unamortized Bond Issue Costs	405,921	87,446	208,481	283,965
Total Other Assets	405,921	87,446	208,481	283,965
Total Noncurrent Assets	62,270,518	11,608,992	27,849,340	48,055,778
Total Assets	\$ 78,048,373	\$ 14,385,027	\$ 37,009,113	\$ 50,964,082

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

Total Combined Utility	Business-Type Activities			Governmental Activities
	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 4,763,364	\$ 206,196		\$ 4,969,560	\$ 5,460,319
927,481			927,481	
2,763,962	1,555	\$ 5,050	2,770,567	
0	83,283		83,283	
5,241,438			5,241,438	
1,693,589	3,423		1,697,012	
4,747,525	191,978	45,749	4,985,252	
6,422,364	201,113	58,802	6,682,279	
(715,850)	(41,552)	(25,087)	(782,489)	
364,480			364,480	112,063
4,413,614			4,413,614	
<u>30,621,967</u>	<u>645,996</u>	<u>84,514</u>	<u>31,352,477</u>	<u>5,572,382</u>
328,860			328,860	
1,063,049			1,063,049	
565,000			565,000	
		9,083	9,083	
137,683			137,683	
1,149,801			1,149,801	
4,014,583			4,014,583	
<u>7,258,976</u>	<u>0</u>	<u>9,083</u>	<u>7,268,059</u>	<u>0</u>
6,982,997	28,700		7,011,697	
11,041,544	13,856		11,055,400	
89,728,261	180,030	6,611,753	96,520,044	
29,463,906	110,669	606,618	30,181,193	
(57,166,947)	(136,084)	(1,241,638)	(58,544,669)	
61,490,078		823,853	62,313,931	
<u>141,539,839</u>	<u>197,171</u>	<u>6,800,586</u>	<u>148,537,596</u>	<u>0</u>
985,813	0	0	985,813	0
<u>985,813</u>	<u>0</u>	<u>0</u>	<u>985,813</u>	<u>0</u>
149,784,628	197,171	6,809,669	156,791,468	0
<u>\$ 180,406,595</u>	<u>\$ 843,167</u>	<u>\$ 6,894,183</u>	<u>\$ 188,143,945</u>	<u>\$ 5,572,382</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, 2006
(Concluded)

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Liabilities				
Current Liabilities:				
Accounts and Retainage Payable	\$ 3,501,308	\$ 229,411	\$ 1,341,086	\$ 1,688,913
Accrued Expenses	532,362	113,356	164,459	234,215
Compensated Absences	206,471	63,959	104,406	72,574
Customer Advances for Construction	122,004			8,900
Current Portion of Capital Lease Due to Other Funds	51,002			4,800,000
	<u>4,413,147</u>	<u>406,726</u>	<u>1,609,951</u>	<u>6,804,602</u>
Current Liabilities Payable from Restricted Assets:				
Customer Deposits	2,404,866	153,940	194,351	10,805
Estimated Landfill Closure Cost Payable				
Accrued Interest Payable	389,906	90,164	220,335	299,280
Current Liabilities Payable from Restricted Assets	<u>2,794,772</u>	<u>244,104</u>	<u>414,686</u>	<u>310,085</u>
Total Current Liabilities	<u>7,207,919</u>	<u>650,830</u>	<u>2,024,637</u>	<u>7,114,687</u>
Noncurrent Liabilities:				
Capital Lease Payable				
FMPA Loan Payable				
Refunding Revenue Bonds Payable	16,670,000	3,855,135	8,018,997	11,110,868
(Unamortized Discount and Loss on Refunding)	(433,351)	(69,181)	(154,708)	(285,706)
BAN Payable - Plantation			3,632,598	4,367,402
BAN Payable - SunTrust Banks			1,861,706	2,238,294
Compensated Absences	168,931	52,330	85,423	59,378
Landfill Postclosure Costs Payable				
Decommissioning Costs Payable	4,808,175			
Total Noncurrent Liabilities	<u>21,213,755</u>	<u>3,838,284</u>	<u>13,444,016</u>	<u>17,490,236</u>
Total Liabilities	<u>28,421,674</u>	<u>4,489,114</u>	<u>15,468,653</u>	<u>24,604,923</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	41,612,909	6,322,698	13,791,987	29,000,191
Restricted for:				
Capital Projects	456	847,894	490,279	1,340,764
Gas Depository Trust		565,000		
Unrestricted (Accumulated Deficit)	<u>8,013,334</u>	<u>2,160,321</u>	<u>7,258,194</u>	<u>(3,981,796)</u>
Total Net Assets	<u>\$ 49,626,699</u>	<u>\$ 9,895,913</u>	<u>\$ 21,540,460</u>	<u>\$ 26,359,159</u>

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

<u>Total Combined Utility</u>	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Communication Services</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 6,760,718	\$ 226,707	\$ 27,242	\$ 7,014,667	\$ 451,476
1,044,392	28,843	12,999	1,086,234	1,339,035
447,410	34,336	6,892	488,638	
130,904			130,904	
4,851,002		390,436	5,241,438	
<u>13,234,426</u>	<u>289,886</u>	<u>437,569</u>	<u>13,961,881</u>	<u>1,790,511</u>
2,763,962	1,555	5,050	2,770,567	
	44,633		44,633	
999,685			999,685	
<u>3,763,647</u>	<u>46,188</u>	<u>5,050</u>	<u>3,814,885</u>	<u>0</u>
<u>16,998,073</u>	<u>336,074</u>	<u>442,619</u>	<u>17,776,766</u>	<u>1,790,511</u>
		1,177,000	1,177,000	
39,655,000			39,655,000	
(942,946)			(942,946)	
8,000,000			8,000,000	
4,100,000			4,100,000	
366,062	28,093	5,639	399,794	
	817,346		817,346	
4,808,175			4,808,175	
<u>55,986,291</u>	<u>845,439</u>	<u>1,182,639</u>	<u>58,014,369</u>	<u>0</u>
<u>72,984,364</u>	<u>1,181,513</u>	<u>1,625,258</u>	<u>75,791,135</u>	<u>1,790,511</u>
90,727,785	197,171	6,800,586	97,725,542	
2,679,393			2,679,393	
565,000			565,000	
<u>13,450,053</u>	<u>(535,517)</u>	<u>(1,531,661)</u>	<u>11,382,875</u>	<u>3,781,871</u>
<u>\$107,422,231</u>	<u>\$ (338,346)</u>	<u>\$ 5,268,925</u>	<u>\$ 112,352,810</u>	<u>\$ 3,781,871</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, 2006

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Operating Revenues				
Charges for Services	\$ 59,167,487	\$ 10,140,093	\$ 5,386,339	\$ 7,553,941
Other	1,029,429	183,569	179,090	354,374
Total Operating Revenues	<u>60,196,916</u>	<u>10,323,662</u>	<u>5,565,429</u>	<u>7,908,315</u>
Operating Expenses				
Power Generation and Transmission	1,806,002			
Purchased Energy	42,471,962	6,510,502		
Supply and Pumping				219,504
Treatment			996,738	1,780,931
Distribution and Collection	3,069,096	807,801	1,164,975	1,720,563
Customer Accounts	2,308,706	612,734	845,915	735,830
General and Administrative	2,555,124	1,052,432	875,307	941,813
Operating Expenses				
Depreciation and Amortization	2,316,912	269,385	388,352	1,092,401
Change in Decommissioning/ Postclosure Estimate				
(Total Operating Expenses)	<u>(54,527,802)</u>	<u>(9,252,854)</u>	<u>(4,271,287)</u>	<u>(6,491,042)</u>
Operating Income	<u>5,669,114</u>	<u>1,070,808</u>	<u>1,294,142</u>	<u>1,417,273</u>
Nonoperating Revenues (Expenses)				
Investment Income	146,303	66,205	126,512	232,503
Other Nonoperating Income	344,826	11,332	21,737	4,500
Interest Expenses	(105,550)	(6,587)	(7,927)	(562)
Other Nonoperating Expense	(139,678)			
Total Nonoperating Revenues (Expenses)	<u>245,901</u>	<u>70,950</u>	<u>140,322</u>	<u>236,441</u>
Income Before Contributions and Transfers	<u>5,915,015</u>	<u>1,141,758</u>	<u>1,434,464</u>	<u>1,653,714</u>
Transfers and Capital Contributions				
Capital Contributions/Impact Fees	1,157,783		2,466,550	1,825,514
Transfers to Other Funds	(5,313,768)	(819,789)	(568,075)	(496,900)
Total Transfers and Capital Contributions	<u>(4,155,985)</u>	<u>(819,789)</u>	<u>1,898,475</u>	<u>1,328,614</u>
Change in Net Assets	1,759,030	321,969	3,332,939	2,982,328
Net Assets, Beginning of Year	<u>47,867,669</u>	<u>9,573,944</u>	<u>18,207,521</u>	<u>23,376,831</u>
Net Assets, End of Year	<u>\$ 49,626,699</u>	<u>\$ 9,895,913</u>	<u>\$ 21,540,460</u>	<u>\$ 26,359,159</u>

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

Business-Type Activities				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 82,247,860	\$ 3,109,765	\$ 1,025,192	\$ 86,382,817	\$ 4,319,907
1,746,462	32,856	2,088	1,781,406	
<u>83,994,322</u>	<u>3,142,621</u>	<u>1,027,280</u>	<u>88,164,223</u>	<u>4,319,907</u>
1,806,002			1,806,002	
48,982,464			48,982,464	
219,504			219,504	
2,777,669			2,777,669	
6,762,435			6,762,435	
4,503,185			4,503,185	
5,424,676		488,147	5,912,823	570,112
	2,927,087		2,927,087	3,664,172
4,067,050	19,672	285,886	4,372,608	
	(44,633)		(44,633)	
<u>(74,542,985)</u>	<u>(2,902,126)</u>	<u>(774,033)</u>	<u>(78,219,144)</u>	<u>(4,234,284)</u>
<u>9,451,337</u>	<u>240,495</u>	<u>253,247</u>	<u>9,945,079</u>	<u>85,623</u>
571,523	21,924	(14,950)	578,497	208,278
382,395	18,752	69,161	470,308	115,446
(120,626)	(68)	(46,697)	(167,391)	
(139,678)			(139,678)	
<u>693,614</u>	<u>40,608</u>	<u>7,514</u>	<u>741,736</u>	<u>323,724</u>
<u>10,144,951</u>	<u>281,103</u>	<u>260,761</u>	<u>10,686,815</u>	<u>409,347</u>
5,449,847	(19,393)		5,430,454	
(7,198,532)	(232,339)	(106,963)	(7,537,834)	
<u>(1,748,685)</u>	<u>(251,732)</u>	<u>(106,963)</u>	<u>(2,107,380)</u>	<u>0</u>
8,396,266	29,371	153,798	8,579,435	409,347
<u>99,025,965</u>	<u>(367,717)</u>	<u>5,115,127</u>	<u>103,773,375</u>	<u>3,372,524</u>
<u>\$ 107,422,231</u>	<u>\$ (338,346)</u>	<u>\$ 5,268,925</u>	<u>\$ 112,352,810</u>	<u>\$ 3,781,871</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, 2006

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 59,535,524	\$ 10,754,634	\$ 5,395,075	\$ 7,651,340
Cash Paid to Suppliers for Goods and Services	(49,819,161)	(8,480,677)	(1,597,692)	(2,328,678)
Cash Paid for Insurance Claims				
Cash Paid to Employees for Services	(2,625,600)	(862,393)	(1,066,867)	(1,626,483)
Net Cash Provided by (Used in) Operating Activities	<u>7,090,763</u>	<u>1,411,564</u>	<u>2,730,516</u>	<u>3,696,179</u>
Cash Flows from Noncapital Financing Activities				
Customer Deposits Received (Refunded)	116,118	17,172	26,945	(4,050)
Transfers to Other Funds	(5,313,768)	(819,789)	(509,513)	(496,900)
Transfers from Other Funds	3,870,000			
Issuance of/Proceeds from Interfund Loan	(1,593,998)	580,000	(235,000)	(3,996,917)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(2,921,648)</u>	<u>(222,617)</u>	<u>(717,568)</u>	<u>(4,497,867)</u>
Cash Flows from Capital and Related Financing Activities				
Interest Paid on Revenue Bonds and Customer Deposits	(105,550)	(6,587)	(7,927)	(562)
Acquisition and Construction of Capital Assets	(8,692,671)	(1,002,368)	(8,598,342)	(12,848,621)
Proceeds from Long-term Debt			1,861,706	2,238,294
Principal Paid on Capital Debt	(1,750,000)			
Customer Advances for Construction	71,399			
Capital Contributions	2,465,844		1,189,714	2,779,351
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(8,010,978)</u>	<u>(1,008,955)</u>	<u>(5,554,849)</u>	<u>(7,831,538)</u>
Cash Flows from Investing Activities				
Investment Income	146,303	90,032	126,512	232,503
Purchase of Crystal River Decommissioning Investments	(357,171)			
Other Investing Activities	283,322	3,675	55,600	48,287
Net Cash Provided by (Used in) Investing Activities	<u>72,454</u>	<u>93,707</u>	<u>182,112</u>	<u>280,790</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,769,409)	273,699	(3,359,789)	(8,352,436)
Cash and Cash Equivalents, Beginning of Year	<u>6,564,637</u>	<u>2,416,068</u>	<u>6,565,247</u>	<u>11,361,183</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,795,228</u>	<u>\$ 2,689,767</u>	<u>\$ 3,205,458</u>	<u>\$ 3,008,747</u>

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

Total Combined Utility	Business-Type Activities			Governmental Activities
	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 83,336,573	\$ 3,093,198	\$ 1,048,982	\$ 87,478,753	\$ 4,296,555
(62,226,208)	(2,294,711)	(242,678)	(64,763,597)	(1,040,523)
0				(3,079,570)
(6,181,343)	(541,800)	(213,952)	(6,937,095)	
<u>14,929,022</u>	<u>256,687</u>	<u>592,352</u>	<u>15,778,061</u>	<u>176,462</u>
156,185	140	1,020	157,345	
(7,139,970)	(232,339)	(106,963)	(7,479,272)	
3,870,000			3,870,000	
(5,245,915)	191,917	(39,564)	(5,093,562)	
<u>(8,359,700)</u>	<u>(40,422)</u>	<u>(145,507)</u>	<u>(8,545,629)</u>	<u>0</u>
(120,626)	(68)	(46,697)	(167,391)	
(31,142,002)	(133,562)	(394,572)	(31,670,136)	
4,100,000			4,100,000	
(1,750,000)		(63,000)	(1,813,000)	
71,399			71,399	
6,434,909	(817)		6,434,092	
<u>(22,406,320)</u>	<u>(134,447)</u>	<u>(504,269)</u>	<u>(23,045,036)</u>	<u>0</u>
595,350	21,924	(14,950)	602,324	208,278
(357,171)			(357,171)	
390,884	18,752	69,162	478,798	115,446
<u>629,063</u>	<u>40,676</u>	<u>54,212</u>	<u>723,951</u>	<u>323,724</u>
(15,207,935)	122,494	(3,212)	(15,088,653)	500,186
26,907,135	168,540	17,345	27,093,020	4,960,132
<u>\$ 11,699,200</u>	<u>\$ 291,034</u>	<u>\$ 14,133</u>	<u>\$ 12,004,367</u>	<u>\$ 5,460,318</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, 2006
(Concluded)

	<u>Business-Type Activities</u>			
	<u>Electric Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Water Utility Fund</u>	<u>Wastewater Utility Fund</u>
<u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u>				
Total Unrestricted Equity in Pooled Cash and Cash Equivalents		\$ 1,032,769	\$ 2,333,279	\$ 1,397,316
Total Restricted Equity in Pooled Cash and Cash Equivalents	\$ 2,795,228	1,656,998	872,179	1,611,431
Total Cash and Cash Equivalents, End of Year	<u>\$ 2,795,228</u>	<u>\$ 2,689,767</u>	<u>\$ 3,205,458</u>	<u>\$ 3,008,747</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 5,669,114	\$ 1,070,808	\$ 1,294,142	\$ 1,417,273
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization	2,316,912	269,385	388,352	1,092,401
Decommissioning/Postclosure	326,379			
Decrease (Increase) in Assets:				
Customer Accounts (Net of Allowances)	(631,578)	401,573	(174,763)	(263,135)
Miscellaneous Receivables	51,456			
Inventory				(6,647)
Increase (Decrease) in Liabilities:				
Accounts Payable	(19,513)	(332,800)	1,213,184	1,428,469
Claims Payable				
Accrued Expenses	(595,831)	(11,951)	(3,871)	10,701
Other	(26,176)	14,549	13,472	17,117
Net Cash Provided by (Used in) Operating Activities	<u>\$ 7,090,763</u>	<u>\$ 1,411,564</u>	<u>\$ 2,730,516</u>	<u>\$ 3,696,179</u>
Noncash Capital Activities				
Issue Note to Acquire Utility Plant			<u>\$ 3,632,598</u>	<u>\$ 4,367,402</u>

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

Business-Type Activities				Governmental
Total				Internal
Combined	Solid	Communication	Total	Service
Utility	Waste	Services		Funds
\$ 4,763,364	\$ 289,479		\$ 5,052,843	\$ 5,460,318
6,935,836	1,555	\$ 14,133	6,951,524	
<u>\$ 11,699,200</u>	<u>\$ 291,034</u>	<u>\$ 14,133</u>	<u>\$ 12,004,367</u>	<u>\$ 5,460,318</u>
\$ 9,451,337	\$ 240,495	\$ 253,247	\$ 9,945,079	\$ 85,623
4,067,050	19,672	285,886	4,372,608	
326,379	(44,633)		281,746	
(667,903)	(76,499)	45,722	(698,680)	
51,456			51,456	(23,352)
(6,647)			(6,647)	
2,289,340	124,316	(777)	2,412,879	223,178
0			0	(108,987)
(600,952)	2,350	3,507	(595,095)	
18,962	(9,014)	4,767	14,715	
<u>\$ 14,929,022</u>	<u>\$ 256,687</u>	<u>\$ 592,352</u>	<u>\$ 15,778,061</u>	<u>\$ 176,462</u>
			<u>\$ 8,000,000</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, 2006**

	Employee Retirement Funds
Assets	
Cash and Cash Equivalents	<u>\$ 1,096,221</u>
Investments, at Fair Value:	
U.S. Government Securities	9,718,697
Corporate Bonds	7,595,565
Corporate Stocks	29,496,260
Money Market	<u>1,408,644</u>
Total Investments	48,219,166
Accounts Receivable	151,156
Interest Receivable	<u>171,160</u>
Total Assets	<u>49,637,703</u>
 Liabilities	
Accounts Payable	<u>180,867</u>
Total Liabilities	<u>180,867</u>
 Net Assets	
Held in Trust for:	
Employees' Pension Benefits	<u><u>\$ 49,456,836</u></u>

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, 2006

	Employee Retirement Funds
Additions	
Contributions:	
Employer	\$ 2,409,050
Employee	475,708
Total Contributions	<u>2,884,758</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	2,892,551
Interest and Dividend Income	1,297,137
Other Income	4,629
Total Investment Income	<u>4,194,317</u>
Total Additions	<u>7,079,075</u>
Deductions	
Benefit Payments	2,399,740
Refund of Contributions	1,035,594
Administrative Expense	<u>404,205</u>
(Total Deductions)	<u>(3,839,539)</u>
Net Increase	3,239,536
Net Assets Reserved for Employees'	
Pension Benefits:	
Beginning of Year	<u>46,217,300</u>
End of Year	<u>\$ 49,456,836</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 and Carver Heights Community Redevelopment Agencies as component units of the City pursuant to Section 163.512, Florida Statutes. The Greater Leesburg was created on May 28, 1996, by Resolution 4994. The Carver Heights was created on December 10, 2001, by Ordinance 01-61. 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 2006, \$1,854,964 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 45 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**

No individual funds contained an excess of expenditures over appropriations during the fiscal year ended September 30, 2006. 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, 2006, are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and Cash Equivalents	\$ 26,953,954
Restricted:	
Cash and Cash Equivalents	6,951,524
Investments	4,014,583
Statement of Fiduciary Net Assets	
Cash Equivalents	1,096,221
Investments	<u>48,219,166</u>
Total Cash and Investments	<u>\$ 87,235,448</u>

Deposits and investments consist of the following:

Governmental and Business-type Activities	
Cash Deposits	\$ (924,442)
Investments	21,696,978
Investments with Fiscal Agent:	
Debt Service Fund	1,046,955
Capital Projects Fund Bond Proceeds	9,443,705
Utilities Bond Proceeds	1,149,801
Utilities CR3 Decommissioning Trust	4,014,583
Utilities Debt Service Account	927,481
Utilities Gas Deposit Account	565,000
Fiduciary Net Assets	
Defined Benefit Pension Plan Investments	<u>49,315,387</u>
Total Cash and Investments	<u>\$ 87,235,448</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, 2006, the City 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>
Repurchase Agreements	\$12,771,000	\$12,771,000	
State of Florida, SBA	114,381	114,381	
FNMA	2,898,750		\$ 2,898,750
FHLMC	2,993,472	2,993,472	
FHLB	<u>2,919,375</u>		<u>2,919,375</u>
Total	<u>\$21,696,978</u>	<u>\$15,878,853</u>	<u>\$ 5,818,125</u>

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 \$12,771,000 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, 2006, 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	\$ 618,532	\$ 618,532			
U.S. Government and Agencies	1,575,889	438,964	\$ 806,408	\$ 184,364	\$ 146,153
Corporate Obligations	<u>763,978</u>	<u>35,732</u>	<u>403,273</u>	<u>302,483</u>	<u>22,490</u>
Total	2,958,399	<u>\$ 1,093,228</u>	<u>\$ 1,209,681</u>	<u>\$ 486,847</u>	<u>\$ 168,643</u>
Corporate Stocks	<u>5,306,523</u>				
Total	<u>\$ 8,264,922</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; FMNA investments of \$473,984, Goldman Sachs Money Market Account of \$618,532 and U.S. Treasury notes of \$860,924.

As of September 30, 2006, 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	\$ 1,426,980	\$ 1,426,980			
U.S. Government and Agencies	6,823,948		\$ 4,963,874	\$ 1,860,074	
Corporate Obligations	3,126,454		1,732,264	1,394,190	
Mutual Funds	<u>1,154,867</u>	<u>1,154,867</u>			
Total	12,532,249	<u>\$ 2,581,847</u>	<u>\$ 6,696,138</u>	<u>\$ 3,254,264</u>	<u>\$ 0</u>
Corporate Stocks	<u>17,244,470</u>				
Total	<u>\$29,776,719</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 \$4,168,507 and FHLM investments of \$1,502,278.

As of September 30, 2006, 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	\$ 459,293	\$ 459,293			
U.S. Government and Agencies	2,662,074	31,700	\$ 111,267	\$ 1,630,627	\$ 888,480
Corporate Obligations	1,234,527	0	466,030	705,695	62,802
Mutual Funds	936,711	936,711			
Total	<u>5,292,605</u>	<u>\$ 1,427,704</u>	<u>\$ 577,297</u>	<u>\$ 2,336,322</u>	<u>\$ 951,282</u>
Corporate Stocks	5,989,706				
Total	<u>\$11,282,311</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 U.S. Treasury notes \$892,128, and FHLM investments of \$572,658.

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:

	Rating				
	Total	AAA	AA	A	BBB
Retirement Plan					
Municipal Firemen	\$ 763,978	\$ 40,254	\$ 85,265	\$ 422,882	\$ 215,577
General Employees	3,126,454	2,431,785	348,226	346,443	
Municipal Police	<u>1,234,527</u>	<u>44,551</u>	<u>392,496</u>	<u>573,221</u>	<u>224,259</u>
Totals	<u>\$ 5,124,959</u>	<u>\$ 2,516,590</u>	<u>\$ 825,987</u>	<u>\$ 1,342,546</u>	<u>\$ 439,836</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:

Type of Receivable	General	Enterprise	Nonmajor and Other Funds	Total
	Fund	Funds	Other Funds	Total
Accounts Receivable - Billed	\$ 835,398	\$ 4,985,252	\$ 231,131	\$ 6,051,781
Accounts Receivable - Unbilled		<u>6,682,279</u>	<u>73,383</u>	<u>6,755,662</u>
Total	835,398	11,667,531	304,514	12,807,443
(Less: Allowance for Uncollectible Accounts)		<u>(782,489)</u>	<u>(9,008)</u>	<u>(791,497)</u>
Accounts Receivable (Net)	<u>\$ 835,398</u>	<u>\$ 10,885,042</u>	<u>\$ 295,506</u>	<u>\$ 12,015,946</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 \$672,308 reported as deferred revenue in the general fund consists of the following:

Type of Unearned Revenue	Amount
Occupational License Revenue	\$ 177,887
Customer Deposits and Advance Property Rentals	162,321
Unearned Interest	328,347
Grant Deferred Revenue	3,663
Miscellaneous	<u>90</u>
Total	<u>\$ 672,308</u>

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

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 8,058,958	\$ 58,691		\$ 8,117,649
Construction in Progress	<u>12,995,896</u>	<u>13,319,159</u>	\$ (4,500,536)	<u>21,814,519</u>
Total Capital Assets Not Being Depreciated	<u>21,054,854</u>	<u>13,377,850</u>	<u>(4,500,536)</u>	<u>29,932,168</u>
Capital Assets Being Depreciated:				
Buildings	21,762,961	4,491,371		26,254,332
Improvements Other Than Buildings	14,511,521	563,562		15,075,083
Equipment	24,383,324	2,932,270	(614,259)	26,701,335
Infrastructure (Road and Streets)	<u>20,715,576</u>			<u>20,715,576</u>
Total Capital Assets Being Depreciated	<u>81,373,382</u>	<u>7,987,203</u>	<u>(614,259)</u>	<u>88,746,326</u>
Less Accumulated Depreciation for:				
Buildings	(4,884,508)	(642,179)		(5,526,687)
Improvements Other Than Buildings	(6,419,059)	(776,928)		(7,195,987)
Equipment	(15,505,579)	(2,650,542)	615,658	(17,540,463)
Infrastructure (Roads and Streets)	<u>(12,030,860)</u>	<u>(1,019,542)</u>		<u>(13,050,402)</u>
Total Accumulated Depreciation	<u>(38,840,006)</u>	<u>(5,089,191)</u>	<u>615,658</u>	<u>(43,313,539)</u>
Total Being Depreciated, Net	<u>42,533,376</u>	<u>2,898,012</u>	<u>1,399</u>	<u>45,432,787</u>
Governmental Activities Capital Assets, Net	<u>\$ 63,588,230</u>	<u>\$ 16,275,862</u>	<u>\$ (4,499,137)</u>	<u>\$ 75,364,955</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 7,039,212		\$ (27,515)	\$ 7,011,697
Construction in Progress	<u>30,495,338</u>	<u>\$38,265,825</u>	<u>(6,447,233)</u>	<u>62,313,930</u>
Total Capital Assets Not Being Depreciated	<u>37,534,550</u>	<u>38,265,825</u>	<u>(6,474,748)</u>	<u>69,325,627</u>
Capital Assets Being Depreciated:				
Buildings	11,053,484	1,915		11,055,400
Improvements Other Than Buildings	98,584,078	6,148,092	(617,174)	104,114,996
Equipment	<u>22,501,744</u>	<u>84,499</u>		<u>22,586,243</u>
Total Capital Assets Being Depreciated	<u>132,139,306</u>	<u>6,234,506</u>	<u>(617,174)</u>	<u>137,756,638</u>
Less Accumulated Depreciation for:				
Buildings	(2,902,176)	(227,760)		(3,129,936)
Improvements Other Than Buildings	(38,411,654)	(2,906,843)	993,536	(40,324,961)
Equipment	<u>(14,111,959)</u>	<u>(977,814)</u>		<u>(15,089,773)</u>
Total Accumulated Depreciation	<u>(55,425,789)</u>	<u>(4,112,417)</u>	<u>993,536</u>	<u>(58,544,670)</u>
Total Being Depreciated, Net	<u>76,713,517</u>	<u>2,122,089</u>	<u>376,362</u>	<u>79,211,968</u>
Total Business-type Activities Capital Assets, Net	<u>\$ 114,248,067</u>	<u>\$ 40,387,914</u>	<u>\$ (6,098,386)</u>	<u>\$ 148,537,595</u>

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

Note 6 - Capital Assets (Concluded)

Depreciation Expense - Governmental Activities	
General Government and Administration	\$ 2,380,896
Public Safety	448,863
Physical Environment	273,867
Transportation	1,446,950
Economic Environment	27,471
Parks and Recreation	<u>511,144</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,089,191</u>
Depreciation Expense - Business-type Activities	
Electric Utility	\$ 2,316,912
Gas Utility	269,385
Water Utility	388,352
Wastewater Utility	1,092,401
Solid Waste Utility	19,672
Communication Services	<u>285,886</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 4,372,608</u>

Note 7 - Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Gas Utility	Wastewater Utility	\$ 800,000
Water Utility	Wastewater Utility	4,000,000
Water Utility	Electric Utility	51,002
Water Utility	Communication Services	<u>390,436</u>
Total		<u>\$ 5,241,438</u>

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>	
Transfer Out					
Electric Utility	\$ 5,256,572	\$ 57,196			\$ 5,313,768
Gas Utility	819,789				819,789
Water Utility	544,211	23,864			568,075
Wastewater Utility	496,900				496,900
Communications Services	106,963				106,963
Solid Waste	232,339				232,339
General Fund			\$ 185,748		185,748
Nonmajor Governmental	<u>179,940</u>				<u>179,940</u>
Total Transfers Out	<u>\$ 7,636,714</u>	<u>\$ 81,060</u>	<u>\$ 185,748</u>	<u>\$ 0</u>	<u>\$ 7,903,522</u>

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, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Revenue Bonds and Notes:					
Capital Improvement Revenue Bonds - 1999	\$ 6,780,000		\$ (140,000)	\$ 6,640,000	\$ 155,000
Capital Improvement Revenue Bonds - 2004	17,110,000			17,110,000	325,000
Note Payable - 1999 GLCRA	167,151		(15,645)	151,506	16,486
Note Payable - Aerostat	<u>120,242</u>		<u>(40,511)</u>	<u>79,731</u>	<u>42,584</u>
Total Revenue Bonds and Notes	<u>24,177,393</u>	<u>\$ 0</u>	<u>(196,156)</u>	<u>23,981,237</u>	<u>539,070</u>
Other Liabilities:					
Compensated Absences	1,690,497	1,408,124	(1,390,207)	1,708,414	939,628
Suit Settlement	210,000		(30,000)	180,000	60,000
Lease Purchase of Vehicles	<u>188,537</u>		<u>(188,537)</u>		
Total Other Liabilities	<u>2,089,034</u>	<u>1,408,124</u>	<u>(1,608,744)</u>	<u>1,888,414</u>	<u>999,628</u>
Total Governmental Activities	<u>\$ 26,266,427</u>	<u>\$ 1,408,124</u>	<u>\$ (1,804,900)</u>	<u>\$ 25,869,651</u>	<u>\$ 1,538,698</u>
Business-type Activities					
Revenue Bonds and Notes Payable:					
Electric System Revenue Bonds - 2004	\$ 16,670,000			\$ 16,670,000	
Utility System Revenue Bonds - 2004	22,985,000			22,985,000	
Bond Anticipation Note		\$ 8,000,000		8,000,000	
Bond Anticipation Note		4,000,000		4,000,000	
Bond Anticipation Note		100,000		100,000	
Less Deferred Refundings and Discounts	(1,047,244)		\$ 104,298	(942,946)	
Notes Payable FMPA Pooled	<u>1,240,000</u>		<u>(63,000)</u>	<u>1,177,000</u>	
Total Revenue Bonds and Notes Payable	<u>39,847,756</u>	<u>12,100,000</u>	<u>41,298</u>	<u>51,989,054</u>	<u>\$ 0</u>
Other Liabilities:					
CR#3 Decommissioning Cost Payable	4,481,796	326,379		4,808,175	
Landfill Postclosure Payable	906,613		(44,634)	861,979	44,634
Compensated Absences	873,717	584,229	(569,514)	888,432	488,638
Capital Lease Payable	<u>1,750,000</u>		<u>(1,750,000)</u>		
Total Other Liabilities	<u>8,012,126</u>	<u>910,608</u>	<u>(2,364,148)</u>	<u>6,558,586</u>	<u>533,272</u>
Total Business-type Activities	<u>\$ 47,859,882</u>	<u>\$ 13,010,608</u>	<u>\$ (2,322,850)</u>	<u>\$ 58,547,640</u>	<u>\$ 533,272</u>

The following is a schedule of bonds and notes outstanding at September 30, 2006:

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

Note 8 - Long-term Liabilities (Continued)

Description of Bonds	Purpose of Issue	Issued	Outstanding	Rates
Governmental Activities				
Revenue Bonds and Revenue Notes:				
Capital Improvement Revenue				
Bonds - 1999 GLCRA	Capital Improvement	\$ 7,345,000	\$ 6,640,000	3.65% - 5.50%
Capital Improvement Revenue				
Bonds - 2004	Capital Improvement	17,110,000	17,110,000	2.50% - 5.00%
Note Payable	Real Estate	249,284	151,506	5.25%
Note Payable	Real Estate	<u>126,800</u>	<u>79,731</u>	5.00%
Total Governmental Activities		<u>\$ 24,831,084</u>	<u>\$ 23,981,237</u>	
Business-type Activities				
Notes Payable FMPA Pooled Loan	Fiber Optic Cable	\$ 1,300,000	\$ 1,177,000	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	Water/Wastewater	8,000,000	8,000,000	3.00%
Bond Anticipation Note	Water/Wastewater	4,000,000	4,000,000	4.49%
Bond Anticipation Note	Water/Wastewater	<u>100,000</u>	<u>100,000</u>	Variable
Total Business-type Activities		<u>\$ 53,055,000</u>	<u>\$ 52,932,000</u>	

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

Fiscal Year	Bonds Payable			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 485,000	\$ 1,139,115		\$ 1,854,964
2008	500,000	1,123,696	\$ 770,000	1,833,789
2009	515,000	1,105,816	790,000	1,810,089
2010	535,000	1,086,521	815,000	1,784,009
2011	555,000	1,066,611	845,000	1,755,279
2012-2016	3,150,000	4,973,618	4,695,000	8,244,131
2017-2021	3,930,000	4,190,232	5,770,000	7,077,725
2022-2026	5,060,000	3,055,038	7,320,000	5,430,250
2027 -2031	5,510,000	1,600,155	9,345,000	3,306,500
2032-2034	<u>3,510,000</u>	<u>321,713</u>	<u>9,305,000</u>	<u>726,500</u>
Total	<u>\$ 23,750,000</u>	<u>\$ 19,662,515</u>	<u>\$ 39,655,000</u>	<u>\$ 33,823,236</u>

Fiscal Year	Notes Payable			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 59,070	\$ 10,581	\$ 66,000	\$ 480,167
2008	54,519	7,531	70,000	477,693
2009	18,307	5,740	73,000	475,113
2010	19,292	4,755	12,177,000	31,492
2011	20,329	3,718	81,000	35,640
2012-2016	59,719	4,408	447,000	75,941
2017-2020			<u>363,000</u>	<u>24,493</u>
Total	<u>\$ 231,236</u>	<u>\$ 36,733</u>	<u>\$ 13,277,000</u>	<u>\$ 1,600,539</u>

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

Note 8 - Long-term Liabilities (Continued)

Governmental Activity Liabilities

A summary of all governmental long-term debt as of September 30, 2006, 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, 2006, was \$79,731.

■ **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 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, 2006:

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

Note 8 - Long-term Liabilities (Continued)

Governmental Activity Liabilities (Continued)

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

● **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.

● **Utility System Revenue Bonds, Series 2006**

The 2006 bonds are fully registered bonds and are collateralized by a pledge of the net 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.

● **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, 2006, was \$1,177,000.

● **Bond Anticipation Notes**

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:

	<u>\$8,000</u> <u>Note</u>	<u>\$7,000</u> <u>Notes</u>
Interest Rate	3.00%	Variable
Maturity Date	10/1/09	10/1/09
Collateral	Separate Acquired Utility System	Subordinate Net Revenues of Existing Gas, Water and Waste- water System

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

Note 8 - Long-term Liabilities (Continued)

Governmental Activity Liabilities (Continued)

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

● **Bond Anticipation Notes (Concluded)**

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

● **Capital Lease, CSX Land**

The City entered a lease purchase agreement with the Trust for Public Land for the purchase of a 6.7 mile tract of CSX Railroad property. The total cost of the land was \$2,800,220, which will be partially funded by a grant from Florida Communities Trust in the amount of \$1,711,111. As of December 22, 2005, \$513,214 has been received from Florida Communities Trust under the grant. The lease has a term of three years and requires a payment of \$583,333 on the anniversary of the commencement date each year. The lease was paid off in 2006.

● **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.

Balance, September 30, 2005	\$	906,613
Adjustment of Estimate		37,201
Total Annual Costs Paid		(81,835)
Balance, September 30, 2006		861,979
(Current Maturities)		(44,633)
Total Long-term Portion		\$ 817,346

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 \$861,979 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, 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:

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

Note 8 - Long-term Liabilities (Concluded)

Governmental Activity Liabilities (Concluded)

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

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

<u>Transaction Date</u>	<u>Amount</u>
Balance, September 30, 2005	\$ 80,053
Investment Income	3,230
Balance, September 30, 2006	\$ 83,283

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, 2006, the City has a balance in the trust fund of \$4,014,583.

- **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>
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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. The leased facilities are included in the City's governmental activity capital assets. The following is a schedule of minimum future lease income on noncancelable operating leases:

<u>September 30,</u>	<u>Amount</u>
2007	\$ 468,160
2008	384,446
2009	305,729
2010	365,599
2011 - 2015	1,978,668
2016 - 2020	1,844,837
2021 - 2025	953,299
2026 - 2030	13,656
Total Minimum Lease Payments	\$ 6,314,394

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, 2006, was \$30,201 (cost of \$7,594,950 less accumulated depreciation of \$7,564,749).

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 65. 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 45 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 11.2% of the covered payroll for fiscal year 2005-2006.

■ **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 50 with 25 years of credited service, or age 55 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 52 with 25 years of credited service, or age 55 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 11.2% of the covered payroll for fiscal year 2005-2006.

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	10/01/05	10/01/05	10/01/05
	GERP	MPRP	MFRP
Retirees and Beneficiaries Receiving Benefits	138	18	14
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	127	5	2
Active Plan Members	424	64	44
Total	689	87	60

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:

	GERP	MPRP	MFRP
Annual Required Contribution (ARC)	\$ 1,745,388	\$ 581,296	\$ 769,306
Interest on Net Pension Obligation (NPO)	(27,434)	(7,419)	(22,652)
Annual Pension Cost	1,717,954	573,877	746,654
Contributions Made	(1,900,689)	(435,364)	(548,705)
Increase/Decrease in NPO	(182,735)	138,513	197,949
Net Pension Obligation, Beginning of Year	(587,716)	(100,051)	(241,769)
Net Pension Obligation, End of Year	\$ (770,451)	\$ 38,462	\$ (43,820)

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>
<u>GERP</u>			
09/30/04	\$ 1,159,009	100%	\$ (654,933)
09/30/05	1,461,550	95%	(587,716)
09/30/06	1,717,954	111%	(770,451)
<u>MPRP</u>			
09/30/04	\$ 106,018	110%	\$ (48,367)
09/30/05	571,474	109%	(100,051)
09/30/06	573,877	76%	38,462
<u>MFRP</u>			
09/30/04	\$ 419,247	93%	\$ (447,360)
09/30/05	642,474	68%	(241,769)
09/30/06	746,654	73%	(43,820)

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>
Valuation Date	October 1, 2005	October 1, 2005	October 1, 2005
Actual Cost Method	Frozen Entry Age	Frozen Entry Age	Aggregate Actuarial Cost
Amortization Method	Level Dollar	Level Dollar, Closed	N/A
Remaining Amortization Period	29 Years	29 Years	N/A
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions:			
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, 2006

	<u>Municipal Police Retirement Plan</u>	<u>Municipal Firemen's Retirement Plan</u>	<u>General Employees' Retirement Plan</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 459,396	\$ 618,533	\$ 18,292	\$ 1,096,221
Investments, at Fair Value:				
U.S. Government Securities	1,336,734	1,558,014	6,823,949	9,718,697
Corporate Bonds	2,559,867	754,334	4,281,364	7,595,565
Corporate Stocks	6,926,417	5,295,662	17,274,181	29,496,260
Money Market			1,408,644	1,408,644
Total Investments	<u>10,823,018</u>	<u>7,608,010</u>	<u>29,788,138</u>	<u>48,219,166</u>
Accounts Receivable	0	0	151,156	151,156
Interest Receivable	42,434	38,380	90,346	171,160
Total Assets	<u><u>11,324,848</u></u>	<u><u>8,264,923</u></u>	<u><u>30,047,932</u></u>	<u><u>49,637,703</u></u>
Liabilities				
Accounts Payable	0	0	180,867	180,867
Total Liabilities	<u>0</u>	<u>0</u>	<u>180,867</u>	<u>180,867</u>
Net Assets Reserved for Employees' Pension Benefits	<u><u>\$ 11,324,848</u></u>	<u><u>\$ 8,264,923</u></u>	<u><u>\$ 29,867,065</u></u>	<u><u>\$ 49,456,836</u></u>

SCHEDULE OF THE CHANGE IN PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2006

Additions				
Contributions:				
Employer	\$ 184,828	\$ 323,533	\$ 1,900,689	\$ 2,409,050
Employee	250,536	225,172		475,708
Total Contributions	<u>435,364</u>	<u>548,705</u>	<u>1,900,689</u>	<u>2,884,758</u>
Investment Income:				
Net Appreciation in Fair Value of Investments	758,668	516,241	1,617,642	2,892,551
Interest and Dividend Income	320,793	188,090	788,254	1,297,137
Other Income	3,598	1,031		4,629
Total Investment Income	<u>1,083,059</u>	<u>705,362</u>	<u>2,405,896</u>	<u>4,194,317</u>
Total Additions	<u>1,518,423</u>	<u>1,254,067</u>	<u>4,306,585</u>	<u>7,079,075</u>
Deductions				
Benefit Payments	500,998	392,655	1,506,087	2,399,740
Refund of Contributions	675,488	360,106		1,035,594
Administrative Expense	108,769	68,571	226,865	404,205
(Total Deductions)	<u>(1,285,255)</u>	<u>(821,332)</u>	<u>(1,732,952)</u>	<u>(3,839,539)</u>
Net Increase	<u>233,168</u>	<u>432,735</u>	<u>2,573,633</u>	<u>3,239,536</u>
Net Assets Reserved for Employees' Pension Benefits:				
Beginning of Year	11,091,680	7,832,188	27,293,432	46,217,300
End of Year	<u><u>\$ 11,324,848</u></u>	<u><u>\$ 8,264,923</u></u>	<u><u>\$ 29,867,065</u></u>	<u><u>\$ 49,456,836</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, 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>
Total	<u>\$ 1,448,022</u>	<u>\$ 2,970,583</u>	<u>\$ (3,079,570)</u>	<u>\$ 1,339,035</u>

	<u>Balance October 1, 2004</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>(Claims Paid)</u>	<u>Balance September 30, 2005</u>
Employee Health Insurance Fund	\$ 382,891	\$ 2,293,307	\$ (2,148,871)	\$ 527,327
Workers' Compensation Insurance Fund	<u>559,747</u>	<u>615,236</u>	<u>(254,288)</u>	<u>920,695</u>
Total	<u>\$ 942,638</u>	<u>\$ 2,908,543</u>	<u>\$ (2,403,159)</u>	<u>\$ 1,448,022</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, 2006, 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 50 and 58 may remain in the City's plan and pay all premium costs. Employees retiring on or after attaining age 58 with at least 15 years of service remain in the plan with all employee premiums paid by the City. Retirees reaching the age of 65 with less than 15 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 \$660,835 were recognized for postretirement health care, which were offset by \$174,294 of retiree premiums paid. Currently, there are 135 retirees that the City continues to pay health insurance premiums for and 47 who are responsible for all or one-half of their premiums as discussed above.

Note 17 - Construction Commitments

As of September 30, 2006, the City had the following commitments related to significant unfinished construction projects:

	Expended as of September 30, 2006	Remaining Commitment
New Library	\$ 4,547,073	\$ 2,270,047
Stormwater Master Plan	98,084	5,230
Marshall Drive	25,195	12,731
Tally Basin	93	20,637
Canal Street Improvements	2,681,704	73,340
Sleepy Hollow Recreation Complex	16,286	75,079
Whispering Pines Drainage Basins	91,961	36,049
Heritage Estates	2,108,410	12,273
City Hall Annex	54,038	336,138
Public Works Facility	1,951,239	10,685
City Hall Parking Lot	146,756	87,568
Dog Park	976	16,226
Magnolia Street Improvements	69,224	145,143
Intersection Improvements at Lake and Main Streets		14,550
Hwy 441 Mast Arm	61,948	6,883

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

Note 17 - Construction Commitments (Concluded)

	Expended as of September 30, 2006	Remaining Commitment
Environmental Assessment	\$ 196,371	\$ 7,416
Small Corporate Hangers	77,957	549,215
Gymnasium	694,046	6,660
Canal Street WWTP	12,860,426	5,129,761
Canal Street Drainage Ditch Piping	300	74,406
SCADA RTU's	320,822	11,616
Airport Water Treatment Plant	3,247	7,739
Royal Highlands Water Treatment Plant	99,724	81,337
Well Upgrades	23,794	5,220
Main Water Treatment Plant	3,456	181,500
Moose Lodge	9,250	1,850
Booster Pump - East	4,293	9,739
Utility Relocation Project		15,291
Life Station Rehab	242,023	55,741
New Sewer Line Extensions	28,908	835
Totals	\$ 26,417,604	\$ 9,260,905

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,173,419	\$ 9,223,419	\$ 9,335,157	\$ 111,738
Licenses and Permits	997,250	997,250	1,287,389	290,139
Intergovernmental	1,181,349	1,632,738	1,884,696	251,958
Charges for Services	309,350	309,350	394,246	84,896
Fines and Forfeitures	358,600	358,600	383,075	24,475
Miscellaneous:				
Interest	174,772	174,772	326,631	151,859
Other	5,200,476	5,228,476	4,507,336	(721,140)
Total Revenues	<u>17,395,216</u>	<u>17,924,605</u>	<u>18,118,530</u>	<u>193,925</u>
Expenditures				
Current:				
General Government	3,158,053	3,296,992	3,192,720	104,272
Public Safety	12,137,304	12,607,983	12,800,910	(192,927)
Physical Environment	230,101	222,891	250,592	(27,701)
Transportation	1,564,433	1,321,566	1,532,023	(210,457)
Economic Environment	316,389	415,789	370,460	45,329
Human Services	54,994	54,994	36,861	18,133
Culture and Recreation	4,985,007	5,030,687	4,976,305	54,382
Capital Outlay	3,464,425	4,867,387	3,729,166	1,138,221
Debt Service:				
Principal Payments	60,000	60,000	30,000	30,000
(Total Expenditures)	<u>(25,970,706)</u>	<u>(27,878,289)</u>	<u>(26,919,037)</u>	<u>959,252</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(8,575,490)</u>	<u>(9,953,684)</u>	<u>(8,800,507)</u>	<u>1,153,177</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	7,649,344	7,707,551	7,636,714	(70,837)
Transfers to Other Funds	(186,368)	(223,973)	(185,747)	(38,226)
Total Other Financing Sources (Uses)	<u>7,462,976</u>	<u>7,483,578</u>	<u>7,450,967</u>	<u>(109,063)</u>
Net Change in Fund Balances	(1,112,514)	(2,470,106)	(1,349,540)	1,044,114
Fund Balance, Beginning of Year	<u>7,023,663</u>	<u>7,023,663</u>	<u>7,023,663</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 5,911,149</u>	<u>\$ 4,553,557</u>	<u>\$ 5,674,123</u>	<u>\$ 1,044,114</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)	Funded Ratio	Annual Covered Payroll	UAAL as Percent of Payroll
			Accrued Liability (UAAL)			
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%
10/1/1997	21,395,049	22,249,400	854,351	96.16%	8,466,060	10.09%

Municipal Police Retirement Plan

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded)	Funded Ratio	Annual Covered Payroll	UAAL as Percent of Payroll
			Accrued Liability (UAAL)			
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%
10/1/1997	7,323,316	7,957,129	633,813	92.03%	1,724,558	36.75%

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
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%
1998	285,800	256.9%	0	100.0%	123,459	213%

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:

	<u>GERP</u>	<u>MPRP</u>	<u>MFRP</u>
Valuation Date	October 1, 2005	October 1, 2005	October 1, 2005
Actuarial Cost Method	Frozen Entry Age	Frozen Entry Age	Aggregate Actuarial Cost
Amortization Method	Level Dollar	Level Dollar, Closed	N/A
Remaining Amortization Period	29 years	29 Years	N/A
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions:			
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 amortized 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
SEPTEMBER 30, 2006**

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>Stormwater Fund</u>	<u>Greater Leesburg Community Redevelopment Fund</u>	<u>Carver Heights Community Redevelopment Fund</u>	<u>Debt Service Fund</u>	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 137,877		\$ 78,938	\$ 1,047,244	\$ 1,264,059
Receivables, Net	122,708				122,708
Due from Other Governments	1,045				1,045
Total Assets	<u>261,630</u>	<u>\$ 0</u>	<u>78,938</u>	<u>1,047,244</u>	<u>1,387,812</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	52,729			289	53,018
Accrued Interest				576,955	576,955
Total Liabilities	<u>52,729</u>	<u>0</u>	<u>0</u>	<u>577,244</u>	<u>629,973</u>
Fund Balances					
Reserved for:					
Debt Service				470,000	470,000
Unreserved	208,901		78,938		287,839
Total Fund Balances	<u>208,901</u>	<u>0</u>	<u>78,938</u>	<u>470,000</u>	<u>757,839</u>
Total Liabilities and Fund Balances	<u>\$ 261,630</u>	<u>\$ 0</u>	<u>\$ 78,938</u>	<u>\$ 1,047,244</u>	<u>\$ 1,387,812</u>

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>Stormwater Fund</u>	<u>Greater Leesburg Community Redevelopment Fund</u>	<u>Carver Heights Community Redevelopment Fund</u>	<u>Debt Service Fund</u>	
Revenues					
Intergovernmental	\$ 342,081	\$ 237,655	\$ 37,371	\$ 1,626,292	\$ 2,243,399
Charges for Services	969,353				969,353
Miscellaneous:					
Interest	17,401	6,950	3,073		27,424
Total Revenues	<u>1,328,835</u>	<u>244,605</u>	<u>40,444</u>	<u>1,626,292</u>	<u>3,240,176</u>
Expenditures					
Current:					
Physical Environment	383,003				383,003
Economic Environment		201,125	21,783		222,908
Capital Outlay	1,450,462				1,450,462
Debt Service:					
Principal				140,000	140,000
Interest		24,047		1,156,293	1,180,340
(Total Expenditures)	<u>(1,833,465)</u>	<u>(225,172)</u>	<u>(21,783)</u>	<u>(1,296,293)</u>	<u>(3,376,713)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(504,630)</u>	<u>19,433</u>	<u>18,661</u>	<u>329,999</u>	<u>(136,537)</u>
Other Financing Sources (Uses)					
Transfers from Other Funds		160,507	25,240		185,747
Transfers to Other Funds		(179,940)			(179,940)
Total Other Financing (Uses) Sources	<u>0</u>	<u>(19,433)</u>	<u>25,240</u>	<u>0</u>	<u>5,807</u>
Net Change in Fund Balance	<u>(504,630)</u>	<u>0</u>	<u>43,901</u>	<u>329,999</u>	<u>(130,730)</u>
Fund Balances, Beginning of Year	<u>713,531</u>	<u>0</u>	<u>35,037</u>	<u>140,001</u>	<u>888,569</u>
Fund Balances, End of Year	<u>\$ 208,901</u>	<u>\$ 0</u>	<u>\$ 78,938</u>	<u>\$ 470,000</u>	<u>\$ 757,839</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Actual Amounts</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Taxes	\$ 1,095,068	\$ 1,374,155	\$ (279,087)
Intergovernmental	2,134,148	4,999,061	(2,864,913)
Miscellaneous:			
Interest	376,107	496,326	(120,219)
Other	91	312,995	(312,904)
Total Revenues	<u>3,605,414</u>	<u>7,182,537</u>	<u>(3,577,123)</u>
Expenditures			
Current:			
Public Safety	181,537		(181,537)
Capital Outlays:			
Public Safety	97,046	1,119,284	1,022,238
Physical Environment	4,109,280	7,744,052	3,634,772
Transportation	3,538,463	6,920,753	3,382,290
Culture and Recreation	3,901,809	6,760,685	2,858,876
(Total Expenditures)	<u>(11,828,135)</u>	<u>(22,544,774)</u>	<u>10,716,639</u>
Excess of Revenues Over Expenditures	<u>(8,222,721)</u>	<u>(15,362,237)</u>	<u>7,139,516</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	81,060	55,186	25,874
Total Other Financing Sources (Uses)	<u>81,060</u>	<u>55,186</u>	<u>25,874</u>
Net Change in Fund Balances	(8,141,661)	(15,307,051)	7,165,390
Fund Balance, Beginning of Year	<u>16,883,029</u>	<u>16,883,029</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 8,741,368</u>	<u>\$ 1,575,978</u>	<u>\$ 7,165,390</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 342,081	\$ 1,740,400	\$ (1,398,319)
Charges for Services:			
Utility Fees	969,353	927,700	41,653
Miscellaneous:			
Interest	17,401	21,251	(3,850)
Total Revenues	<u>1,328,835</u>	<u>2,689,351</u>	<u>(1,360,516)</u>
Expenditures			
Current Operating			
Physical Environment:			
Personal Services	137,712	151,422	13,710
Operating Expenditures	245,291	691,052	445,761
Capital Outlay	1,450,462	3,249,793	1,799,331
(Total Expenditures)	<u>(1,833,465)</u>	<u>(4,092,267)</u>	<u>2,258,802</u>
(Deficiency) of Revenues (Under)			
Expenditures	<u>(504,630)</u>	<u>(1,402,916)</u>	<u>898,286</u>
Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(504,630)	(1,402,916)	898,286
Fund Balance, Beginning of Year	<u>713,531</u>	<u>713,531</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 208,901</u>	<u>\$ (689,385)</u>	<u>\$ 898,286</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GREATER LEESBURG COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 237,655	\$ 240,819	\$ (3,164)
Interest	6,950		6,950
Total Revenues	<u>244,605</u>	<u>240,819</u>	<u>3,786</u>
Expenditures			
Economic Environment:			
Operating Expenditures	201,125	201,021	(104)
Debt Service	24,047	24,048	1
(Total Expenditures)	<u>(225,172)</u>	<u>(225,069)</u>	<u>(103)</u>
Excess of Revenues Over Expenditures	<u>19,433</u>	<u>15,750</u>	<u>3,683</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	160,507	161,047	(540)
Transfers to Other Funds	(179,940)	(176,797)	(3,143)
Total Other Financing (Uses)	<u>(19,433)</u>	<u>(15,750)</u>	<u>(3,683)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<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, 2006

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 37,371	\$ 37,863	\$ (492)
Interest	3,073		3,073
Total Revenues	<u>40,444</u>	<u>37,863</u>	<u>2,581</u>
Expenditures			
Economic Environment:			
Operating Expenditures	21,783	35,175	13,392
Capital Outlay		15,000	15,000
(Total Expenditures)	<u>(21,783)</u>	<u>(50,175)</u>	<u>28,392</u>
Excess of Revenues Over Expenditures	<u>18,661</u>	<u>(12,312)</u>	<u>30,973</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	25,240	25,321	(81)
Total Other Financing Sources (Uses)	<u>25,240</u>	<u>25,321</u>	<u>(81)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	43,901	13,009	30,892
Fund Balance, Beginning of Year	<u>35,037</u>	<u>35,037</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 78,938</u>	<u>\$ 48,046</u>	<u>\$ 30,892</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 1,626,292	\$ 1,299,360	\$ 326,932
Total Revenues	<u>1,626,292</u>	<u>1,299,360</u>	<u>326,932</u>
Expenditures			
Debt Service:			
Principal	140,000	140,000	0
Interest	1,156,293	1,159,360	3,067
(Total Expenditures)	<u>(1,296,293)</u>	<u>(1,299,360)</u>	<u>3,067</u>
Excess of Revenues Over Expenditures	<u>329,999</u>	<u>0</u>	<u>329,999</u>
Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	329,999	0	329,999
Fund Balance, Beginning of Year	<u>140,001</u>	<u>140,001</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 470,000</u>	<u>\$ 140,001</u>	<u>\$ 329,999</u>

**CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2006**

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Cash			
Equivalents	\$ 3,173,756	\$ 2,286,563	\$ 5,460,319
Miscellaneous Receivables	90,852	21,211	112,063
Total Current Assets	3,264,608	2,307,774	5,572,382
Total Assets	3,264,608	2,307,774	5,572,382
 Liabilities			
Current Liabilities:			
Accounts Payable	438,455	13,021	451,476
Claims Payable	523,769	815,266	1,339,035
Total Current Liabilities	962,224	828,287	1,790,511
Total Liabilities	962,224	828,287	1,790,511
 Net Assets			
Unrestricted	2,302,384	1,479,487	3,781,871
Total Net Assets	\$ 2,302,384	\$ 1,479,487	\$ 3,781,871

**CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Operating Revenues			
Charges for Services	\$ 3,723,969	\$ 595,938	\$ 4,319,907
Total Operating Revenues	<u>3,723,969</u>	<u>595,938</u>	<u>4,319,907</u>
Operating Expenses			
Claims Expense	2,841,435	129,148	2,970,583
Administrative Expenses	511,518	58,594	570,112
Insurance Premiums	565,961	127,628	693,589
(Total Operating Expenses)	<u>(3,918,914)</u>	<u>(315,370)</u>	<u>(4,234,284)</u>
Operating (Loss) Income	<u>(194,945)</u>	<u>280,568</u>	<u>85,623</u>
Nonoperating Revenues			
Investment Income	123,408	84,870	208,278
Other Nonoperating Income	99,007	16,439	115,446
Total Nonoperating Revenues	<u>222,415</u>	<u>101,309</u>	<u>323,724</u>
Income Before Operating Transfers	<u>27,470</u>	<u>381,877</u>	<u>409,347</u>
Net Operating Transfers to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Assets	27,470	381,877	409,347
Total Net Assets, Beginning of Year	<u>2,274,914</u>	<u>1,097,610</u>	<u>3,372,524</u>
Total Net Assets, End of Year	<u>\$ 2,302,384</u>	<u>\$ 1,479,487</u>	<u>\$ 3,781,871</u>

**CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Cash Flows from Operating Activities			
Cash Received from Employees	\$ 3,686,512	\$ 610,043	\$ 4,296,555
Cash Paid to Suppliers for Goods and Services	(853,301)	(187,222)	(1,040,523)
Cash Paid for Insurance Claims	(2,844,993)	(234,577)	(3,079,570)
Net Cash Provided by (Used in) Operating Activities	(11,782)	188,244	176,462
Cash Flows from Investing Activities			
Investment Income	123,408	84,870	208,278
Other Nonoperating	99,007	16,439	115,446
Net Cash Flows from Investing Activities	222,415	101,309	323,724
Net Increase (Decrease) in Cash and Cash Equivalents	210,633	289,553	500,186
Cash and Cash Equivalents, Beginning of Year	2,963,123	1,997,009	4,960,132
Cash and Cash Equivalents, End of Year	\$ 3,173,756	\$ 2,286,562	\$ 5,460,318
<u>Reconciliation of Operating Income (Loss) to Cash Provided by (Used in) Operating Activities:</u>			
Operating Income (Loss)	\$ (194,945)	\$ 280,568	\$ 85,623
Adjustment to Reconcile Operating Income to Cash Flows Provided by (Used in) Operating Activities:			
Decrease (Increase) in Miscellaneous Receivables	(37,457)	14,105	(23,352)
Increase (Decrease) in Accounts Payable	224,178	(1,000)	223,178
Increase (Decrease) in Claims Payable	(3,558)	(105,429)	(108,987)
Net Cash Provided by (Used in) Operating Activities	\$ (11,782)	\$ 188,244	\$ 176,462

STATISTICAL SECTION *(Unaudited)*

Statistical schedules differ from financial statements because they usually cover more than one fiscal year and may present nonaccounting data. 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 basic 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
Net Assets by Component
Last Three Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 30,676,755	\$ 37,321,834	\$ 49,495,304
Restricted	17,203,324	17,657,048	10,446,080
Unrestricted	9,977,806	11,440,273	9,284,930
Total Governmental Activities Net Assets	<u>\$ 57,857,885</u>	<u>\$ 66,419,155</u>	<u>\$ 69,226,314</u>
Business-type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 64,637,677	\$ 76,296,976	\$ 97,725,542
Restricted	35,369,218	23,322,485	3,244,393
Unrestricted	1,746,245	4,153,914	11,382,875
Total Business-type Activities Net Assets	<u>\$ 101,753,140</u>	<u>\$ 103,773,375</u>	<u>\$ 112,352,810</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 95,314,432	\$ 106,973,631	\$ 147,220,846
Restricted	52,572,542	40,979,533	13,690,473
Unrestricted	11,724,051	22,239,366	20,667,805
Total Primary Government Net Assets	<u>\$ 159,611,025</u>	<u>\$ 170,192,530</u>	<u>\$ 181,579,124</u>

City of Leesburg
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)

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

City of Leesburg
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)
(Concluded)

	Fiscal Year	
	2005	2006
Program Revenues		
Business-type Activities:		
Charges for Services:		
Electric	\$ 45,347,288	\$ 49,715,695
Gas	7,581,846	8,605,078
Water	4,444,273	4,401,492
Wastewater	5,835,638	7,079,097
Solid Waste	2,925,758	2,990,505
Communication Services	525,314	860,768
Operating Grants and Contributions	625,862	0
Capital Grants and Contributions	2,326,135	6,107,611
Total Business-type Activities Program Revenues	<u>69,612,114</u>	<u>79,760,246</u>
Total Primary Government Program Revenues	<u>\$ 76,027,660</u>	<u>\$ 89,993,110</u>
Net (Expense)/Revenue		
Governmental Activities	\$ (14,626,779)	\$ (16,021,147)
Business-type Activities	6,090,689	12,566,324
Total Primary Government Net Expense	<u>\$ (8,536,090)</u>	<u>\$ (3,454,823)</u>
General Revenues and Other Changes in Net Assets		
Governmental Activities:		
Taxes		
Property Taxes	\$ 3,534,345	\$ 3,871,712
Utility Services Tax	2,601,302	2,955,112
Other Taxes	3,166,977	3,584,329
State Shared Revenues	1,298,657	1,670,268
County-shared Revenues	0	175,992
Investment Income	214,666	613,132
Miscellaneous	1,133,608	167,286
Transfers from (to) Other funds	7,496,300	11,544,586
Total Governmental Activities	<u>19,445,855</u>	<u>24,582,417</u>
Business-type Activities:		
Investment Income	788,042	391,921
Miscellaneous	375,494	606,572
Transfers from (to) Other Funds	(7,496,300)	(11,544,586)
Total business-type Activities	<u>(6,332,764)</u>	<u>(10,546,093)</u>
Total Primary Government	<u>\$ 13,113,091</u>	<u>\$ 14,036,324</u>
Change in Net Assets		
Governmental Activities	\$ 4,819,076	\$ 8,561,270
Business-type Activities	(242,075)	2,020,231
Adjustment	1,167,276	0
Total Primary Government	<u>\$ 5,744,277</u>	<u>\$ 10,581,501</u>
	\$ 4,465,410	\$ 2,807,159
	2,770,827	8,579,435
	3,906,212	(7,537,834)
	1,778,692	(6,796,098)
	201,023	14,440,308
	730,163	578,497
	(153,755)	163,239
	7,537,834	(7,537,834)
	<u>21,236,406</u>	<u>21,236,406</u>

City of Leesburg
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local Option Gas Tax	Sales Tax	Franchise Fees	Utility Services Tax	Communication Services Tax	Total
1997	\$ 2,365,936	\$ 609,319	\$ 921,411	\$ 122,649	\$ 0	\$ 0	\$ 4,019,315
1998	2,397,214	607,067	998,768	135,823	0	0	4,138,872
1999	2,659,480	653,812	1,107,662	139,443	0	0	4,560,397
2000	2,613,423	646,428	1,215,514	145,951	951,650	0	5,572,966
2001	2,789,242	668,357	1,210,133	123,115	1,813,930	0	6,604,777
2002	2,834,532	702,803	1,266,879	50,007	1,858,623	899,359	7,612,203
2003	2,995,147	752,781	1,254,754	61,345	2,124,715	973,652	8,162,394
2004	3,534,345	827,156	1,445,759	86,870	2,601,302	998,171	9,493,603
2005	4,246,002	804,206	1,465,816	91,994	2,908,350	1,054,808	10,571,176
2006	4,465,410	834,878	1,807,292	95,503	2,706,875	1,118,540	11,028,498

City of Leesburg
Fund Balances of Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund			
Reserved	\$ 290,728	\$ 773,874	\$ 1,569,642
Unreserved	6,573,937	6,249,790	4,104,481
Total General Fund	<u>\$ 6,864,665</u>	<u>\$ 7,023,664</u>	<u>\$ 5,674,123</u>
All Other Governmental Funds			
Reserved	\$ 17,118,320	\$ 17,058,067	\$ 9,211,368
Unreserved, Reported in:			
Stormwater Fund	826,948	713,531	208,901
Redevelopment Fund	0	0	78,938
Total all Other Governmental Funds	<u>\$ 17,945,268</u>	<u>\$ 17,771,598</u>	<u>\$ 9,499,207</u>

Note: The decrease in reserved fund balance of all other government funds in 2006 was due to spending bond proceeds for capital projects.

City of Leesburg
Changes in Fund Balances of Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

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

City of Leesburg
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended Sept 30	Real Property		Centrally Assessed Property		Less: Tax-Exempt Property		Net Taxable Assessed Value		Total Direct Tax Rate	
	Real Property	Personal Property	Centrally Assessed Property	Personal Property	Real	Personal	Value	Value	Rate	Rate
1997	\$ 575,494,848	\$ 226,483,687	\$ 452,036	\$ 73,807,290	\$ 176,003,721	\$ 73,807,290	\$ 552,619,560	\$ 552,619,560	4.50	4.50
1998	594,277,180	253,305,184	418,085	100,742,292	181,972,591	100,742,292	565,285,566	565,285,566	4.50	4.50
1999	610,711,999	213,573,762	417,391	49,239,968	184,938,530	49,239,968	590,524,654	590,524,654	4.50	4.50
2000	644,575,304	239,027,959	321,959	84,022,857	200,427,103	84,022,857	599,475,262	599,475,262	4.50	4.50
2001	689,086,977	232,285,508	332,879	75,293,428	204,538,253	75,293,428	641,873,683	641,873,683	4.50	4.50
2002	715,445,919	231,355,431	369,119	71,494,826	206,877,608	71,494,826	668,798,035	668,798,035	4.50	4.50
2003	754,313,985	243,968,265	328,106	94,724,286	219,112,625	94,724,286	684,773,445	684,773,445	4.50	4.50
2004	875,334,295	225,356,519	336,057	52,179,737	230,212,863	52,179,737	818,634,271	818,634,271	4.50	4.50
2005	953,323,403	272,462,933	349,621	83,290,269	251,575,429	83,290,269	891,270,259	891,270,259	4.50	4.50
2006	1,084,329,142	324,381,497	408,548	126,674,899	266,752,420	126,674,899	1,015,691,868	1,015,691,868	4.50	4.50

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
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	City	School District	Lake County	Ambulance		Northwest Hospital District	Water Conservation Authority		Water Management District		Total
				District	District		Authority	District	District	District	
1997	4.500	9.228	4.909	0.158	0.158	1.000	0.384	0.384	0.482	0.482	20.661
1998	4.500	9.100	4.733	0.158	0.158	1.000	0.384	0.384	0.482	0.482	20.357
1999	4.500	9.190	4.733	0.268	0.268	1.000	0.384	0.384	0.482	0.482	20.557
2000	4.500	8.742	4.733	0.316	0.316	1.000	0.500	0.500	0.482	0.482	20.273
2001	4.500	8.495	5.117	0.550	0.550	1.000	0.500	0.500	0.472	0.472	20.634
2002	4.500	8.202	5.117	0.529	0.529	1.000	0.500	0.500	0.462	0.462	20.310
2003	4.500	8.395	5.917	0.529	0.529	1.000	0.482	0.482	0.462	0.462	21.285
2004	4.500	8.440	5.917	0.529	0.529	1.000	0.408	0.408	0.462	0.462	21.256
2005	4.500	7.990	5.817	0.529	0.529	1.000	0.383	0.383	0.462	0.462	20.681
2006	4.500	7.648	5.947	0.529	0.529	1.000	0.253	0.253	0.462	0.462	20.339

Source: Lake County Property Appraiser

**City of Leesburg
Principal Property Taxpayers
Current Year and Previous Fiscal Years**

Taxpayer	Type of Business	2006			2005		
		2005 Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	2004 Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Sprint	Telecommunication	\$ 47,174,280	4.64%	1	\$ 47,462,411	1	5.33%
Centrale Citrus Juices, U.S.A., Inc.	Citrus Processing	42,260,203	4.16%	2	43,680,372	2	4.90%
SDG Macerich Properties LP	Shopping Mall	26,734,314	2.63%	3	26,402,562	3	2.96%
Lake Port Properties	Retirement Community	23,100,767	2.27%	4	22,937,270	4	2.57%
Lowe's Home Centers, Inc.	Home Improvement Center	10,053,878	0.99%	5	9,290,723	5	1.04%
Sun Trust Banks of Central Florida	Banking	9,525,288	0.94%	6	9,058,660	6	1.02%
Colonial Bank	Banking	8,165,768	0.80%	7			
Shoppes of Lake Village, LTD	Shopping Center	8,053,482	0.79%	8	6,146,035	10	0.69%
Publix Super Markets, Inc.	Grocery Store	7,960,318	0.78%	8	7,899,505	8	0.89%
CHPC Leesburg, LTD	Housing Complex	6,852,529	0.67%	10			
Total		\$ 189,880,827	15.49%		\$ 172,877,538		15.70%

Source: Lake County Property Appraiser

Note: Taxable Values (Florida Statutes Section 193.011) are as of January 1, 2004 and 2005, and represent total property values including real property, personal property and centrally assessed property.

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

Fiscal Year Ended Sept 30	Taxes Levied for the Fiscal Year		Collections for the Fiscal Year of the Levy		Collections for Previous Years of Levy		Total Collections to Date			
	\$		Amount	Percentage of Levy	Amount		Amount	Percentage of Levy		
1997	\$	2,486,788	\$	2,336,056	93.94%	\$	29,880	\$	2,365,936	95.14%
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%

Source: Lake County Property Appraiser.

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Improvement Bonds	Notes Payable	Utility System Revenue Bonds	Notes Payable	Total				
1997	\$ 7,045,000	\$ 0	\$ 19,580,629	\$ 1,490,000	\$ 28,115,629	8.18%	\$ 22,295		
1998	7,105,000	0	18,708,681	1,155,000	26,968,681	7.27%	23,698		
1999	7,345,000	245,607	29,930,912	795,000	38,316,519	9.97%	24,610		
2000	7,345,000	234,182	26,544,487	0	34,123,669	8.34%	25,651		
2001	7,290,000	222,142	26,129,529	0	33,641,671	8.06%	26,043		
2002	7,170,000	209,455	26,199,171	0	33,578,626	8.03%	25,960		
2003	7,045,000	196,085	25,763,392	6,077,000	39,081,477	9.16%	26,189		
2004	24,025,000	181,997	38,502,435	1,300,000	64,009,432	14.15%	27,122		
2005	23,890,000	167,151	38,607,756	1,240,000	63,904,907	N/A	N/A		
2006	23,750,000	231,237	52,932,000	1,177,000	78,090,237	N/A	N/A		

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Demographic and Economic Statistics for personal income and population data.

N/A - Information is not available.

City of Leesburg
Legal Debt Margin Information

Neither the City of Leesburg nor any of its overlapping governments had any general obligation debt outstanding as of September 30, 2006.

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
Pledged-Revenue Coverage
Capital Improvement Revenue Bonds
Series 1987 and 1999
Last Ten Fiscal Years

Fiscal Year	Gross Sales Tax Revenues	Guaranteed Portion-State Revenues Sharing	Miscellaneous Revenues	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
1997	\$ 586,849	\$ 309,234	\$ 34,508	\$ 930,591	\$ 200,000	\$ 317,780	\$ 1.80
1998	634,020	309,234	41,931	985,185	210,000	304,760	1.91
1999	687,104	309,234	32,759	1,029,097	1,141,163	161,368	0.79
2000	728,963	309,234	7,979	1,046,176	0	385,813	2.71
2001	737,543	309,234	7,547	1,054,324	55,000	383,805	2.40
2002	797,754	309,234	4,011	1,110,999	120,000	379,005	2.23
2003	822,027	309,234	2,324	1,133,585	198,370	384,557	1.94
2004	919,290	309,234	4,781	1,233,305	130,000	368,420	2.47
2005	989,314	309,234	2,821	1,301,369	135,000	362,615	2.62
2006	1,093,773	309,234	(88)	1,402,919	140,000	356,315	2.83

Notes: Gross sales tax revenues are defined pursuant to Resolution 5729 as the proceeds of the local governmental half-cent sales tax as described in Part VI, Chapter 218, Florida Statutes.

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 Part II, Chapter 218, Florida Statutes.

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

City of Leesburg
Pledged-Revenue Coverage
Capital Improvement Revenue Bonds
Series 2004
Last Ten Fiscal Years

Fiscal Year	Gross Sales Tax Revenues		Guaranteed Portion-State Revenues		Public Service Tax		Miscellaneous Revenues		Net Available Revenue		Debt Service		Coverage
1997	N/A		N/A		N/A		N/A		N/A		N/A		N/A
1998	N/A		N/A		N/A		N/A		N/A		N/A		N/A
1999	N/A		N/A		N/A		N/A		N/A		N/A		N/A
2000	N/A		N/A		N/A		N/A		N/A		N/A		N/A
2001	N/A		N/A		N/A		N/A		N/A		N/A		N/A
2002	N/A		N/A		N/A		N/A		N/A		N/A		N/A
2003	N/A		N/A		N/A		N/A		N/A		N/A		N/A
2004	\$ 919,290	\$ 309,234	\$ 2,601,301	\$ 4,781	\$ 3,834,606	\$ 0	\$ 126,286						30.36
2005	989,314	309,234	2,955,112	2,821	4,256,481	0	797,595						5.34
2006	1,093,773	309,234	2,770,827	(88)	4,173,746	0	797,595						5.23

Notes: Gross sales tax revenues are defined pursuant to Resolution 5729 as the proceeds of the local governmental half-cent sales tax as described in Part VI, Chapter 218, Florida Statutes.

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 Part II, Chapter 218, Florida Statutes.

Public Service Tax is all tax levied and collected in accordance with City Ordinance 99-84 and pursuant to Section 166.231, Florida Statutes.

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

Gross sales tax revenues and the guaranteed entitlement revenues are only available after all deposits have been made from such revenues for the benefit of the Senior Improvement Bonds under and pursuant to the Senior Improvement Resolution.

N/A - Information before 2004 is not applicable to these revenue bonds.

City of Leesburg
Pledged-Revenue Coverage
Electric System Revenue Bonds
Series 2004
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less:		Net Pledge Revenues Available for Debt Service	Debt Service		Coverage
		Operation and Maintenance Expenses			Principal	Interest	
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2004	\$ 46,101,875	\$ 38,455,991	\$ 7,645,884	\$ 0	\$ 166,793	45.84	
2005	52,185,803	42,428,223	9,757,580	-	779,813	12.51	
2006	60,442,817	52,211,890	8,230,927	-	779,813	10.56	

Notes: Gross revenues are defined pursuant to Resolution 7141 which authorized the issuance of the bonds, 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 defined pursuant to Resolution 7141, authorizing issuance of the bonds, as current expenses, paid or accrued, less depreciation and amortization expense.

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

N/A - Information before 2004 is not applicable to these revenue bonds.

City of Leesburg
Pledged-Revenue Coverage
Utility System Revenue Bonds
Series 2004

Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less:		Plus: Capacity Charges	Net Pledge Revenues Available for Debt Service	Debt Service		Coverage
		Operation and Maintenance Expenses	Charges			Principal	Interest	
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2004	\$ 18,357,691	\$ 14,912,625	\$ 2,030,174	\$ 5,475,240	\$ 0	\$ 229,963	23.81	
2005	20,390,719	15,811,099	3,780,700	8,360,320	0	1,075,151	7.78	
2006	24,245,119	18,265,045	4,292,064	10,272,138	0	1,075,151	9.55	

Notes: Gross revenues are defined pursuant to Resolution 7143 which authorized the issuance of the bonds, 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 defined pursuant to Resolution 7143, authorizing issuance of the bonds, as current expenses, paid or accrued, less depreciation and amortization expense.

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

N/A - Information before 2004 is not applicable to these revenue bonds.

City of Leesburg
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Personal Income (thousands of dollars)	Population	Per Capita Personal Income	Median Age	Education		Unemployment Rate		
					High School Graduates	School Enrollment	Lake County	Florida	United States
1997	\$ 343,544	15,409	\$ 22,295	47.1	270	5,427	3.9%	4.8%	4.9%
1998	371,063	15,658	23,698	47.4	320	5,439	3.2%	4.3%	4.5%
1999	384,507	15,624	24,610	47.0	283	5,588	2.5%	3.9%	4.2%
2000	409,287	15,956	25,651	45.1	295	4,845	2.5%	3.6%	4.0%
2001	417,547	16,033	26,043	45.7	283	4,366	3.4%	3.4%	4.8%
2002	418,060	16,104	25,960	46.5	314	4,880	4.7%	5.5%	5.4%
2003	426,619	16,290	26,189	45.9	300	5,730	4.8%	5.2%	6.1%
2004	452,368	16,679	27,122	46.0	274	4,789	4.2%	4.9%	5.1%
2005	N/A	17,467	N/A	45.1	330	5,742	3.6%	3.8%	5.1%
2006	N/A	18,842	N/A	42.4	331	4,790	3.0%	3.3%	4.3%

Sources: Information provided by the Florida Bureau of Economic and Business Research (BEBR).

Population - from Table 1.25 for Leesburg

Per capital personal income from Table 5.10 for Lake County

Median Age from Table 1.38 for Lake County

High school graduates and school enrollment from Lake County School Board of Education for the City.

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

Note: N/A - Information is not available.

**City of Leesburg
Principal Employers
Current Year and Previous Fiscal Year**

Employer	Type of Business	2006			2005			2004		
		Employees	City Rank	Percentage of Total County Employment	Employees	City Rank	Percentage of Total County Employment	Employees	City Rank	Percentage of Total County Employment
Leesburg Regional Medical Center	Hospital	2,092	1	1.71%	1,800	1	1.48%	1,850	1	1.61%
Lake County School Board	Educational Institution	702	2	0.58%	665	2	0.54%	538	3	0.47%
City of Leesburg	City Governmental Services	595	3	0.49%	550	3	0.45%	590	2	0.51%
Lifestream Behavioral Center	Mental Health Services Provider	550	4	0.45%	520	4	0.43%	477	6	0.42%
Embark Florida Inc	Telecommunications	500	5	0.41%	500	5	0.41%	480	4	0.42%
Wal-Mart Stores, Inc	Retail Sales	432	6	0.35%	493	6	0.40%	480	4	0.42%
Publix	Grocery Stores	412	7	0.34%	350	7	0.29%	365	7	0.32%
Lake Port Properties	Retirement Community	350	8	0.29%	250	8	0.20%	300	8	0.26%
Citrale Citrus Juices USA, Inc	Citrus Processing	300	9	0.25%	238	9	0.20%	227	9	0.20%
Interim Healthcare	Healthcare Provider	250	10	0.20%	200	10	0.16%	175	10	0.15%
Total		6,183		5.07%	5,566		4.56%	5,482		4.78%
Lake County Labor Force		122,031			114,675			103,551		

Source: Labor Force data obtained from July 2006 Florida Labor Market Statistics, www.fred.labormarketinfo.com

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

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Legislative	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Executive	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Finance	39.00	39.00	39.00	39.00	41.00	41.00	43.00	44.00	43.00	47.00
Human Resources	4.60	4.60	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00
MIS	5.00	6.00	7.00	7.00	8.00	8.00	10.00	11.00	14.00	12.00
Police										
Officers	48.75	54.75	58.75	61.10	62.10	62.10	66.25	72.25	73.25	77.25
Civilians	20.75	20.75	20.75	20.75	24.75	24.75	25.75	25.75	25.75	26.00
Fire										
Firefighters and officers	33.00	36.00	36.00	36.00	36.00	36.00	37.00	43.00	49.00	56.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works										
GIS / Engineering	3.00	6.00	9.00	8.00	7.00	7.00	7.34	8.34	8.50	12.00
Other	28.00	20.50	21.25	23.75	27.50	20.50	16.00	18.00	20.50	25.00
Community Development	10.00	9.00	9.25	9.25	12.00	12.00	11.66	11.66	14.00	18.00
Housing & Economic Development	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
Library	20.87	22.12	22.30	22.30	22.30	22.30	23.00	23.00	23.80	28.25
Recreation	30.75	39.75	40.25	38.75	39.75	39.75	43.75	43.65	45.65	51.00
Airport								1.00	1.00	1.00
Stormwater	6.00	6.00	6.00	6.00	6.50	6.50	5.50	4.00	4.00	4.00
Subtotal for Governmental Funds	<u>264.72</u>	<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>
Electric	52.50	53.00	52.00	53.00	55.00	55.00	53.50	47.50	49.50	49.50
Gas	12.00	12.17	12.67	12.92	16.00	16.00	16.50	17.50	22.50	22.50
Water	21.00	18.66	17.66	18.41	22.50	22.50	23.59	27.00	28.50	30.50
Wastewater	27.00	28.17	25.67	31.67	37.50	37.50	38.91	37.00	38.00	41.50
Communication								2.00	3.00	5.00
Solid Waste	16.00	16.50	16.50	17.00	19.00	19.00	19.00	19.00	18.00	18.00
Subtotal for Business Type Funds	<u>128.50</u>	<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>
Total	<u>393.22</u>	<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>

City of Leesburg
Operating Indicators by Function
Last Ten Fiscal Years

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Responses to calls for service	N/A	N/A	38,637	40,283	41,000	39,560	41,534	44,060	54,659	52,061
Part I crimes	N/A	N/A	2,613	1,482	1,500	1,363	1,236	1,365	1,563	1,532
Traffic accidents & citations	N/A	N/A	8,314	8,898	9,070	6,890	8,130	7,491	10,844	8,356
Fire										
Emergency responses	N/A	N/A	3,329	4,300	4,900	5,182	4,669	4,230	4,440	4,693
Inspections	1,256	1,048	403	404	810	1,822	1,805	1,900	1,351	1,278
Pre-fire plans	N/A	N/A	N/A	N/A	N/A	311	254	164	578	455
Solid Waste										
Residential tons taken to incinerator	5,450	5,537	5,162	5,000	5,200	5,672	6,000	6,108	1,832	7,730
Residential tons of recyclables	584	653	1,305	1,500	812	416	400	486	101	406
Hand commercial collected	N/A	N/A	907	1,031	1,149	1,126	608	786	164	763
Commercial dumpster collected	N/A	N/A	7,601	8,485	8,762	9,541	7,693	9,840	2,865	11,729
Commercial tons of recyclables	N/A	N/A	146	175	200	160	99	123	N/A	N/A
Fleet Maintenance										
Vehicles owned by the City	N/A	N/A	N/A	N/A	N/A	610	644	625	673	655
Percent maintained by Fleet	N/A	N/A	N/A	N/A	N/A	53%	90%	100%	100%	100%
Preventive maintenance complete	N/A	N/A	N/A	N/A	N/A	302	640	710	550	656
Community Development										
Building permits issued within the City	231	292	344	1,537	430	311	406	2,122	3,666	4,599
Construction value of permits issued (thousands)	N/A	N/A	N/A	41,483	39,185	43,973	23,483	42,477	135,535	162,042
Culture and Recreation										
Youth programs	103	95	95	93	97	72	83	85	54	144
Number of bookings at rental facilities	N/A	N/A	628	650	582	539	501	608	829	760
Total service hours	N/A	N/A	1,884	1,950	2,000	1,469	1,645	1,298	N/A	2,786
Participants using the pools	N/A	N/A	10,750	10,750	10,700	7,029	8,082	11,360	10,137	16,525
Library service hours	N/A	N/A	3,360	3,360	3,360	3,350	3,390	3,292	3,346	3,482
Circulation - adults	259,861	254,159	224,756	201,838	201,706	216,761	224,067	250,516	258,695	252,150
Circulation - juvenile	26,764	23,902	43,424	40,879	33,286	32,840	31,222	34,416	59,367	68,984
Internet use	N/A	N/A	16,593	20,071	21,636	15,929	34,146	33,198	34,985	44,264
Electric										
Number of residential customers	14,551	14,750	14,930	15,125	15,336	15,551	15,801	16,425	17,013	17,439
Average daily consumption (kWh)	32.43	35.30	34.60	34.73	35.37	34.00	36.67	33.70	35.23	36.14
Gas										
Number of residential customers	7,311	7,536	7,690	7,838	8,047	8,186	8,421	8,845	9,130	9,607
Average daily consumption (therms)	0.72	0.75	0.60	0.67	0.77	0.60	0.73	0.67	0.63	0.58
Water										
Number of residential customers	8,020	8,385	8,645	8,901	9,163	9,372	9,633	10,056	10,491	14,504
Average daily consumption (gallons)	316.64	339.91	365.99	372.60	332.83	310.33	284.38	311.65	293.68	286.18
Wastewater										
Number of residential customers	N/A	N/A	N/A	N/A	N/A	9,357	9,609	10,185	10,618	14,051
Average daily sewage treatment (gallons)	N/A	N/A	N/A	N/A	N/A	177.34	196.30	210.97	232.13	207.89

Sources: Various city departments

Note: N/A - Information is not available.

**City of Leesburg
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police stations	2	2	2	2	2	2	1	1	1	1
Fire stations	2	2	2	2	2	2	3	3	3	4
Solid Waste										
Collection trucks	13	13	15	17	20	24	22	24	23	21
Annexation Acres	1,547.18	158.96	496.19	193.30	3,720.96	126.22	1,025.04	125.49	1,005.12	1,704.21
Corporate Limits:										
Acres	13,161.84	13,320.80	13,816.99	14,010.29	17,731.25	17,857.47	18,882.51	19,008.00	20,013.12	21,717.33
Square Miles	20.57	20.81	21.59	21.89	27.71	27.90	29.50	29.70	31.26	33.78
Streets										
Paved (miles)	80.1	80.4	80.7	80.7	80.9	80.9	84.1	84.1	79.0	79.0
Unpaved (miles)	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	1.7	1.7
Culture and Recreation										
Rental facilities	3	3	3	3	3	3	3	3	6	6
Museum	N/A	N/A	N/A	N/A	1	1	1	1	1	1
Parks facilities managed	10	10	10	10	10	10	22	22	50	50
Parks acreage	226	226	226	226	226	226	280	280	290	290
Library facilities	1	1	1	1	1	1	1	1	1	1
Volumes in collection	112,577	120,329	124,325	129,535	174,607	170,427	114,492	133,604	139,394	140,990
Electric										
Primary electric lines within the city (miles)	365	365	358	358	365	371	376	382	389	392
Overhead conductor replaced (feet)	N/A	N/A	N/A	N/A	N/A	38,769	35,000	12,769	20,825	N/A
Underground primary conductor replaced (feet)	N/A	N/A	N/A	N/A	N/A	22,000	33,000	270	16,450	37,500
Gas										
Gas mains	239	195	200	205	205	211	218	226	227	236
Gate stations	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	336	338	215	332	332	332	325	325	255	295
Maximum capacity (millions of gallons)	N/A	N/A	N/A	3.5	7.5	7.9	9.1	9.1	9.1	28.0
Deep wells	N/A	N/A	N/A	14	15	15	15	17	17	20
Wastewater										
Sewers force mains (miles)	100	100	100	101	103	103	103	103	61	63
Sewers gravity lines (miles)	61	65	65	70	70	70	70	116	130	133
Lift stations	N/A	N/A	N/A	97	100	100	102	110	114	124
Disposal plants	1	1	1	2	2	2	2	2	2	2
Maximum capacity (millions of gallons per day)	3,000	3,000	3,000	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Communication										
Fiber optics cable (miles)	N/A	N/A	N/A	N/A	38	50	70	140	158	166

Sources: Various city departments

Note: N/A - Information is not available.

Note: 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 estimated.

**SINGLE AUDIT REPORTS
AND
MANAGEMENT LETTER
CITY OF LEESBURG, FLORIDA
SEPTEMBER 30, 2006**

**SINGLE AUDIT REPORTS
AND
MANAGEMENT LETTER
CITY OF LEESBURG, FLORIDA
SEPTEMBER 30, 2006**

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CITY OF LEESBURG, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA Number	Program or Award Amount	Federal Expenditures
U.S. Department of Agriculture				
City Hall Annex (Business Incubator)		10.769	\$ 565,000	\$ 22,786
Total U.S. Department of Agriculture			<u>565,000</u>	<u>22,786</u>
U.S. Department of Interior				
Passed Through Florida Department of Interior: Historic Structure Survey	F0501	15.904	20,000	20,000
Total U.S. Department of Interior			<u>20,000</u>	<u>20,000</u>
U.S. Department of Housing and Urban Development				
Passed Through Florida Department of Community Affairs: Neighborhood Revitalization	05-DB-2Q-06-45-02-N4	14.228	750,000	342,081
Total U.S. Department of Housing and Urban Development			<u>750,000</u>	<u>342,081</u>
U.S. Department of Justice				
Local Law Enforcement Block Grant	2004-LB-BX-0680	16.592	23,718	7,030
Bulletproof Vest Partnership		16.607	0	8,606
Byrne Grant	2005-DJ-BX-0882	16.610	30,425	30,425
Total U.S. Department of Justice			<u>54,143</u>	<u>46,061</u>
U.S. Department of Labor				
Passed Through Workforce Central Florida: WIA Adult Program		17.258	21,871	11,386
Total U.S. Department of Labor			<u>21,871</u>	<u>11,386</u>
U.S. Department of Transportation				
Airport Improvement Program - Environmental Assessment	3-12-0042-013-2005	20.106	331,288	189,798
Passed Through Florida Department of Transportation: Tav-Lee Trail		20.205	200,000	195,499
Leesburg - Wildwood Trail		20.205	125,000	125,000
Total U.S. Department of Transportation			<u>656,288</u>	<u>510,297</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA Number	Program or Award Amount	Federal Expenditures
U.S. Department of Homeland Security				
SAFER Fire Grant	EMW-2005-FF-01331	97.083	\$ 1,200,000	\$ 240,558
CEDAP Program		97.096	17,167	17,167
Passed Through Florida Department of Financial Services:				
Technical Rescue Resource Grant		97.067	21,573	12,800
Total U.S. Department of Homeland Security			<u>1,238,740</u>	<u>270,525</u>
Total Expenditures of Federal Awards			<u>\$ 3,306,042</u>	<u>\$ 1,223,136</u>

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, 2006

State Grantor/Program Title	Grant Number	CSFA Number	Program or Award Amount	Expenses
Florida Department of Environmental Protection				
Passed Through St. Johns River Water Management District:				
Alternative Water Supply	SJ38213	37.066	\$ 5,320,000	\$ 642,053
Total Florida Department of Environmental Protection			<u>5,320,000</u>	<u>642,053</u>
Florida Department of State				
Public Library Construction	06-PLC-07	45.020	500,000	150,000
Total Florida Department of State			<u>500,000</u>	<u>150,000</u>
Florida Department of Transportation				
Air Traffic Control Tower	247556-1-94-01	55.004	1,300,000	817,246
Airport Corporate Hangars	408182-1-94-01	55.004	325,000	25,442
Airport Security Enhancement	405141-1-94-01	55.004	393,410	233,828
Aircraft Parking Apron	418462-1-94-01	55.004	280,000	52,960
Total Florida Department of Transportation			<u>2,298,410</u>	<u>1,129,476</u>
Florida Department of Health				
EMS Matching Grant	M6083	64.003	84,000	84,000
Total Florida Department of Health			<u>84,000</u>	<u>84,000</u>
Florida Department of Law Enforcement				
Violent Crime Investigation	71.004		25,000	25,000
Total Florida Department of Law Enforcement			<u>25,000</u>	<u>25,000</u>
Total Expenditures of State Financial Assistance			<u>\$ 8,227,410</u>	<u>\$ 2,030,529</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.*

**INDEPENDENT AUDITORS' 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 01-06 through 04-06.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider all of them to be material weaknesses.

We also noted certain additional matters that we reported to management in a separate letter dated January 12, 2007.

Certified Public Accountants

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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 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)**

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Commissioners, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

January 12, 2007
Gainesville, Florida

Purtie, Gray and Company, LLP

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
AND STATE FINANCIAL ASSISTANCE PROJECT AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH CIRCULAR A-133 AND CHAPTER 10-550**

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 State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2006. 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 of its major federal programs and state projects 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*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have 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 on 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, 2006.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Certified Public Accountants

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Honorable City Commission
City of Leesburg
Leesburg, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
AND STATE FINANCIAL ASSISTANCE PROJECT AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH CIRCULAR A-133 AND CHAPTER 10-550
(Concluded)**

Internal Control Over Compliance (Concluded)

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

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, 2006, and have issued our report thereon dated January 12, 2007. 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, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

January 12, 2007
Gainesville, Florida

Purvis, Gray and Company, LLP

**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. Reportable Conditions and/or Material Weaknesses in Internal Control

Audit disclosed reportable conditions in internal control and reportable conditions which were material weaknesses in internal control.

III. Noncompliance Material to Auditee Basic Financial Statements

Audit disclosed no material instances of noncompliance.

IV. Reportable Conditions 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 Housing and Urban Development:
Community Development Block Grant (14.228)

U.S. Department of Transportation:
Airport Improvement Program (20.205)

State Projects

Florida Department of Environmental Protection:
Alternative Water Supply (37.066)

Florida Department of Transportation:
Aviation Development Grants (55.004)

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

\$300,000

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

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

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

The auditee does not qualify as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133.

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

Finding
Number

Finding

01-06 **Bulk Cost of Power Adjustment (BCPA)**

Condition and Criteria

The BCPA worksheet is used to compute the amount of purchased power costs incurred in excess of the base power cost included in the City's rates. The results of this computation is used to support the amounts recorded in the general ledger as over-recovered or under-recovered purchased power cost. During the year ended September 30, 2006, the BCPA computations were not being verified by another individual.

Effects

Errors in the computation of the BCPA could go undetected.

Cause of Condition

The City has not established control activities related to the computation of the BCPA.

Recommendation

We recommend that the BCPA computation be verified monthly by a knowledgeable person within the Finance Department.

02-06 **Accounts Receivable**

Condition and Criteria

During our audit, we noted that it was not practical to trace cash recorded as collections on utility billings to cash deposits per the bank statements. Furthermore, it was not practical to trace deposits per the pooled cash account to deposits per the bank statement. A well-designed accounting system provides an audit trail for cash deposits to the corresponding entry in the general ledger. This finding was also noted last year.

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

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

Finding
Number

Finding

02-06 **Accounts Receivable (Concluded)**

Effects

The inability to tie cash deposits per the general ledger to the bank statements makes it very difficult to reconcile cash and accounts receivable. Failure to perform these reconciliations could lead to undetected errors in your financial records. Based upon the audit evidence examined, it does not appear that customer accounts receivable are being reconciled to the general ledger in the utility funds.

Cause of Condition

The City's accounting software is not designed in a way that allows cash receipts per the general ledger to be tied to bank deposits.

Recommendation

We recommend that the City conduct a comprehensive review of its accounting system related to the recording of cash receipts and disbursements. One objective of this review should be to establish a clear audit trail for cash deposits. In addition, the reconciliation process for cash and accounts receivable should be defined and documented.

03-06 **Construction Work in Progress**

Condition and Criteria

During our audit, 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. An inventory of incomplete work orders is required by the Federal Energy Regulatory Commission (FERC) accounting system. In addition, it was also noted that capital outlay expenditures recorded in the governmental funds was not being reconciled to construction work in progress records related to governmental activities. This condition was also noted last year.

Effects

Not having an inventory of incomplete work orders and failure to reconcile capital outlay additions could allow errors in the related account balance to go undetected.

Cause of Condition

Accounting software is not properly designed or coded with the necessary instructions.

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

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

Finding
Number

Finding

03-06 **Construction Work in Progress *(Concluded)***

Recommendation

We recommend that the City review its procedures for accounting for construction work in progress and completed construction not classified, and make the changes necessary to produce an inventory of incomplete work orders.

04-06 **Depreciation of Fixed Assets**

Condition and Criteria

While auditing depreciation expense, we noted that no detail reports were available that would allow us to test the depreciation expense computed by individual asset. Recomputation of depreciation expense and accumulated depreciation balance is necessary to determine if the City's software is functioning properly. This condition was also noted last year.

Effect

Errors in the computation of depreciation expense could go undetected.

Cause

The depreciation program is not properly designed, or staff needs training in its use.

Recommendation

The depreciation expense program needs to be reviewed by staff to determine if it is capable of providing the necessary information. Modifications to the depreciation program or staff training should be provided as needed.

3. **Findings and Questioned Costs for Federal Awards and State Financial Assistance Projects**

None.

**CITY OF LEESBURG, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN
ACCORDANCE WITH OMB CIRCULAR A-133**

1. **Status of Prior Audit Findings**

See management's response on page 18.

**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

01-06 Bulk Cost of Power Adjustment (BPCA)

Response

We concur. Without cross training, and the appropriate backup personnel and procedures in place, there is risk of error. Several areas of cross training have in fact occurred over the past year, although, the BPCA was not one of them. The loss of key personnel at the beginning of fiscal year 2006 created a knowledge, resource and expertise shortage within the Accounting Division of the Finance Department. The loss of these personnel in conjunction with the disruption of workflow has resulted in a financial reporting backlog forcing the Accounting Division off of its normal reporting cycle. Once outside this cycle it takes a relentless effort to get caught up and back on track. In addition, the Division has had to absorb additional responsibilities with Kristen Street Apartments and the analytical work associated with the 2007 bond issues. It is hopeful that the additional requirements currently burdening the Accounting Division will slow down enabling the focus to be redirected to other critical issues such as the BPCA.

02-06 Accounts Receivable

Response

Although incomplete, the Accounting Division has made significant progress in this area over the past several months. On May 22 2006, we added a cash reconciliation position which has enabled us to employ critical procedures which had previously not been performed. Schedules detailing daily deposit activity have been created that tie back to the daily deposit activity of the general ledger. Cash balances are tied back to the general ledger daily and any unidentified activity is noted. Part of the challenge has been rectifying set up problems dating back to the implementation of HTE in 1998. Left unchecked, these set up issues were either creating bogus transactions to the general ledger or not creating entries when they should have been. We have enlisted some of HTE's brightest and best trainers to assist us in this endeavor and we think we now have this under control. The accounting staff has recently completed a visit to another HTE client and observed their reconciliation procedures. We are currently working on procedures to tie receipts back to the daily deposits and hope to have it in place by the time of interim audit.

03-06 Construction Work-in-Progress

Response

It is noted that this condition was reported last year and we concur that information is difficult at times to aggregate from HTE systems in a format that easily compliments the audit process. However, we believe this is possible and will discuss the reporting process during the interim audit period with Purvis, Gray and Company, LLP (Purvis Gray) to determine what will satisfy their requirements. We understand that Purvis Gray needs certain records to facilitate their field testing and the Accounting staff looks forward to providing the requirements of the auditors.

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

1. **Corrective Action Planned for Current Year Audit Findings (Concluded)**

**Finding
Number**

Finding

04-06 Depreciation of Fixed Assets

Response

It is noted that this condition was reported last year, however, we were not aware that this information was not available in a format that would facilitate the auditors' field testing until delivery of this report. We believe this is possible and will discuss the reporting process during the interim audit period with Purvis Gray. We understand that Purvis Gray 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 fiscal year ended September 30, 2006, and have issued our report thereon dated January 12, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and 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 States, Local Governments, and Non-Profit Organizations*. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters; independent auditors' report on compliance with requirements applicable to each major federal award program and state financial assistance project and internal control over compliance; and schedule of findings and questioned costs. Disclosures in those reports, which are dated January 12, 2007, 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 require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(h)1.] require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. All recommendations made in the preceding annual financial audit report have been addressed.

The *Rules of the Auditor General* [Section 10.554(1)(h)2.] require that the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Section 10.554(1)(h)3.] require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures and internal controls. In connection with our audit, please see management letter comments dated January 12, 2007.

The *Rules of the Auditor General* [Section 10.554(1)(h)4.] require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal control or schedule of findings and questioned costs and are not clearly inconsequential: violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred which may or may not materially affect the financial statements; illegal or improper expenditures that may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. None of the aforementioned was discovered within the scope of our audit.

Certified Public Accountants

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

Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER
(Concluded)

The *Rules of the Auditor General* [Section 10.554(1)(h)5.] also require 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.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(a)], a statement must 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, *Determination of Financial Emergency*. 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.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(b)], we determined that the annual financial report for the City for the fiscal year ended September 30, 2006, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the *Rules of the Auditor General* [Sections 10.554(1)(h)6.(c) and 10.556(7)], we applied financial 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. In regard to evidence of "deteriorating financial condition," please read the accompanying management letter comments.

This management letter is intended solely for the information and use of the City Commission, management, the State of Florida, and other governmental agencies, and is not intended to be and should not be used by anyone other than these specified parties.

January 12, 2007
Gainesville, Florida

Ruthie, Gray and Company, LLP

MANAGEMENT LETTER COMMENTS

Honorable City Commission
City of Leesburg
Leesburg, Florida

During the course of our audit, the following items came to our attention. These items involve primarily operational matters which, if improved, will result in more efficient and effective operations.

State and Federal Grants

During our audit we noted the following:

- Journal entries to record receivables and revenues for three grants had not been made.
- Adjusting journal entries were required to correct the balances on four grants.

We recommend that amounts recorded in the general ledger be compared to individual grant records at year end, to ensure that the City of Leesburg, Florida's (the City) schedules of expenditures of federal awards and state financial assistance is complete.

Bank Reconciliation

The City has made significant progress toward the reconciliation of its bank balances to the general ledger. However, your current bank reconciliation includes approximately \$284,000 of "miscellaneous billings" as a reconciling item. The City is currently investigating this balance.

We recommend that the City resolve the issue of "miscellaneous billings" to improve its controls over cash and accounts receivable.

Financial Condition

Cash flows from enterprise operations and bond funds have not been sufficient to support construction commitments and the current level of transfers to the general fund. Accordingly, the City's financial condition has been declining.

We recommend that the City continue to closely monitor its financial condition and take corrective action as necessary to reverse the decline in financial resources.

January 12, 2007
Gainesville, Florida

Purvis, Gray and Company, LLP

Certified Public Accountants

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MANAGEMENT'S RESPONSE

Honorable City Commission
City of Leesburg
Leesburg, Florida

Current Year Recommendations

State and Federal Grants

City of Leesburg (the City) Response:

Management has undertaken significant efforts to ensure recognition of state and federal grants within the City's financial statements. We believe the issues cited by Purvis, Gray and Company, LLP to be timing issues and not related to operations. During the audit cycle, the accounting staff had to facilitate closure of several projects related to FEMA hurricane recoveries. The drain on resources caused by multiple concurrent processes more than likely led to these timing issues. The audit staff simply got a little ahead of us with their audit process. We look forward to a normal year of operations where tasks can be completed within the required time frames.

Bank Reconciliation

City of Leesburg Response:

We concur; the accounting staff has made significant progress toward the reconciliation of the City's bank balances to the general ledger. We have had additional training for staff over the past year which has resulted in a greater understanding of the various applications that feed cash and receivable transactions to the general ledger. In addition, it was discovered during training that several receivable codes were set up incorrectly and the expected transactions were not being created and sent to the general ledger. At this time it is difficult to quantify exactly what should have taken place as the set up issues in certain cases date back to the implementation of the software. The good news is that we have been able to stabilize the discrepancy subsequent to correction of the receivable codes. Management will continue to monitor its progress and will discuss with Purvis, Gray and Company, LLP during interim audit.

Financial Condition

City of Leesburg Response:

Management has taken aggressive action to address the concern regarding financial resources. Over the past several months the City has been working with its financial advisor to recover financial resources paid out of reserves for capital projects which should have been financed over time. The City Commission has approved taxable bond issues for the Electric and Utility System approximating \$10,700,000 and \$1,000,000, respectively, which will refund the financial resources paid out of reserves. Future capital needs were also addressed, which will result in bond issues for the Electric and Utility System approximating \$9,500,000 and \$22,000,000, respectively. In addition, the City is also reviewing its fund balance and transfer policies and will employ the necessary changes as recommended and approved by the City Commission.