

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**



**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

**-- CITY OF LEESBURG, FLORIDA --**

**CITY OF LEESBURG, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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

**CITY OF LEESBURG, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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**CITY OF LEESBURG, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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## MISSION STATEMENT

"Dedicated to our Community, Committed to Service Excellence"

June 30, 2006

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, 2005 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 auditor 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, 2005, are fairly presented in conformity with GAAP.

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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 auditor 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 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is 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 a 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 (14) 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 17,467. 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 350 people. The airport features a 5,000 foot main runway and a 4,950 foot secondary runway, 3 non-precision instrument approaches for landing, tie downs, hangar facilities, flight schools, maintenance shops, restaurants, and a motel within ½ mile. The Fixed Base Operator offers fuel sales, both Jet A and 100LL AVGAS, car rental, and a courtesy vehicle. The City has committed to an aggressive improvement program and has obtained grant funding for a tower, fire station and line service building.

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 the 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, communication services (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 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 63 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, which starts on page 67.

### **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 1,800. Other companies such as Sprint, Wal-Mart Stores, Inc., and Lifestream Behavioral Center, account for 5 percent 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 2005 unemployment rate stands at 3.6 percent. This rate is lower than the state average of 3.8 percent or any of the other three counties within the Orlando Metropolitan Statistical area. 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 1,300,000 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/Tally 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 85% 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 a 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 central east of 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. Recognizing these factors, and tempering them with the reality that Leesburg faces a geographic challenge when compared to other adjacent areas in attracting employees; it is projected that the Leesburg submarket will capture the following shares of County Growth to 2025:

- Population and Housing: 1/3 of County growth
- Agriculture: 10%
- Mining: 43%
- Construction: 31%
- Manufacturing: 44%
- Transportation & Commuting: 39%
- Wholesale Trade: 42%
- Retail Trade: 30%
- Finance, Insurance etc: 39%
- Services: 45%
- Government: Wholesale Trade: 12%
- **Total: 36 % of County Growth**

**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 detailed explanation regarding development of revenue projections and assumptions regarding capital needs.

The City typically extends services beyond the current available infrastructure based on a calculation to recoup the initial investment over a 5-7 year period. The City expects a surge in new housing development over the next three years that will affect all utilities. Although there will be a lag between capital expenses and realized revenues, the accelerated growth in residences should result in positive growth in long-term revenues.

Additional long range planning for the following utilities is listed below.

- **Electric** - There is a plan to convert all overhead utility lines to underground within 30 years to avoid future safety code compliance issues associated with poles and provide other savings.
- **Gas** - With the volatility of gas prices being a local concern, the City initiated pre-purchases of its winter natural gas supply to hedge price spikes that were seen the previous two winters. 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 3-year payback period. The fleet maintenance division is responsible for all vehicle repairs and purchases. In fiscal year 2005, 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 \$20,246,681 in 2005. The average yield on investments was 3.2 percent. The City's investment performance compares favorably to an average rate of 3.79 percent for the State Investment Pool for the same period. The maturity of securities held at September 30, 2005 range from 0 to 2 years, with an average maturity of 1.3 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 \$1,924,911 on all of its investments for the year ended September 30, 2005. The average yield on investments was 11.1% for the pension trust funds.

**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. During the ordinary course of its operations, the City is exposed to various risks of losses. 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.

The City maintains a self insurance risk management program for workers' compensation and healthcare coverage for employees and retirees. The City accumulates resources in the internal service funds to meet potential losses associated with this risk. Various techniques have been implemented to minimize accident related losses. Additional information on the City's risk management can be found in Note 15 of the notes to the financial statements. The healthcare self-insurance program was established October 1, 1984 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, a third party administrator, and a local insurance agent. The City's specific 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 attachment point, which is 125% of expected claims exposure. The workers' compensation program provides for City contributions into 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, and excess amounts are paid from a reinsurance policy purchased by the City.

**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 post-retirement health care benefits for retirees and their dependents. At the end of the current fiscal year, there were 67 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, 2004. This was the fifteenth consecutive year (fiscal years ended 1990-2004) 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 2004-05 was the seventh 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,



Ron Stock  
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, 2004

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.



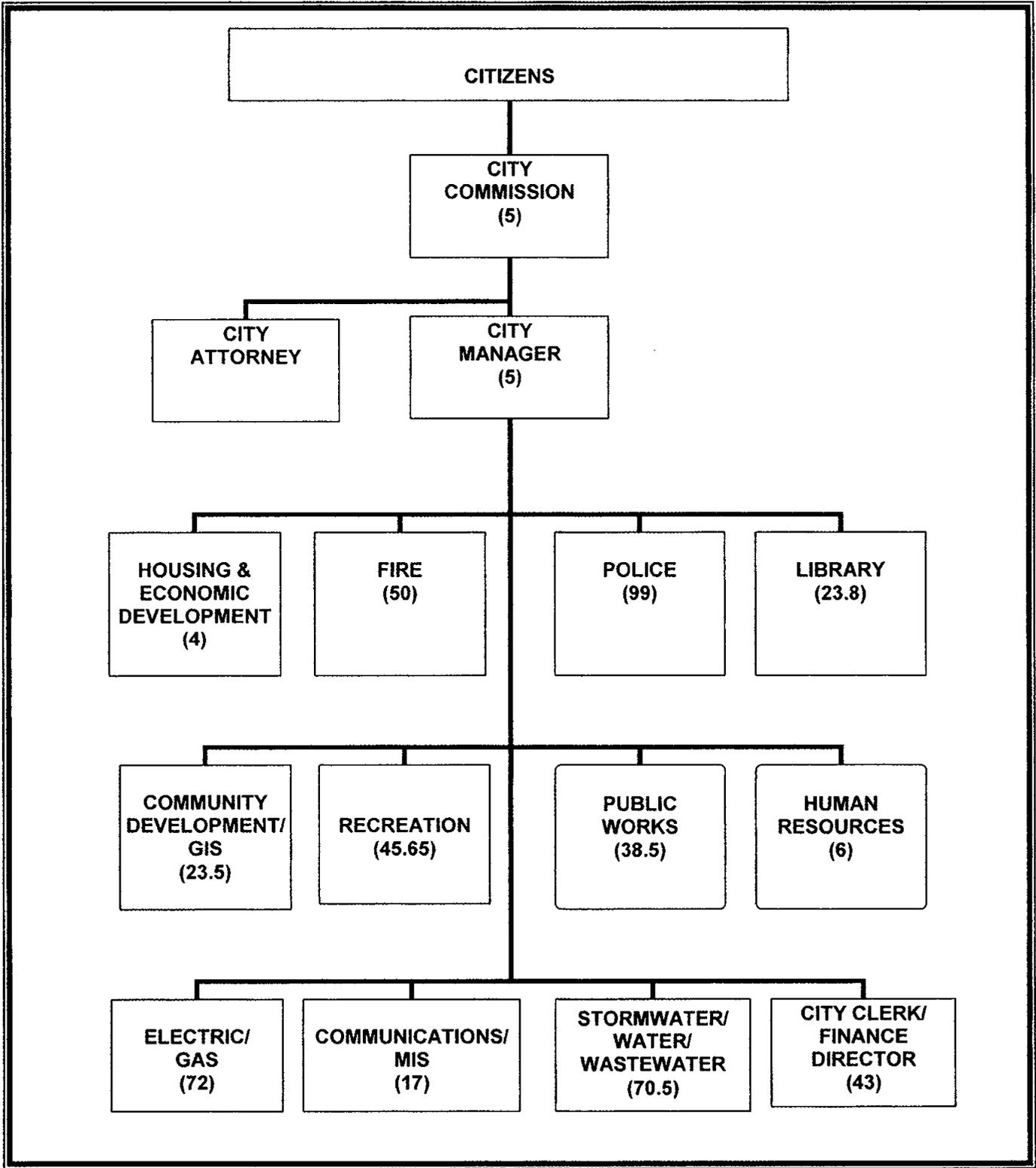
*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# City of Leesburg, Florida Organizational Chart



• NUMBERS REFLECT FULL TIME EQUIVALENT EMPLOYEES IN RESPECTIVE DEPARTMENTS

**CITY OF LEESBURG, FLORIDA**  
**PRINCIPAL CITY OFFICIALS**  
**SEPTEMBER 30, 2005**

**CITY COMMISSION**

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

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Ron Stock  
City Manager

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

William Pfeilsticker  
Finance Director

Purvis Gray and Company  
City Auditors

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Jay Evans	Deputy City Manager
Jakki Cunningham Perry	Human Resources/Safety Director
Stan Carter	Management Information Systems Director
H. Charles Idell, Jr.	Police Chief
Dennis M. Sargent	Fire Chief
Lora Hollingsworth, P.E.	Director of Public Works
Laura McElhanon	Community Development Director
Ken Thomas	Housing & Economic Development Director
Barbara J. Morse	Library Director
Bruce Ericson	Recreation & Parks Director
Lloyd Shank	Director of Electric and Gas
Ray 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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, 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 April 27, 2006, 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 read in conjunction with this report in considering 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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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.

April 27, 2006  
Gainesville, Florida

*Purtis, Gray and Company*

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

The City of Leesburg's (the City) management discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2005. Please read it in conjunction with the letter of transmittal, beginning on page i, and the financial statements beginning on page 15.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of fiscal year 2005 by \$170,192,530 (net assets). Of this amount, \$22,239,366 (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 \$10,581,505.
- As of September 30, 2005, the City's governmental funds reported combined ending fund balances of \$24,795,262 a decrease of \$14,671 in comparison with the prior year.
- On September 30, 2005, unreserved undesignated fund balance for the general fund was \$2,305,051 or 9.52% of total general fund expenditures and transfers out.
- Governmental fund revenues increased by \$6,540,060 over the prior fiscal year. There was an increase of \$1,891,800 in intergovernmental revenue attributable to grant funded construction of airport projects. Growth in the area resulted in increases in the tax category: ad valorem tax \$337,367, public service tax \$353,811, gas tax \$25,547, communications services tax \$56,636, local option sales tax \$139,062 and licenses and permits \$257,994. Additional income from internal service fees from fleet operations of \$2,813,279 and interest income of \$470,982 on bond proceeds contributed to the total.
- Utility operating revenues (business-type activities) had an increase of \$6,366,656 from \$67,285,979 to \$73,652,635. Net income from operations before transfers was positive in all funds with the exception of the communications fund.
- The City's total debt increased by \$2,299,052 or 3.2% during fiscal year 2005. This was primarily due to an increase of capital leases of \$1,938,537 and an increase in the estimate of the Crystal River #3 Decommissioning Cost Payable of \$331,646.
- 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 will be entered based on actual cost. This early implementation of GASB 34 is used for comparative purposes.

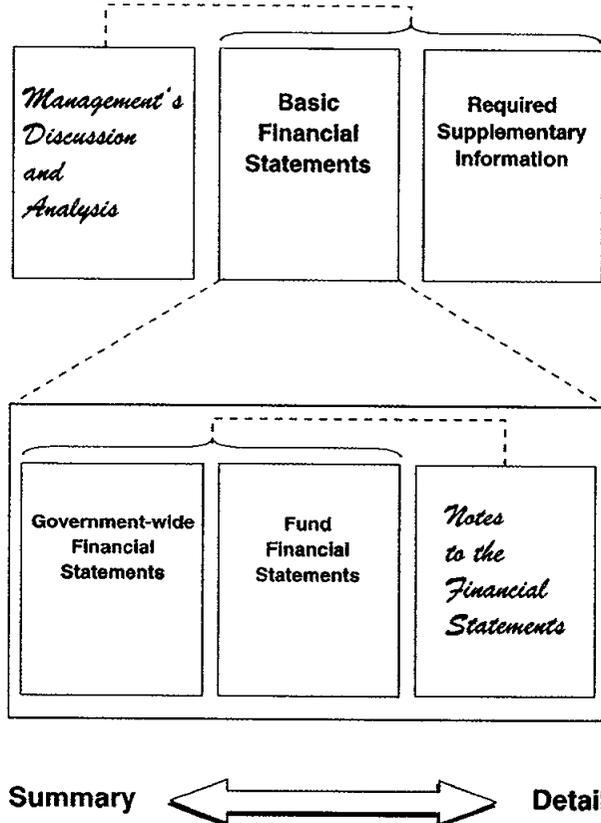
### **Overview of the Financial Statements**

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.



**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

This 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 some of the information in 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. 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 2005. 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).

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, stormwater, economic development, human services, airport, marina, culture and recreation. The business-type 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 and Carver Heights 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 15 and 16 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 3 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 8 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund 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 6 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 17 through 20 of this report.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Proprietary funds.** The City maintains two different types of proprietary 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 device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund 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 21 through 30 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 31 and 32 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 33 through 62 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 63 through 66 of this report.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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 66 through 76 of this report.

**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 \$170,192,529 at the close of the fiscal year ended September 30, 2005.

At the end of fiscal year 2005, 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	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and other assets	\$ 34,610,226	\$ 32,560,374	\$ 47,268,513	\$ 54,991,047	\$ 81,878,739	\$ 87,551,421
Capital assets (net)	63,588,260	54,883,752	114,248,067	103,414,775	177,836,327	158,298,527
<b>Total assets</b>	<b>98,198,486</b>	<b>87,444,126</b>	<b>161,516,580</b>	<b>158,405,822</b>	<b>259,715,066</b>	<b>245,849,948</b>
<b>Liabilities</b>						
Current and other liabilities	6,887,371	4,576,249	10,982,654	11,523,139	17,870,025	16,099,388
Long term liabilities:	24,891,960	25,009,992	46,760,552	45,129,543	71,652,512	70,139,535
<b>Total liabilities</b>	<b>31,779,331</b>	<b>29,586,241</b>	<b>57,743,206</b>	<b>56,652,682</b>	<b>89,522,537</b>	<b>86,238,923</b>
<b>Net assets</b>						
Invested in capital assets net of related debt	30,676,655	30,676,755	76,296,976	64,637,677	\$106,973,631	\$ 95,314,432
Restricted	17,657,048	17,203,324	23,322,485	35,369,218	\$ 40,979,533	\$ 52,572,542
Unrestricted:	18,085,452	9,977,806	4,153,914	1,746,245	22,239,366	11,724,051
<b>Total net assets</b>	<b>\$ 66,419,155</b>	<b>\$ 57,857,885</b>	<b>\$103,773,375</b>	<b>\$101,753,140</b>	<b>\$170,192,530</b>	<b>\$159,611,025</b>

The largest portion of the City's net assets are reflected in the investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. Capital assets total \$177,836,327, which is 68.5% of all assets, which total \$259,715,066. 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.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

A portion of the City's net assets (24.1%) represents resources that are subject to external restriction on how they may be used. This amount decreased from \$52,572,542 to \$40,979,533 as a result of bond proceeds being used for capital projects. Conversely, unrestricted assets increased and will continue to increase as bond proceeds rather than current revenue are spent to construct capital projects. The balance of unrestricted net assets totaling \$22,239,366 may be used to meet the government's ongoing obligations to citizens and creditors and to provide the funding for various projects.

**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 16.

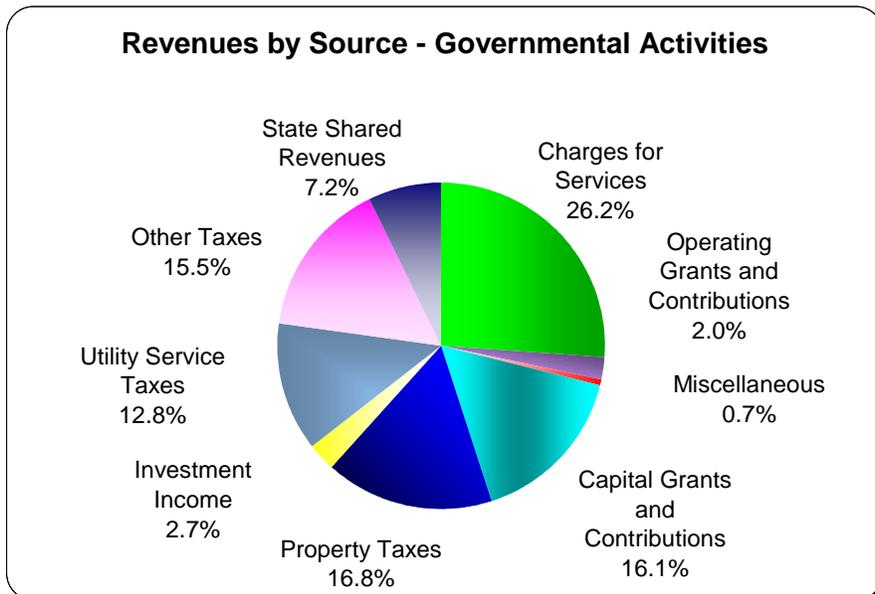
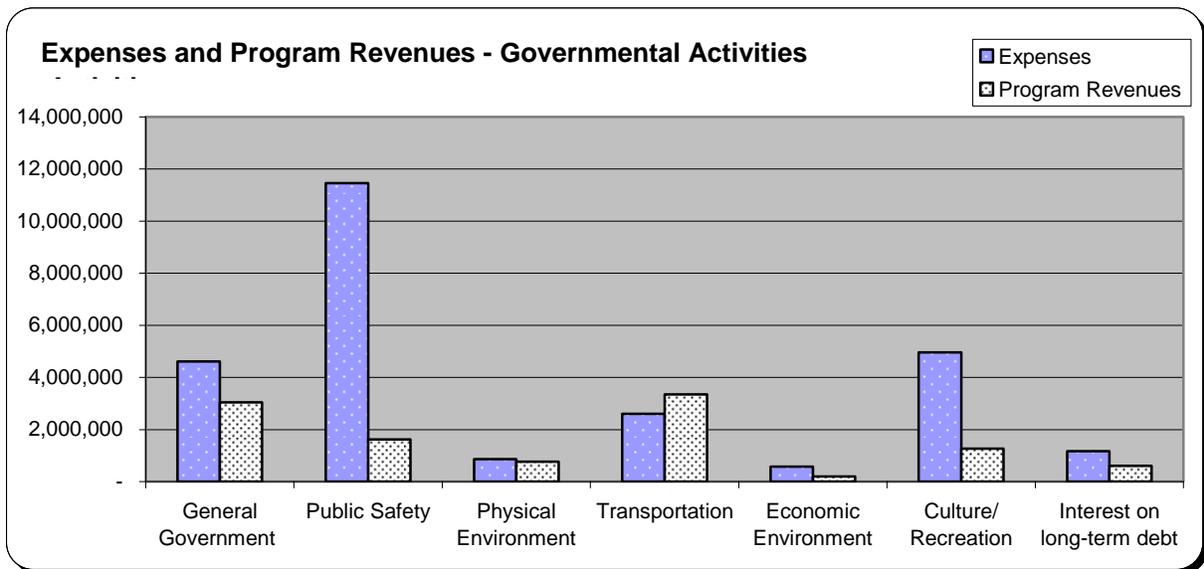
**City of Leesburg's Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 6,049,003	\$ 3,046,845	\$ 73,652,635	\$ 66,660,117	\$ 79,701,638	\$ 69,706,962
Operating grants and contributions	454,762	1,863,441	-	625,862	454,762	2,489,303
Capital grants and contributions	3,729,099	1,505,260	6,107,611	2,326,135	9,836,710	3,831,395
<b>General revenues:</b>						
Property taxes	3,871,712	3,534,345	-	-	3,871,712	3,534,345
Utility service taxes	2,955,112	2,601,302	-	-	2,955,112	2,601,302
Other taxes	3,584,329	3,166,977	-	-	3,584,329	3,166,977
Other	2,626,678	2,646,931	998,493	1,163,536	3,625,171	3,810,467
Total Revenues	<u>23,270,695</u>	<u>18,365,101</u>	<u>80,758,739</u>	<u>70,775,650</u>	<u>104,029,434</u>	<u>89,140,751</u>
<b>Expenses:</b>						
General Government	4,614,037	1,079,476	-	-	4,614,037	1,079,476
Public Safety	11,410,642	10,293,509	-	-	11,410,642	10,293,509
Physical Environment	862,018	675,409	-	-	862,018	675,409
Transportation	2,603,092	2,313,918	-	-	2,603,092	2,313,918
Economic Environment	571,765	1,545,359	-	-	571,765	1,545,359
Human Services	53,288	82,899	-	-	53,288	82,899
Culture/Recreation	4,968,600	4,424,409	-	-	4,968,600	4,424,409
Interest on long-term debt	1,170,569	627,346	-	1,305,138	1,170,569	1,932,484
Electric	-	-	45,311,308	41,185,843	45,311,308	41,185,843
Gas	-	-	7,875,053	7,566,229	7,875,053	7,566,229
Water	-	-	3,898,107	3,876,184	3,898,107	3,876,184
Wastewater	-	-	5,973,026	5,606,459	5,973,026	5,606,459
Solid Waste	-	-	3,284,528	3,440,650	3,284,528	3,440,650
Communications	-	-	851,896	540,922	851,896	540,922
Total expenses	<u>26,254,011</u>	<u>21,042,325</u>	<u>67,193,918</u>	<u>63,521,425</u>	<u>93,447,929</u>	<u>84,563,750</u>
Change in Net Assets Before Transfers	(2,983,316)	(2,677,224)	13,564,821	7,254,225	10,581,505	4,577,001
Transfers	11,544,586	7,496,300	(11,544,586)	(7,496,300)	-	-
Change in Net Assets	8,561,270	4,819,076	2,020,235	(242,075)	10,581,505	4,577,001
Adjustment	-	1,167,276	-	-	-	1,167,276
Net Assets - Beginning	57,857,885	51,871,533	101,753,140	101,995,215	159,611,025	153,866,748
Net Assets - Ending	<u>\$ 66,419,155</u>	<u>\$ 57,857,885</u>	<u>\$103,773,375</u>	<u>\$101,753,140</u>	<u>\$170,192,530</u>	<u>\$159,611,025</u>

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

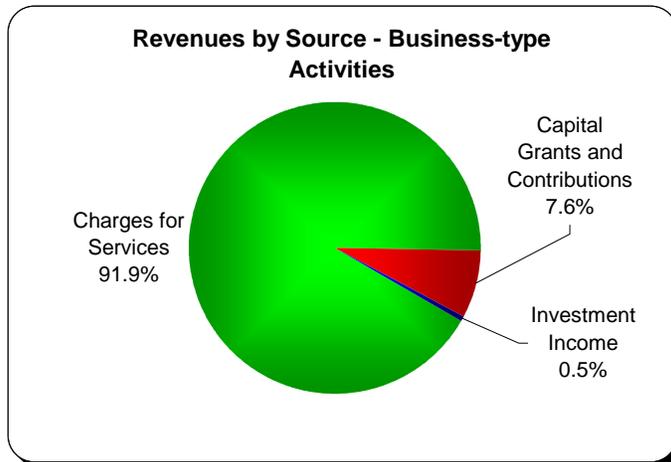
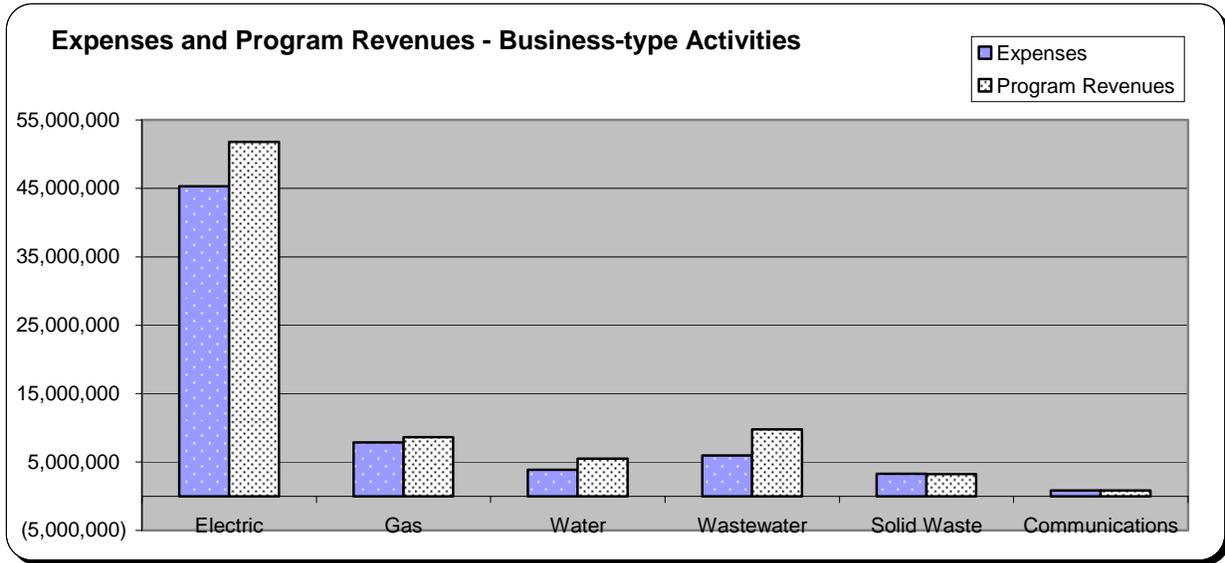
**Governmental activities** Governmental activities increased the City's net assets by \$8,561,270, thereby accounting for 80.1% of the total growth in the net assets of the City. Key elements of this increase are:

- Total tax revenue increased by \$1,088,276 (9.1 percent) during the year. This increase was uniformly spread across all types of taxes
- Operating and capital grants increased by \$815,160 during the fiscal year and were used to fund general government, transportation, economic environment and recreation.
- Transfers from Business-type activities increased by \$4,048,286.



**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

**Business-type activities** Business-type activities increased the City's net assets by \$2,020,235. This increase is due to an increase in capital grants and contributions of \$3,781,476.



**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 2005, the City's governmental funds reported combined ending fund balances of \$24,795,262, a decrease of \$14,671 in comparison with the prior year.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

Unreserved fund balance of the governmental funds is \$3,018,582, 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 2005, the fund balance of the general fund was \$7,023,664, of which \$2,305,051 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 unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 9.5%, while total fund balance represents 29% of that same amount.

The fund balance of the City's general fund increased by \$158,998 during the current fiscal year. This increase was the result of revenues exceeding anticipated amounts and expenditures not exceeding budgeted amounts.

**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:

<b>Fund</b>	<b>Unrestricted Net Assets</b>
Electric	\$ 8,300,476
Gas	1,794,895
Water	4,514,763
Wastewater	(7,179,365)
Solid Waste	(450,999)
Communications	(2,825,856)
Total	\$ 4,153,914

This is an improvement over last year by \$2,407,669, which is very close to the amount by which total net assets increased. 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 \$1,726,012 increase in appropriations between the original and final amended budget. Following are the main components of this increase:

- Technology \$327,443
- Building, Furniture & Equipment 83,235
- Personnel 150,598
- Benefits 392,045
- Road Resurfacing 145,000
- Hurricane/Lightening Damage 225,187
- Train Depot 300,010

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

The increase was possible because of additional anticipated revenues. Those revenues included an increase in tax collections of \$414,423, licenses and permits of \$333,454, intergovernmental revenue of \$294,886 and miscellaneous revenues of \$1,190,723. These increases were reduced by a decrease in revenues from other sources of \$448,586. The final budget anticipated \$52,050 to be expended from fund balance. During the year, however, total revenues and other financing sources exceeded expenditures and other uses resulting in an increase in fund balance of \$158,998.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2005 amounts to \$177,836,326 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, vehicles, equipment, infrastructure, and construction in progress. The total increase of \$19,537,770 in the City's investment in capital assets for the current fiscal year was 12.3%.

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

- Major electric lighting projects totaling \$811,577 for the current year, are specifically identified as follows: CR 470, the Turnpike and Park Hill Subdivision with the remaining cost distributed across several other smaller electric lighting projects.
- Electric distribution lines, excluding 441 totaled \$1,675,990 and can be identified as follows: Sixth Street underground conversion, underground Permanent Services, damages from Hurricane Frances, Lake Blvd. underground services, Myrtle Lake Avenue, Carver Middle School and several other smaller projects.
- Improvements to subdivisions totaling \$780,344.
- Transformer purchases totaling \$1,174,978.
- Water projects, excluding 441, included Canal Street improvements of \$515,964, improvements to Well #3 in Highland Lake of \$128,850 and improvements to Royal Highlands Well #3 of \$94,806. Other significant expenditures included transmission lines totaling \$733,038 and the Arlington Heights reuse main line totaling \$636,789.
- Installation of the SCADA system for lift stations and associated collection sewer systems totaled \$264,595.
- Phase II of the DOT project to widen Hwy 441 near the Lake Square Mall between College Road and Tavares has a total cost to date of \$11,510,528 for all utilities. Total cost of this project for fiscal year 2005 totaled \$4,818,072 and can be specifically accounted for in the following funds: electric \$3,026,881, gas \$871,672, water \$612,033, wastewater \$165,600 and communications \$141,886.
- Major projects for wastewater included Canal Street Plant improvements of \$1,338,678 and improvements to Old Tavares Road collection systems of \$331,023.
- Communications projects included fiber optic cable to the Lake County School Board of \$185,147, wireless backup equipment totaling \$184,251 and line installation of \$551,490.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

The total net capital asset increase of \$8,704,478 in the governmental-type activities can be attributed to the following expenditures in the current year:

- New Police Station - \$5,467,471
- Vehicles transferred from utility funds to general fund - \$3,263,028
- CWIP increased \$5,192,361
  - Sleepy Hollow Recreation Area - \$541,019
  - Library Roof Repairs - \$223,492
  - Construction of New Library - \$291,977
  - Canal Street Improvements - \$447,194
  - Construction of new Public Works Facility - \$184,801
  - Line Operations Building at the Airport - \$1,047,163
  - Construction of Airport Fire Station - \$1,918,503

**City of Leesburg's Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 8,058,958	\$ 7,927,051	\$ 7,039,212	\$ 7,039,212	\$ 15,098,170	\$ 14,966,263
Buildings	21,762,961	17,430,159	11,053,484	11,049,524	32,816,445	28,479,683
Improvements Other Than Buildings	14,511,521	11,230,979	90,989,128	91,508,683	105,500,649	102,739,662
Equipment	24,383,324	12,051,015	30,096,694	31,608,414	54,480,018	43,659,429
Infrastructure	20,715,576	20,715,576	0	0	20,715,576	20,715,576
Construction in Progress	12,995,896	15,753,194	30,495,339	21,040,910	43,491,235	36,794,104
	102,428,236	85,107,974	169,673,857	162,246,743	272,102,093	247,354,717
Less: Accumulated Depreciation	(38,840,006)	(30,224,222)	(55,425,790)	(58,831,968)	(94,265,796)	(89,056,190)
Capital Assets, Net	<u>\$ 63,588,230</u>	<u>\$ 54,883,752</u>	<u>\$ 114,248,067</u>	<u>\$ 103,414,775</u>	<u>\$ 177,836,297</u>	<u>\$ 158,298,527</u>

Additional information on the City's capital assets can be found in Note 6 on pages 46 - 47 of this report.

**Long-term debt**

At the end of fiscal year 2005, the City had total long-term debt outstanding of \$74,126,309. Of this amount, \$63,545,000 represents bonds secured solely by specified revenue sources. \$23,890,000 of the revenue bonds are applicable to governmental activities, and \$39,655,000 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 entered into a lease purchase agreement for the purchase of railroad property. This new debt of \$1,750,000 increased the debt in business-type activities.

Additional information on the City's debt can be found in Note 8 on pages 48 - 53 of this report.

**CITY OF LEESBURG, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

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

- The unemployment rate for Lake County at September 30, 2005 was 3.6%, which is a decrease from a rate of 4.2% a year ago. This compares favorably to the state's average of 3.8% and the national average rate of 5.1%.
- The taxable value of commercial and residential property increased 8.9% in the 2005 fiscal year.
- Building permit activity had an increase of 73% in the 2005 fiscal year from 2,122 to 3,666 with an estimated construction value of \$135,535,000.
- Population increased 4.7% from the prior fiscal year to 17,467 at September 30, 2005, and the City anticipates growth over the next 5 years.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$2,305,051 and the total fund balance increased by \$158,998. In addition, the ad valorem tax rate for the general fund was not increased for the 2005 fiscal year budget.

The Department of Environmental Services is completing 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 department has initiated 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 budgeted for a water/wastewater/reclaimed water rate study in FY 2006-07. 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.

**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.

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2005**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 29,397,164	\$ 149,778	\$ 29,546,942
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents		26,943,242	26,943,242
Investments		3,657,412	3,657,412
Internal Balances	1,165,000	(1,165,000)	0
Receivables (Net)	1,475,661	10,602,298	12,077,959
Prepaid Items	74,343		74,343
Due from Other Governments	1,280,969	2,704,183	3,985,152
Inventories	187,373	3,398,968	3,586,341
Notes Receivable - Employees	100,180		100,180
Capital Assets, Net of Accumulated Depreciation:			
Land	8,058,958	7,039,212	15,098,170
Buildings	16,878,452	8,151,307	25,029,759
Improvements Other Than Building	8,092,463	60,172,424	68,264,887
Machinery and Equipment	8,877,745	8,389,785	17,267,530
Infrastructure	8,684,746		8,684,746
Construction in Progress	12,995,896	30,495,338	43,491,234
Net Pension Obligation	929,536		929,536
Unamortized Bond Issue Costs		977,633	977,633
<b>Total Assets</b>	<b>98,198,486</b>	<b>161,516,580</b>	<b>259,715,066</b>
<b>Liabilities</b>			
Accounts Payable	2,084,113	4,601,787	6,685,900
Accrued Liabilities	729,596	1,681,329	2,410,925
Customer Advances for Construction		59,505	59,505
Accrued Interest Payable	580,105	927,481	1,507,586
Unearned Revenue	671,068		671,068
Claims Payable	1,448,022		1,448,022
Customer Deposits		2,613,222	2,613,222
Noncurrent Liabilities:			
Due Within One Year	1,374,467	1,099,331	2,473,798
Due in More Than One Year	24,891,960	46,760,552	71,652,512
<b>Total Liabilities</b>	<b>31,779,331</b>	<b>57,743,207</b>	<b>89,522,538</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	30,676,655	76,296,976	106,973,631
Restricted for:			
Community Redevelopment	399,299		399,299
Public Safety	173,808		173,808
C.U.R.E. Program	423		423
Capital Projects	16,943,517	22,811,485	39,755,002
Debt Service	140,001		140,001
Gas Depository Trust		511,000	511,000
Unrestricted	18,085,452	4,153,914	22,239,366
<b>Total Net Assets</b>	<b>\$ 66,419,155</b>	<b>\$ 103,773,375</b>	<b>\$ 170,192,530</b>

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

**CITY OF LEESBURG, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
<b>Governmental Activities</b>						
General Government	\$ 4,614,037	\$ 3,044,485			\$ (1,569,552)	\$ (1,569,552)
Public Safety	11,410,642	1,224,873	\$ 110,635	\$ 283,881	(9,791,253)	(9,791,253)
Physical Environment	862,018	702,768	60,799		(98,451)	(98,451)
Transportation	2,603,092	593,200		2,753,481	743,589	743,589
Economic Environment	571,765			199,038	(372,727)	(372,727)
Human Services	53,288				(53,288)	(53,288)
Culture/Recreation	4,968,600	483,677	283,328	492,699	(3,708,896)	(3,708,896)
Interest on Long-term Debt	1,170,569				(1,170,569)	(1,170,569)
<b>Total Governmental Activities</b>	<b>26,254,011</b>	<b>6,049,003</b>	<b>454,762</b>	<b>3,729,099</b>	<b>(16,021,147)</b>	<b>(16,021,147)</b>
<b>Business-type Activities</b>						
Electric	45,311,308	49,715,699		2,060,499	0	6,464,890
Gas	7,875,054	8,605,078		4,007	0	734,031
Water	3,898,107	4,401,492		1,097,251	0	1,600,636
Wastewater	5,973,024	7,079,097		2,679,442	0	3,785,515
Solid Waste	3,284,528	2,990,505		266,403	0	(27,620)
Communication Services	851,901	860,768		9	0	8,876
<b>Total Business-type Activities</b>	<b>\$ 67,193,922</b>	<b>\$ 73,652,639</b>	<b>\$ 0</b>	<b>\$ 6,107,611</b>	<b>0</b>	<b>12,566,328</b>
<b>General Revenues</b>						
Taxes:						
Property Taxes					3,871,712	3,871,712
Utility Service Taxes					2,955,112	2,955,112
Other Taxes					3,584,329	3,584,329
State-shared Revenues					1,670,268	1,670,268
County-shared Revenues					175,992	175,992
Investment Income					613,132	391,921
Miscellaneous					167,286	606,572
Transfers from (to) Other Funds					11,544,586	(11,544,586)
<b>Total General Revenues, Special Items and Transfers</b>					<b>24,582,417</b>	<b>(10,546,093)</b>
<b>Change in Net Assets</b>					<b>8,561,270</b>	<b>2,020,235</b>
<b>Net Assets, Beginning of Year</b>					<b>57,857,885</b>	<b>101,753,140</b>
<b>Net Assets, End of Year</b>					<b>\$ 66,419,155</b>	<b>\$ 103,773,375</b>

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

**CITY OF LEESBURG, FLORIDA  
BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,627,947	\$ 17,352,413	\$ 1,456,672	\$ 24,437,032
Internal Balances	2,085,000			2,085,000
Receivables (Net)	854,550	446,209	86,191	1,386,950
Due from Other Governments	453,215	826,708	1,045	1,280,968
Prepaid Items	74,343			74,343
Inventory	187,373			187,373
Notes Receivable - Employees	100,179			100,179
<b>Total Assets</b>	<u>9,382,607</u>	<u>18,625,330</u>	<u>1,543,908</u>	<u>29,551,845</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	958,279	822,302	75,234	1,855,815
Accrued Wages and Payroll Tax	729,596			729,596
Internal Balances		920,000		920,000
Accrued Interest			580,105	580,105
Unearned Revenue	671,068			671,068
<b>Total Liabilities</b>	<u>2,358,943</u>	<u>1,742,302</u>	<u>655,339</u>	<u>4,756,584</u>
<b>Fund Balances</b>				
Reserved for:				
Notes Receivable - Employees	100,179			100,179
Computer Maintenance	371			371
Police Education and Other Expenditures	173,808			173,808
Prepays	74,343			74,343
C.U.R.E. Program	423			423
Capital Projects	60,488	16,883,029		16,943,517
Operating Reserve	3,944,739			3,944,739
Community Redevelopment	364,262		35,037	399,299
Debt Service			140,001	140,001
Unreserved Reported in:				
General Fund	2,305,051			2,305,051
Special Revenue Funds			713,531	713,531
<b>Total Fund Balances</b>	<u>7,023,664</u>	<u>16,883,029</u>	<u>888,569</u>	<u>24,795,262</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,382,607</u>	<u>\$ 18,625,331</u>	<u>\$ 1,543,908</u>	<u>\$ 29,551,846</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, 2005**

**Total Fund Balances of Governmental Funds** \$ 24,795,262

**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	\$ 102,428,266	
Accumulated Depreciation	<u>(38,840,006)</u>	63,588,260

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. 3,372,523

Net pension obligation is not an available financial resource and, therefore, is not reported as an asset in the governmental funds. 929,536

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	(23,890,000)	
Notes Payable	(287,392)	
Suit Settlement Accrual	(210,000)	
Capital Lease	(188,037)	
Compensated Absences	<u>(1,690,997)</u>	<u>(26,266,426)</u>

**Total Net Assets of Governmental Activities** \$ 66,419,155

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, 2005**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 8,826,329	\$ 1,121,297		\$ 9,947,626
Licenses and Permits	1,039,497			1,039,497
Intergovernmental	1,596,490	2,523,769	\$ 1,497,660	5,617,919
Charges for Services	280,083		702,768	982,851
Fines and Forfeitures	339,962			339,962
Miscellaneous:				
Interest	119,639	473,609	19,883	613,131
Other	4,909,202	555,000		5,464,202
<b>Total Revenues</b>	<u>17,111,202</u>	<u>4,673,675</u>	<u>2,220,311</u>	<u>24,005,188</u>
<b>Expenditures</b>				
Current:				
General Government	2,393,514			2,393,514
Public Safety	11,641,923			11,641,923
Physical Environment	281,392		454,344	735,736
Transportation	1,144,742			1,144,742
Economic Environment	378,426		165,868	544,294
Human Services	53,288			53,288
Culture and Recreation	4,525,265			4,525,265
Capital Outlay	3,363,580	6,115,515	376,363	9,855,458
Debt Service:				
Principal Payments	90,000		149,846	239,846
Interest and Fees			1,170,569	1,170,569
<b>(Total Expenditures)</b>	<u>(23,872,130)</u>	<u>(6,115,515)</u>	<u>(2,316,990)</u>	<u>(32,304,635)</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(6,760,928)</u>	<u>(1,441,840)</u>	<u>(96,679)</u>	<u>(8,299,447)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	7,249,533	1,373,669	133,107	8,756,309
Transfers to Other Funds	(329,607)		(141,925)	(471,532)
<b>Total Other Financing Sources (Uses)</b>	<u>6,919,926</u>	<u>1,373,669</u>	<u>(8,818)</u>	<u>8,284,777</u>
<b>Net Change in Fund Balances</b>	158,998	(68,171)	(105,497)	(14,670)
<b>Fund Balances, Beginning of Year</b>	<u>6,864,665</u>	<u>16,951,200</u>	<u>994,068</u>	<u>24,809,933</u>
<b>Fund Balances, End of Year</b>	<u>\$ 7,023,663</u>	<u>\$ 16,883,029</u>	<u>\$ 888,571</u>	<u>\$ 24,795,263</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, 2005**

**Net Change in Fund Balances - Total Governmental Funds** \$ (14,670)

**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	\$ 9,855,458	
Transfers from Enterprise Funds, Net of Depreciation	3,259,809	
Net Book Value of Disposals	(654,534)	
Depreciation Expense	<u>(4,749,655)</u>	7,711,078

Donated Capital Assets Increase Net Assets 136,800

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.

Debt Issued or Incurred:

    Issuance of 2004 Capital Improvement Bonds

Principal Repayments:

Capital Improvement Revenue Bonds	135,000	
Note Payable	21,405	
Capital Lease Payments and Other	461,314	
Lawsuit Settlement	<u>60,000</u>	677,719

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		40,239
Changes in Net Pension Obligation		<u>(221,124)</u>

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.

231,228

**Change in Net Assets of Governmental Activities** \$ 8,561,270

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, 2005**

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Assets</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,596	\$ 7,531	\$ 14,047	\$ 35,300
Restricted Cash and Cash Equivalents:				
Debt Service Account	389,906	90,164	187,549	259,862
Customer Deposits Account	2,288,748	136,768	167,406	14,855
Landfill Escrow				
Due from Other Funds	3,870,000	1,380,000	4,500,000	473,083
Due from Other Governments	1,714,471	3,675	7,269	956,911
Receivables:				
Customer Accounts - Unbilled	3,502,221	632,088	301,898	450,053
Customer Accounts - Billed	4,170,346	543,463	261,005	599,610
(Allowance for Doubtful Accounts)	(450,938)	(74,816)	(57,360)	(91,434)
Miscellaneous Receivables	415,936			
Inventory	3,385,907		3,825	9,236
<b>Total Current Assets</b>	<u>19,288,193</u>	<u>2,718,873</u>	<u>5,385,639</u>	<u>2,707,476</u>
<b>Noncurrent Assets:</b>				
Restricted Assets:				
Equity in Pooled Cash and Equivalents:				
Renewal and Replacement Account		60,592		
Impact Fees Account			1,704,623	3,877,043
Depository Trust Account		511,000		
FMPA Loan - Cash with Trustee				
Bond Proceeds with Trustee	3,884,387	1,610,013	4,491,622	7,174,123
Investments:				
Crystal River Decommissioning Trust Account	3,657,412			
<b>Total Restricted Assets</b>	<u>7,541,799</u>	<u>2,181,605</u>	<u>6,196,245</u>	<u>11,051,166</u>
<b>Property, Plant and Equipment:</b>				
Land	398,126	95,111	121,945	6,395,330
Buildings	2,439,676	564,610	426,111	7,609,232
Improvements Other Than Buildings	49,361,255	8,070,312	13,747,356	13,323,863
Machinery and Equipment	16,393,614	1,085,834	1,766,184	10,155,657
(Accumulated Depreciation and Amortization)	(27,042,299)	(3,622,716)	(9,365,802)	(14,322,808)
Construction in Progress	10,896,506	3,182,518	8,647,118	7,146,153
<b>Total Property, Plant and Equipment</b>	<u>52,446,878</u>	<u>9,375,669</u>	<u>15,342,912</u>	<u>30,307,427</u>
<b>Other Assets:</b>				
Unamortized Bond Issue Costs	428,184	92,211	191,669	265,569
<b>Total Other Assets</b>	<u>428,184</u>	<u>92,211</u>	<u>191,669</u>	<u>265,569</u>
<b>Total Noncurrent Assets</b>	<u>60,416,861</u>	<u>11,649,485</u>	<u>21,730,826</u>	<u>41,624,162</u>
<b>Total Assets</b>	<u>\$ 79,705,054</u>	<u>\$ 14,368,358</u>	<u>\$ 27,116,465</u>	<u>\$ 44,331,638</u>

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

Total Combined Utility	Business-Type Activities			Total	Governmental Activities
	Solid Waste	Communication Services			Internal Service Funds
\$ 58,474	\$ 87,072	\$ 4,232	\$ 149,778	\$ 4,960,132	
927,481			927,481		
2,607,777	1,415	4,030	2,613,222		
0	80,053		80,053		
10,223,083	191,917		10,415,000		
2,682,326	21,857		2,704,183		
4,886,260	161,944	45,599	5,093,803		
5,574,424	181,724	80,654	5,836,802		
(674,548)	(68,628)	(1,067)	(744,243)		
415,936			415,936	88,711	
3,398,968			3,398,968		
<u>30,100,181</u>	<u>657,354</u>	<u>133,448</u>	<u>30,890,983</u>	<u>5,048,843</u>	
60,592			60,592		
5,581,666			5,581,666		
511,000			511,000		
0		9,083	9,083		
17,160,145			17,160,145		
<u>3,657,412</u>	<u>0</u>	<u>9,083</u>	<u>3,657,412</u>	<u>0</u>	
26,970,815			26,979,898		
7,010,512	28,700		7,039,212		
11,039,629	13,855		11,053,484		
84,502,786	59,209	6,427,133	90,989,128		
29,401,289	97,929	597,476	30,096,694		
(54,353,625)	(116,412)	(955,753)	(55,425,790)		
29,872,295		623,044	30,495,339		
<u>107,472,886</u>	<u>83,281</u>	<u>6,691,900</u>	<u>114,248,067</u>	<u>0</u>	
977,633			977,633		
<u>977,633</u>	<u>0</u>	<u>0</u>	<u>977,633</u>	<u>0</u>	
135,421,334	83,281	6,700,983	142,205,598	0	
<u>\$ 165,521,515</u>	<u>\$ 740,635</u>	<u>\$ 6,834,431</u>	<u>\$ 173,096,581</u>	<u>\$ 5,048,843</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, 2005**  
*(Concluded)*

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts and Retainage Payable	\$ 3,520,821	\$ 562,211	\$ 127,902	\$ 260,444
Accrued Expenses	1,128,193	125,307	168,330	223,514
Compensated Absences	220,868	55,957	96,996	63,159
Customer Advances for Construction	50,605			8,900
Current Portion of Capital Lease	583,334			
Due to Other Funds	1,645,000		235,000	9,270,000
	<u>7,148,821</u>	<u>743,475</u>	<u>628,228</u>	<u>9,826,017</u>
<b>Current Liabilities Payable from Restricted Assets:</b>				
Customer Deposits	2,288,748	136,768	167,406	14,855
Estimated Landfill Closure Cost Payable				
Accrued Interest Payable	389,906	90,164	187,549	259,862
Current Liabilities Payable from Restricted Assets	<u>2,678,654</u>	<u>226,932</u>	<u>354,955</u>	<u>274,717</u>
<b>Total Current Liabilities</b>	<u>9,827,475</u>	<u>970,407</u>	<u>983,183</u>	<u>10,100,734</u>
<b>Noncurrent Liabilities:</b>				
Capital Lease Payable	1,166,666			
FMPA Loan Payable				
Refunding Revenue Bonds Payable	16,670,000	3,855,135	8,018,997	11,110,869
(Unamortized Discount and Loss on Refunding)	(489,263)	(76,911)	(172,597)	(308,473)
Compensated Absences	180,710	45,783	79,361	51,676
Landfill Postclosure Costs Payable				
Decommissioning Costs Payable	4,481,796			
<b>Total Noncurrent Liabilities</b>	<u>22,009,909</u>	<u>3,824,007</u>	<u>7,925,761</u>	<u>10,854,072</u>
<b>Total Liabilities</b>	<u>31,837,384</u>	<u>4,794,414</u>	<u>8,908,944</u>	<u>20,954,806</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	35,682,806	5,597,445	7,496,513	19,505,031
Restricted for:				
Capital Projects	3,884,387	1,670,605	6,196,245	11,051,165
Gas Depository Trust		511,000		
Unrestricted (Accumulated Deficit)	<u>8,300,476</u>	<u>1,794,895</u>	<u>4,514,763</u>	<u>(7,179,365)</u>
<b>Total Net Assets</b>	<u>\$ 47,867,669</u>	<u>\$ 9,573,945</u>	<u>\$ 18,207,521</u>	<u>\$ 23,376,831</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>
\$ 4,471,378	\$ 102,390	\$ 28,019	\$ 4,601,787	\$ 228,298
1,645,344	26,493	9,492	1,681,329	1,448,022
436,980	39,294	4,270	480,544	
59,505			59,505	
583,334			583,334	
11,150,000		430,000	11,580,000	
<u>18,346,541</u>	<u>168,177</u>	<u>471,781</u>	<u>18,986,499</u>	<u>1,676,320</u>
2,607,777	1,415	4,030	2,613,222	
0	35,453		35,453	
927,481			927,481	
<u>3,535,258</u>	<u>36,868</u>	<u>4,030</u>	<u>3,576,156</u>	<u>0</u>
<u>21,881,799</u>	<u>205,045</u>	<u>475,811</u>	<u>22,562,655</u>	<u>1,676,320</u>
1,166,666			1,166,666	
0		1,240,000	1,240,000	
39,655,001			39,655,001	
(1,047,244)			(1,047,244)	
357,530	32,149	3,494	393,173	
0	871,160		871,160	
4,481,796			4,481,796	
<u>44,613,749</u>	<u>903,309</u>	<u>1,243,494</u>	<u>46,760,552</u>	<u>0</u>
<u>66,495,548</u>	<u>1,108,354</u>	<u>1,719,305</u>	<u>69,323,207</u>	<u>1,676,320</u>
68,281,795	83,281	7,931,900	76,296,976	
22,802,402		9,083	22,811,485	
511,000			511,000	
<u>7,430,769</u>	<u>(450,999)</u>	<u>(2,825,856)</u>	<u>4,153,914</u>	<u>3,372,523</u>
<u>\$ 99,025,966</u>	<u>\$ (367,718)</u>	<u>\$ 5,115,127</u>	<u>\$ 103,773,375</u>	<u>\$ 3,372,523</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, 2005**

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
<b>Operating Revenues</b>				
Charges for Services	\$ 48,966,154	\$ 8,474,095	\$ 4,316,398	\$ 6,843,191
Other	749,541	130,983	85,094	235,906
<b>Total Operating Revenues</b>	<u>49,715,695</u>	<u>8,605,078</u>	<u>4,401,492</u>	<u>7,079,097</u>
<b>Operating Expenses</b>				
Power Generation and Transmission	1,410,693			
Purchased Energy	33,682,434	4,920,604		
Supply and Pumping Treatment			911,495	235,608
Distribution and Collection	2,899,530	1,126,119	970,180	1,508,180
Customer Accounts	1,399,152	495,951	499,544	535,908
General and Administrative Operating Expenses	3,036,414	1,037,904	1,069,631	985,014
Depreciation and Amortization Change in Decommissioning/ Postclosure Estimate	2,704,885	294,476	447,257	1,193,353
<b>(Total Operating Expenses)</b>	<u>(45,133,108)</u>	<u>(7,875,054)</u>	<u>(3,898,107)</u>	<u>(5,973,024)</u>
<b>Operating Income (Loss)</b>	<u>4,582,587</u>	<u>730,024</u>	<u>503,385</u>	<u>1,106,073</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Income	179,862	36,334	66,361	111,525
Other Nonoperating Income	407,947	18,501	60,732	11,599
Interest Expenses				
Other Nonoperating Expense	(178,200)			
<b>Total Nonoperating Revenues (Expenses)</b>	<u>409,609</u>	<u>54,835</u>	<u>127,093</u>	<u>123,124</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>4,992,196</u>	<u>784,859</u>	<u>630,478</u>	<u>1,229,197</u>
<b>Transfers and Capital Contributions</b>				
Capital Contributions/Impact Fees	2,060,499	4,007	1,097,251	2,679,442
Transfers from Other Funds				
Transfers to Other Funds	(6,865,075)	(1,137,574)	(1,785,175)	(1,045,297)
<b>Total Transfers and Capital Contributions</b>	<u>(4,804,576)</u>	<u>(1,133,567)</u>	<u>(687,924)</u>	<u>1,634,145</u>
<b>Change in Net Assets</b>	187,620	(348,708)	(57,446)	2,863,342
<b>Net Assets, Beginning of Year</b>	<u>47,680,049</u>	<u>9,922,651</u>	<u>18,264,968</u>	<u>20,513,490</u>
<b>Net Assets, End of Year</b>	<u>\$ 47,867,669</u>	<u>\$ 9,573,943</u>	<u>\$ 18,207,522</u>	<u>\$ 23,376,832</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
\$ 68,599,838	\$ 2,958,314	\$ 858,595	\$ 72,416,747	\$ 4,324,392
1,201,524	32,191	2,173	1,235,888	
<u>69,801,362</u>	<u>2,990,505</u>	<u>860,768</u>	<u>73,652,635</u>	<u>4,324,392</u>
1,410,693			1,410,693	
38,603,038			38,603,038	
235,608			235,608	
2,419,675			2,419,675	
6,510,790			6,510,790	
2,930,555			2,930,555	
6,128,963		417,265	6,546,228	786,652
0	3,233,379		3,233,379	3,489,878
4,639,971	86,558	401,979	5,128,508	
0	(35,453)		(35,453)	
<u>(62,879,293)</u>	<u>(3,284,484)</u>	<u>(819,244)</u>	<u>(66,983,021)</u>	<u>(4,276,530)</u>
6,922,069	(293,979)	41,524	6,669,614	47,862
394,082	13,797	(15,958)	391,921	73,405
498,779	18,857	88,936	606,572	109,961
	(44)	(32,657)	(32,701)	
<u>(178,200)</u>			<u>(178,200)</u>	
<u>714,661</u>	<u>32,610</u>	<u>40,321</u>	<u>787,592</u>	<u>183,366</u>
7,636,730	(261,369)	81,845	7,457,206	231,228
5,841,199	266,403	9	6,107,611	
0		700,202	700,202	
<u>(10,833,121)</u>	<u>(1,290,687)</u>	<u>(120,977)</u>	<u>(12,244,785)</u>	
<u>(4,991,922)</u>	<u>(1,024,284)</u>	<u>579,234</u>	<u>(5,436,972)</u>	<u>0</u>
2,644,808	(1,285,653)	661,079	2,020,234	231,228
96,381,158	917,936	4,454,047	101,753,141	3,141,295
<u>\$ 99,025,966</u>	<u>\$ (367,717)</u>	<u>\$ 5,115,126</u>	<u>\$ 103,773,375</u>	<u>\$ 3,372,523</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, 2005**

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 48,880,044	\$ 8,159,480	\$ 4,324,244	\$ 7,004,866
Cash Paid to Suppliers for Goods and Services	(41,581,653)	(6,261,012)	(2,821,356)	(3,732,230)
Cash Paid for Insurance Claims				
Cash Paid to Employees for Services	(2,188,601)	(883,943)	(1,200,255)	(1,612,359)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>5,109,790</u>	<u>1,014,525</u>	<u>302,633</u>	<u>1,660,277</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Customer Deposits Received (Refunded)	226,105	8,995	30,880	(11,700)
Transfers to Other Funds	(5,784,750)	(834,742)	(1,331,238)	(474,348)
Transfers from Other Funds				
Issuance of/Proceeds from Interfund Loan	430,000	(380,000)	500,000	(1,030,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>(5,128,645)</u>	<u>(1,205,747)</u>	<u>(800,358)</u>	<u>(1,516,048)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Interest Paid on Revenue Bonds and Customer Deposits				
Acquisition and Construction of Capital Assets	(8,535,029)	(1,600,977)	(2,968,204)	(2,128,463)
Principal Paid on Capital Debt				
Customer Advances for Construction	14,416			
Capital Contributions	901,926	19,421	1,135,341	1,757,477
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(7,618,687)</u>	<u>(1,581,556)</u>	<u>(1,832,863)</u>	<u>(370,986)</u>
<b>Cash Flows from Investing Activities</b>				
Investment Income	179,862	48,348	93,322	146,808
Purchase of Crystal River Decommissioning Investments	(308,180)			
Other Investing Activities	229,747	18,501	60,732	11,599
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>101,429</u>	<u>66,849</u>	<u>154,054</u>	<u>158,407</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(7,536,113)</u>	<u>(1,705,929)</u>	<u>(2,176,534)</u>	<u>(68,350)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>14,100,750</u>	<u>4,121,997</u>	<u>8,741,781</u>	<u>11,429,533</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,564,637</u>	<u>\$ 2,416,068</u>	<u>\$ 6,565,247</u>	<u>\$ 11,361,183</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
\$ 68,368,634	\$ 3,359,250	\$ 799,505	\$ 72,527,389	\$ 4,394,370
(54,396,251)	(3,220,178)	(258,522)	(57,874,951)	(1,163,083)
0				(2,403,159)
<u>(5,885,158)</u>	<u>(704,974)</u>	<u>(189,721)</u>	<u>(6,779,853)</u>	
<u>8,087,225</u>	<u>(565,902)</u>	<u>351,262</u>	<u>7,872,585</u>	<u>828,128</u>
254,280			254,280	
(8,425,078)	(250,956)	(120,977)	(8,797,011)	
0		700,202	700,202	
<u>(480,000)</u>		<u>(1,080,000)</u>	<u>(1,560,000)</u>	
<u>(8,650,798)</u>	<u>(250,956)</u>	<u>(500,775)</u>	<u>(9,402,529)</u>	<u>0</u>
0	153	(31,986)	(31,833)	
(15,232,673)	(128,759)	(1,118,399)	(16,479,831)	
0		(60,000)	(60,000)	
14,416			14,416	
<u>3,814,165</u>	<u>266,403</u>	<u>9</u>	<u>4,080,577</u>	
<u>(11,404,092)</u>	<u>137,797</u>	<u>(1,210,376)</u>	<u>(12,476,671)</u>	<u>0</u>
468,340	13,797	(15,958)	466,179	183,366
(308,180)			(308,180)	
320,579	18,857	88,936	428,372	
<u>480,739</u>	<u>32,654</u>	<u>72,978</u>	<u>586,371</u>	<u>183,366</u>
(11,486,926)	(646,407)	(1,286,911)	(13,420,244)	1,011,494
<u>38,394,061</u>	<u>814,947</u>	<u>1,304,256</u>	<u>40,513,264</u>	<u>3,948,638</u>
<u>\$ 26,907,135</u>	<u>\$ 168,540</u>	<u>\$ 17,345</u>	<u>\$ 27,093,020</u>	<u>\$ 4,960,132</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, 2005**  
*(Concluded)*

	<b>Business-Type Activities</b>			
	<b>Electric Utility Fund</b>	<b>Gas Utility Fund</b>	<b>Water Utility Fund</b>	<b>Wastewater Utility Fund</b>
<b><u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u></b>				
Total Unrestricted Equity in Pooled Cash and Cash Equivalents	\$ 1,596	\$ 7,531	\$ 14,047	\$ 35,300
Total Restricted Equity in Pooled Cash and Cash Equivalents	6,563,041	2,408,537	6,551,200	11,325,883
<b>Total Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 6,564,637</u></b>	<b><u>\$ 2,416,068</u></b>	<b><u>\$ 6,565,247</u></b>	<b><u>\$ 11,361,183</u></b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>				
Operating Income (Loss)	\$ 4,582,587	\$ 730,025	\$ 503,385	\$ 1,106,072
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	2,704,885	294,476	447,257	1,193,353
Decommissioning/Postclosure				
Decrease (Increase) in Assets:				
Customer Accounts (Net of Allowances)	(887,107)	(445,598)	(77,248)	(74,232)
Miscellaneous Receivables	51,456			
Due from Other Governments				
Inventory	(429,882)		(3,825)	(3,786)
Increase (Decrease) in Liabilities:				
Accounts Payable	(599,882)	368,833	(724,187)	(240,362)
Claims Payable				
Accrued Expenses	(257,249)	66,789	157,251	152,315
Due from Other Funds	(51,422)			(473,083)
Other	(3,596)			
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 5,109,790</u></b>	<b><u>\$ 1,014,525</u></b>	<b><u>\$ 302,633</u></b>	<b><u>\$ 1,660,277</u></b>
<b><u>Noncash Capital Activities</u></b>				
Transfer of Fixed Assets to Governmental Activities:				
Cost	\$ 2,327,667	\$ 709,189	\$ 847,606	\$ 2,137,758
Accumulated Depreciation	(1,247,342)	(406,357)	(628,669)	(1,566,807)
Net Transfer	<u>\$ 1,080,325</u>	<u>\$ 302,832</u>	<u>\$ 218,939</u>	<u>\$ 570,949</u>
Capital Lease to Acquire Fixed Assets	<u>\$ 1,750,000</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>
\$ 58,474	\$ 87,072	\$ 4,232	\$ 149,778	\$ 4,960,132
26,848,661	81,468	13,113	26,943,242	
<u>\$ 26,907,135</u>	<u>\$ 168,540</u>	<u>\$ 17,345</u>	<u>\$ 27,093,020</u>	<u>\$ 4,960,132</u>
\$ 6,922,069	\$ (293,979)	\$ 41,524	\$ 6,669,614	\$ 47,862
4,639,971	86,558	401,979	5,128,508	
0	(35,453)		(35,453)	
(1,484,185)	52,199	(61,263)	(1,493,249)	
51,456	(191,917)		(140,461)	69,978
0	508,463	2,044	510,507	
(437,493)			(437,493)	
(1,195,598)	(660,635)	(35,371)	(1,891,604)	204,903
0			0	505,385
119,106	(31,338)	2,349	90,117	
(524,505)			(524,505)	
(3,596)	200		(3,396)	
<u>\$ 8,087,225</u>	<u>\$ (565,902)</u>	<u>\$ 351,262</u>	<u>\$ 7,872,585</u>	<u>\$ 828,128</u>
\$ 6,022,220	\$ 2,753,337	\$ 47,698	\$ 8,823,255	
(3,849,175)	(1,713,607)	(665)	(5,563,447)	
<u>\$ 2,173,045</u>	<u>\$ 1,039,731</u>	<u>\$ 47,033</u>	<u>\$ 3,259,809</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, 2005**

	<u>Employee Retirement Funds</u>
<b>Assets</b>	
Cash and Investments	<u>\$ 1,732,544</u>
Investments, at Fair Value:	
U.S. Government Securities	7,253,337
Corporate Bonds	8,189,968
Corporate Stocks	27,790,295
Money Market	1,082,659
Total Investments	<u>44,316,259</u>
Interest Receivable	<u>168,495</u>
<b>Total Assets</b>	<u>46,217,298</u>
 <b>Liabilities</b>	
Due to Other Funds	<u>0</u>
<b>Total Liabilities</b>	<u>0</u>
 <b>Net Assets</b>	
Held in Trust for:	
Employees' Pension Benefits	<u><u>\$ 46,217,298</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, 2005**

	<u>Employee Retirement Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,784,773
Employee	361,651
State of Florida	307,950
<b>Total Contributions</b>	<u>2,454,374</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	3,421,475
Interest and Dividend Income	1,195,650
Other Income	10,405
<b>Total Investment Income</b>	<u>4,627,530</u>
<b>Total Additions</b>	<u>7,081,904</u>
<b>Deductions</b>	
Benefit Payments	2,088,865
Administrative Expense	412,582
<b>(Total Deductions)</b>	<u>(2,501,447)</u>
<b>Net Increase</b>	4,580,457
<b>Net Assets Reserved for Employees'</b>	
<b>Pension Benefits:</b>	
<b>Beginning of Year</b>	<u>41,636,841</u>
<b>End of Year</b>	<u>\$ 46,217,298</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.

## 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**

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 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.

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)

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.

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.

**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 **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.
- 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.

**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)***

■ **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.

■ **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.

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**

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.

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 2005, \$1,307,411 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.

**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)***

■ **Compensated Absences *(Concluded)***

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. 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.

■ **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.

Fund balances and unrestricted net assets are designated in the fund level financial statements, with the exception of the operating reserve for the enterprise funds or business-type activity, which totals \$21,707,501 of the unrestricted net assets.

■ **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.

**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 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.

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.

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

*(Continued)*

**Note 2 - Stewardship, Compliance, and Accountability (Concluded)**

■ **Budgetary Information (Concluded)**

- 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, 2005. However, within various programs, there may be some excesses of expenditures over appropriations at the line item level.

**Note 3 - Deposits and Investments**

Deposits and investments as of September 30, 2005, are classified in the accompanying financial statements as follows:

**Statement of Net Assets**

Cash and Cash Equivalents	\$ 29,546,942
Restricted:	
Cash and Cash Equivalents	26,943,242
Investments	3,657,412

**Statement of Fiduciary Net Assets**

Cash Equivalents	1,732,544
Investments	44,316,259

**Total Cash and Investments**

\$ 106,196,399

Deposits and investments consist of the following:

**Governmental and Business-type Activities**

Cash Deposits	\$ (640,618)
Investments	21,643,001
Investments with Fiscal Agent:	
Debt Service Fund	720,106
Capital Projects Fund Bond Proceeds	16,169,069
Utilities Bond Proceeds	17,160,145
Utilities CR3 Decommissioning Trust	3,657,412
Utilities Debt Service Account	927,481
Utilities Gas Deposit Account	511,000

**Fiduciary Net Assets**

Defined Benefit Pension Plan Investments	46,048,803
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**Total Cash and Investments**

\$ 106,196,399

**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:

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

**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 pool. Revenue bond covenants also restrict the type and maturities of investments in bond-related funds.

As of September 30, 2005, 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>	<u>6-10 Years</u>	<u>More Than 10 Years</u>
Repurchase Agreement	\$12,767,000	\$12,767,000	\$ 0	\$ 0	\$ 0
State of Florida, SBA	109,107	109,107	0	0	0
FNMA	2,884,689	0	2,884,689	0	0
FHLMC	2,958,141	0	2,958,141	0	0
FHLB	<u>2,924,064</u>	<u>0</u>	<u>2,924,064</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<u>\$21,643,001</u>	<u>\$12,876,107</u>	<u>\$ 8,766,894</u>	<u>\$ 0</u>	<u>\$ 0</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.

*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 \$12,767,000 investment in repurchase agreements are held by the investment's counterparty, not in the name of the City.

*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.

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

*(Continued)*

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

**Fiduciary Net Assets**

As of September 30, 2005, the **Municipal Firemen's 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	\$ 754,216	\$ 754,216	\$ 0	\$ 0	\$ 0
U.S. Government and Agencies	402,178	19,756	117,253	160,085	105,084
Corporate Obligations	<u>1,804,732</u>	<u>37,525</u>	<u>606,618</u>	<u>433,806</u>	<u>726,783</u>
<b>Total</b>	2,961,126	<u>\$ 811,497</u>	<u>\$ 723,871</u>	<u>\$ 593,891</u>	<u>\$ 831,867</u>
Corporate Stocks	<u>4,836,306</u>				
<b>Total</b>	<u>\$ 7,797,432</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. FMNA investments of \$491,748 and Goldman Sachs Money Market Account of \$754,216 exceed 5% of Plan assets.

As of September 30, 2005, the **General Employees' 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	\$ 1,147,559	\$ 1,147,559	\$ 0	\$ 0	\$ 0
U.S. Government and Agencies	5,212,991	0	5,212,991	0	0
Corporate Obligations	3,219,908	0	1,762,821	1,457,087	0
Mutual Funds	<u>970,025</u>	<u>970,025</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	10,550,483	<u>\$ 2,117,584</u>	<u>\$ 6,975,812</u>	<u>\$ 1,457,087</u>	<u>\$ 0</u>
Corporate Stocks	<u>16,648,132</u>				
<b>Total</b>					<u>\$27,198,615</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 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 \$2,952,300.

As of September 30, 2005, 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	\$ 913,428	\$ 913,428	\$ 0	\$ 0	\$ 0
U.S. Government and Agencies	2,696,742	0	151,743	1,562,301	982,698
Corporate Obligations	1,136,729	0	295,050	841,679	0
Mutual Funds	<u>974,415</u>	<u>974,415</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	5,721,314	<u>\$ 1,887,843</u>	<u>\$ 446,793</u>	<u>\$ 2,403,980</u>	<u>\$ 982,698</u>
Corporate Stocks	<u>5,331,442</u>				
<b>Total</b>					<u>\$11,052,756</u>

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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

**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 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 \$1,034,082, TR MSCI EAFE Index Fund \$974,415 and Fiduciary Trust Money Market Account \$913,428.

**Credit Ratings**

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

	<u>Rating</u>				
	<u>Total</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
<b><u>Retirement Plan</u></b>					
Municipal Firemen	\$ 1,804,732	\$ 866,806	\$ 89,874	\$ 460,856	\$ 387,196
General Employees	3,219,908	294,435	877,877	2,047,596	0
Municipal Police	<u>1,136,729</u>	<u>100,985</u>	<u>358,311</u>	<u>677,433</u>	<u>0</u>
<b>Totals</b>	<b><u>\$ 6,161,369</u></b>	<b><u>\$ 1,262,226</u></b>	<b><u>\$ 1,326,062</u></b>	<b><u>\$ 3,185,885</u></b>	<b><u>\$ 387,196</u></b>

**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:

<u>Type of Receivable</u>	<u>General</u>	<u>Enterprise</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Funds</u>	<u>and</u> <u>Other Funds</u>	
Accounts Receivable - Billed	\$ 854,550	\$ 5,836,802	\$ 487,066	\$ 7,178,418
Accounts Receivable - Unbilled	<u>0</u>	<u>5,093,803</u>	<u>56,899</u>	<u>5,150,702</u>
Total	854,550	10,930,605	543,965	12,329,120
(Less: Allowance for Uncollectible Accounts)	<u>0</u>	<u>(744,243)</u>	<u>(11,565)</u>	<u>(755,808)</u>
Accounts Receivable (Net)	<b><u>\$ 854,550</u></b>	<b><u>\$ 10,186,362</u></b>	<b><u>\$ 532,400</u></b>	<b><u>\$ 11,573,312</u></b>

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**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 \$671,068 reported as deferred revenue in the general fund consists of the following:

<b>Type of Unearned Revenue</b>	<u><b>Amount</b></u>
Occupational License Revenue	\$ 165,467
Customer Deposits and Advance Property Rentals	155,875
Unearned Interest	340,766
Grant Deferred Revenue	8,870
Miscellaneous	<u>90</u>
<b>Total</b>	<u><b>\$ 671,068</b></u>

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2005, was as follows:

	<u><b>Beginning Balance</b></u>	<u><b>Increases</b></u>	<u><b>Decreases</b></u>	<u><b>Ending Balance</b></u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 7,927,051	\$ 163,337	\$ (31,430)	\$ 8,058,958
Construction in Progress	<u>15,753,194</u>	<u>6,348,713</u>	<u>(9,106,011)</u>	<u>12,995,896</u>
Total Capital Assets Not Being Depreciated	<u>23,680,245</u>	<u>6,512,050</u>	<u>(9,137,441)</u>	<u>21,054,854</u>
Capital Assets Being Depreciated:				
Buildings	17,430,159	6,237,545	(1,904,743)	21,762,961
Improvements Other Than Buildings	11,230,979	3,280,542	0	14,511,521
Equipment	12,051,015	13,210,765	(878,456)	24,383,324
Infrastructure (Road and Streets)	<u>20,715,576</u>	<u>0</u>	<u>0</u>	<u>20,715,576</u>
Total Capital Assets Being Depreciated	<u>61,427,729</u>	<u>22,728,852</u>	<u>(2,783,199)</u>	<u>81,373,382</u>
Less Accumulated Depreciation for:				
Buildings	(5,798,049)	(519,226)	1,432,767	(4,884,508)
Improvements Other Than Buildings	(5,796,782)	(622,277)	0	(6,419,059)
Equipment	(7,629,073)	(8,603,837)	727,331	(15,505,579)
Infrastructure (Roads and Streets)	<u>(11,000,318)</u>	<u>(1,030,542)</u>	<u>0</u>	<u>(12,030,860)</u>
Total Accumulated Depreciation	<u>(30,224,222)</u>	<u>(10,775,882)</u>	<u>2,160,098</u>	<u>(38,840,006)</u>
Total Being Depreciated, Net	<u>31,203,507</u>	<u>11,952,970</u>	<u>(623,101)</u>	<u>42,533,376</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>\$ 54,883,752</b></u>	<u><b>\$ 18,465,020</b></u>	<u><b>\$ (9,760,542)</b></u>	<u><b>\$ 63,588,230</b></u>
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 7,039,212	\$ 0	\$ 0	\$ 7,039,212
Construction in Progress	<u>21,040,910</u>	<u>17,778,789</u>	<u>(8,324,361)</u>	<u>30,495,338</u>
Total Capital Assets Not Being Depreciated	<u>28,080,122</u>	<u>17,778,789</u>	<u>(8,324,361)</u>	<u>37,534,550</u>
Capital Assets Being Depreciated:				
Buildings	11,049,524	3,960	0	11,053,484
Improvements Other Than Buildings	91,508,683	8,376,892	(1,301,497)	98,584,078
Equipment	<u>31,608,414</u>	<u>708,997</u>	<u>(9,815,667)</u>	<u>22,501,744</u>
Total Capital Assets Being Depreciated	<u>134,166,621</u>	<u>9,089,849</u>	<u>(11,117,164)</u>	<u>132,139,306</u>

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b>Business-type Activities (Concluded)</b>				
Less Accumulated Depreciation for:				
Buildings	\$ (2,664,964)	\$ (237,212)	\$ 0	\$ (2,902,176)
Improvements Other Than Buildings	(36,863,248)	(3,300,233)	1,751,827	(38,411,654)
Equipment	<u>(19,303,756)</u>	<u>(1,249,267)</u>	<u>6,441,064</u>	<u>(14,111,959)</u>
Total Accumulated Depreciation	<u>(58,831,968)</u>	<u>(4,786,712)</u>	<u>8,192,891</u>	<u>(55,425,789)</u>
Total Being Depreciated, Net	<u>75,334,653</u>	<u>4,303,137</u>	<u>(2,924,273)</u>	<u>76,713,517</u>
<b>Total Business-type Activities Capital Assets, Net</b>	<b><u>\$ 103,414,775</u></b>	<b><u>\$ 22,081,926</u></b>	<b><u>\$ (11,248,634)</u></b>	<b><u>\$ 114,248,067</u></b>
 <b>Depreciation Expense - Governmental Activities</b>				
General Government and Administration				\$ 2,207,581
Public Safety				226,050
Physical Environment				126,282
Transportation				1,455,295
Economic Environment				27,471
Parks and Recreation				<u>497,671</u>
<b>Total Depreciation Expense - Governmental Activities</b>				<b><u>\$ 4,540,350</u></b>
 <b>Depreciation Expense - Business-type Activities</b>				
Electric Utility				\$ 2,704,885
Gas Utility				294,476
Water Utility				447,257
Wastewater Utility				1,193,353
Solid Waste Utility				86,558
Communication Services				<u>401,979</u>
<b>Total Depreciation Expense - Business-type Activities</b>				<b><u>\$ 5,128,508</u></b>

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

The composition of interfund balances as of September 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Electric Utility	\$ 1,165,000
	Capital Projects	920,000
Electric Utility	Wastewater Utility	3,870,000
Gas Utility	Wastewater Utility	900,000
	Electric Utility	480,000
Water Utility	Wastewater Utility	4,500,000
	Solid Waste	191,917
Wastewater Utility	Water Utility	43,083
	Communications	<u>430,000</u>
<b>Total</b>		<b><u>\$ 12,500,000</u></b>

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

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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

**Interfund Transfers**

	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Communications Services</u>	
<b>Transfer Out</b>					
Electric Utility	\$ 4,971,224	\$ 309,824	\$ 0	\$ 503,702	\$ 5,784,750
Gas Utility	834,742	0	0	0	834,742
Water Utility	502,394	1,063,845	0	0	1,566,239
Wastewater Utility	474,348	0	0	0	474,348
Communications Services	73,944	0	0	0	73,944
Solid Waste	250,956	0	0	0	250,956
General Fund	0	0	133,107	196,501	329,608
Nonmajor Governmental	<u>141,925</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>141,925</u>
<b>Total Transfers Out</b>	<u>\$ 7,249,533</u>	<u>\$ 1,373,669</u>	<u>\$ 133,107</u>	<u>\$ 700,203</u>	<u>\$ 9,456,512</u>

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, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Revenue Bonds and Notes:					
Capital Improvement Revenue					
Bonds - 1999	\$ 6,915,000	\$ 0	\$ (135,000)	\$ 6,780,000	\$ 140,000
Bonds - 2004	17,110,000	0	0	17,110,000	0
Note Payable - 1999 GLCRA	181,997	0	(14,846)	167,151	15,645
Note Payable - Aerostat	<u>0</u>	<u>126,800</u>	<u>(6,558)</u>	<u>120,242</u>	<u>40,512</u>
Total Revenue Bonds and Notes	<u>24,206,997</u>	<u>126,800</u>	<u>(156,404)</u>	<u>24,177,393</u>	<u>196,157</u>
Other Liabilities:					
Compensated Absences	1,650,758	1,215,644	(1,175,905)	1,690,497	929,773
Suit Settlement	270,000	0	(60,000)	210,000	60,000
Lease Purchase of Vehicles	<u>0</u>	<u>188,537</u>	<u>0</u>	<u>188,537</u>	<u>188,537</u>
Total Other Liabilities	<u>1,920,758</u>	<u>1,404,181</u>	<u>(1,235,905)</u>	<u>2,089,034</u>	<u>1,178,310</u>
<b>Total Governmental Activities</b>	<u>\$ 26,127,755</u>	<u>\$ 1,530,981</u>	<u>\$ (1,392,309)</u>	<u>\$ 26,266,427</u>	<u>\$ 1,374,467</u>

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Business-type Activities</b>					
Revenue Bonds and Notes Payable:					
Electric System Revenue Bonds - 2004	\$ 16,670,000	\$ 0	\$ 0	\$ 16,670,000	\$ 0
Utility System Revenue Bonds - 2004	22,985,000	0	0	22,985,000	0
Less Deferred Refundings and Discounts	(1,152,565)	0	105,321	(1,047,244)	0
Notes Payable FMPA Pooled	<u>1,300,000</u>	<u>0</u>	<u>(60,000)</u>	<u>1,240,000</u>	<u>0</u>
Total Revenue Bonds and Notes Payable	<u>39,802,435</u>	<u>0</u>	<u>45,321</u>	<u>39,847,756</u>	<u>0</u>
Other Liabilities:					
CR#3 Decommissioning Cost Payable	4,150,150	331,646	0	4,481,796	0
Landfill Postclosure Payable	942,066	0	(35,453)	906,613	35,453
Compensated Absences	804,851	613,020	(544,154)	873,717	480,544
Capital Lease Payable	<u>0</u>	<u>1,750,000</u>	<u>0</u>	<u>1,750,000</u>	<u>583,334</u>
Total Other Liabilities	<u>5,897,067</u>	<u>2,694,666</u>	<u>(579,607)</u>	<u>8,012,126</u>	<u>1,099,331</u>
<b>Total Business-type Activities</b>	<b><u>\$ 45,699,502</u></b>	<b><u>\$ 2,694,666</u></b>	<b><u>\$ (534,286)</u></b>	<b><u>\$ 47,859,882</u></b>	<b><u>\$ 1,099,331</u></b>

The following is a schedule of bonds and notes outstanding at September 30, 2005:

<u>Description of Bonds</u>	<u>Purpose of Issue</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Rates</u>
<b>Governmental Activities</b>				
Revenue Bonds and Revenue Notes:				
Capital Improvement Revenue Bonds - 1999 GLCRA	Capital Improvement	\$ 7,345,000	\$ 6,780,000	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	167,150	5.25%
Note Payable	Real Estate	<u>126,800</u>	<u>120,242</u>	5.00%
<b>Total Governmental Activities</b>		<b><u>\$ 24,831,084</u></b>	<b><u>\$ 24,177,392</u></b>	
<b>Business-type Activities</b>				
Notes Payable FMPA Pooled Loan	Fiber Optic Cable	\$ 1,300,000	\$ 1,240,000	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	<u>22,985,000</u>	<u>22,985,000</u>	2.75% - 5.00%
<b>Total Business-type Activities</b>		<b><u>\$ 40,955,000</u></b>	<b><u>\$ 40,895,000</u></b>	

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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

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
2006	\$ 140,000	\$ 1,153,910	\$ 0	\$ 1,854,964
2007	470,000	1,139,115	0	1,854,964
2008	485,000	1,123,696	770,000	1,833,789
2009	500,000	1,105,816	790,000	1,810,089
2010	515,000	1,086,521	815,000	1,784,009
2011-2015	2,905,000	5,099,795	4,530,000	8,431,070
2016-2020	3,580,000	4,371,100	5,520,000	7,347,565
2021-2025	4,560,000	3,311,625	6,970,000	5,796,250
2026 -2030	5,910,000	1,896,450	8,900,000	3,773,750
2031-2035	<u>4,825,000</u>	<u>528,350</u>	<u>11,360,000</u>	<u>1,191,750</u>
<b>Total</b>	<b>\$ 23,890,000</b>	<b>\$ 20,816,378</b>	<b>\$ 39,655,000</b>	<b>\$ 35,678,200</b>

Fiscal Year	Notes Payable			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 56,156	\$ 13,495	\$ 63,000	\$ 41,600
2007	59,070	10,581	66,000	39,267
2008	54,519	7,531	70,000	36,793
2009	18,307	5,740	73,000	34,213
2010	19,292	4,755	77,000	31,492
2011-2015	80,047	8,126	447,000	111,581
2016-2020	<u>0</u>	<u>0</u>	<u>444,000</u>	<u>24,493</u>
<b>Total</b>	<b>\$ 287,391</b>	<b>\$ 50,228</b>	<b>\$ 1,240,000</b>	<b>\$ 319,439</b>

**Governmental Activity Liabilities**

A summary of all governmental long-term debt as of September 30, 2005, 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.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 8 - Long-term Liabilities (Continued)

**Governmental Activity Liabilities** (Continued)

■ **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, 2005, was \$120,242.

■ **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, 2005:

● **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.

● **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, 2005 was \$1,240,000.

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

**Governmental Activity Liabilities (Continued)**

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

● **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.

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

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

<b>Balance, September 30, 2004</b>	\$	942,066
Adjustment of Estimate		0
Total Annual Costs Paid		(35,453)
<b>Balance, September 30, 2005</b>		906,613
(Current Maturities)		(35,453)
<b>Total Long-term Portion</b>	\$	871,160

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 \$906,613 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 2005:

<u>Transaction Date</u>	<u>Amount</u>
<b>Balance, September 30, 2004</b>	\$ 78,785
Investment Income	1,268
<b>Balance, September 30, 2005</b>	\$ 80,053

**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)**

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, 2005, the City has a balance in the trust fund of \$3,657,412.

● **Defeased Debt**

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

Utility System Refunding Revenue Bonds, Series 1999 A/B	<u>\$ 25,865,000</u>
Utilities Revenue Certificates, Series 1977	<u>\$ 5,405,000</u>

**Note 9 - Operating Leases**

The City is lessor on various leases of facilities located at the Leesburg Regional Airport and other leases for property owned by the City. 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>
2006	\$ 502,574
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
<b>Total Minimum Lease Payments</b>	<u>\$ 6,816,968</u>

## 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, 2005, was \$191,008 (cost of \$7,594,950 less accumulated depreciation of \$7,403,942).

##### **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 are recognized when paid in accordance with the terms of each plan.

**Methods Used to Value Investments** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates 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 partially 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 11.9% of the covered payroll for fiscal year 2004-2005.

#### **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)***

**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 11.9% of the covered payroll for fiscal year 2004-2005.

Membership of each plan consisted of the following:

<b>Date of Actuarial Valuation:</b>	<u>10/01/04</u> <u>GERP</u>	<u>10/01/04</u> <u>MPRP</u>	<u>10/01/04</u> <u>MFRP</u>
Retirees and Beneficiaries Receiving Benefits	132	17	15
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	123	5	1
Active Plan Members	<u>346</u>	<u>65</u>	<u>41</u>
<b>Total</b>	<u>601</u>	<u>87</u>	<u>57</u>

**Annual Pension Costs and Net Pension Obligation**

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

	<u>GERP</u>	<u>MPRP</u>	<u>MFRP</u>
Annual Required Contribution (ARC)	\$ 1,498,661	\$ 582,575	\$ 675,527
Interest on Net Pension Obligation (NPO)	<u>(37,111)</u>	<u>(11,101)</u>	<u>(33,053)</u>
Annual Pension Cost	1,461,550	571,474	642,474
Contributions Made	<u>(1,394,333)</u>	<u>(623,158)</u>	<u>(436,883)</u>
Increase/Decrease in NPO	67,217	(51,684)	205,591
Net Pension Obligation, Beginning of Year	<u>(654,933)</u>	<u>(48,367)</u>	<u>(447,360)</u>
<b>Net Pension Obligation, End of Year</b>	<u>\$ (587,716)</u>	<u>\$ (100,051)</u>	<u>\$ (241,769)</u>

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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

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

There was no adjustment to the ARC during the year.

**Other Pension Plan Information**

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

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

**Three-Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b><u>GERP</u></b>			
09/30/03	\$ 947,454	132%	\$ (650,964)
09/30/04	1,159,009	100%	(654,933)
09/30/05	1,461,550	95%	(587,716)
<b><u>MPRP</u></b>			
09/30/03	\$ 109,381	94%	\$ (37,348)
09/30/04	106,018	110%	(48,367)
09/30/05	571,474	109%	(100,051)
<b><u>MFRP</u></b>			
09/30/03	\$ 292,144	107%	\$ (478,964)
09/30/04	419,247	93%	(447,360)
09/30/05	642,474	68%	(241,769)

Below is a summarized schedule of the general, the police and the fire pension plan assets and changes in the net assets of the plans:

**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, 2005**

	<b>Municipal Police Retirement Plan</b>	<b>Municipal Firemen's Retirement Plan</b>	<b>General Employees' Retirement Plan</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 913,428	\$ 754,216	\$ 64,900	\$ 1,732,544
Investments, at Fair Value:				
U.S. Government Securities	1,638,168	402,178	5,212,991	7,253,337
Corporate Bonds	2,195,303	1,804,732	4,189,933	8,189,968
Corporate Stocks	6,305,857	4,836,306	16,648,132	27,790,295
Money Market	0	0	1,082,659	1,082,659
Total Investments	<u>10,139,328</u>	<u>7,043,216</u>	<u>27,133,715</u>	<u>44,316,259</u>
Interest Receivable	38,923	34,755	94,817	168,495
<b>Total Assets</b>	<u><u>11,091,679</u></u>	<u><u>7,832,187</u></u>	<u><u>27,293,432</u></u>	<u><u>46,217,298</u></u>
<b>Net Assets Reserved for Employees' Pension Benefits</b>	<u><u>\$ 11,091,679</u></u>	<u><u>\$ 7,832,187</u></u>	<u><u>\$ 27,293,432</u></u>	<u><u>\$ 46,217,298</u></u>

**SCHEDULE OF THE CHANGE IN PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2005**

<b>Additions</b>				
Contributions:				
Employer	\$ 204,581	\$ 185,859	\$ 1,394,333	\$ 1,784,773
Employee	234,484	127,167	0	361,651
State of Florida	184,093	123,857	0	307,950
Total Contributions	<u>623,158</u>	<u>436,883</u>	<u>1,394,333</u>	<u>2,454,374</u>
Investment Income:				
Net Appreciation in Fair Value of Investments	618,751	573,890	2,228,835	3,421,476
Interest and Dividend Income	323,748	226,463	645,439	1,195,650
Other Income	2,404	0	8,001	10,405
Total Investment Income	<u>944,903</u>	<u>800,353</u>	<u>2,882,275</u>	<u>4,627,531</u>
<b>Total Additions</b>	<u>1,568,061</u>	<u>1,237,236</u>	<u>4,276,608</u>	<u>7,081,905</u>
<b>Deductions</b>				
Benefit Payments	472,488	257,853	1,358,523	2,088,864
Administrative Expense	111,498	57,754	243,330	412,582
<b>(Total Deductions)</b>	<u>(583,986)</u>	<u>(315,607)</u>	<u>(1,601,853)</u>	<u>(2,501,446)</u>
<b>Net Increase</b>	<u>984,075</u>	<u>921,629</u>	<u>2,674,755</u>	<u>4,580,459</u>
<b>Net Assets Reserved for Employees' Pension Benefits:</b>				
Beginning of Year	10,107,605	6,910,559	24,618,677	41,636,841
End of Year	<u><u>\$ 11,091,680</u></u>	<u><u>\$ 7,832,188</u></u>	<u><u>\$ 27,293,432</u></u>	<u><u>\$ 46,217,300</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 for the last two years follow:

	<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>
<b>Total</b>	<u>\$ 942,638</u>	<u>\$ 2,908,543</u>	<u>\$ (2,403,159)</u>	<u>\$ 1,448,022</u>

	<u>Balance October 1, 2003</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>(Claims Paid)</u>	<u>Balance September 30, 2004</u>
Employee Health Insurance Fund	\$ 522,465	\$ 1,890,216	\$ (2,029,790)	\$ 382,891
Workers' Compensation Insurance Fund	<u>948,689</u>	<u>24,293</u>	<u>(413,235)</u>	<u>559,747</u>
<b>Total</b>	<u>\$ 1,471,154</u>	<u>\$ 1,914,509</u>	<u>\$ (2,443,025)</u>	<u>\$ 942,638</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, 2005, 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 \$388,003 were recognized for postretirement health care, which were offset by \$76,024 of retiree premiums paid. Currently, there are 67 retirees that the City continues to pay health insurance premiums for and 37 who are responsible for all or one-half of their premiums as discussed above.

**Note 17 - Construction Commitments**

As of September 30, 2005, the City had the following commitments related to significant unfinished construction projects:

	<b>Expended as of September 30, 2005</b>	<b>Remaining Commitment</b>
New Library	\$ 564,499	\$ 6,684,925
Stormwater Master Plan	6,687	103,313
Marshall Drive	21,299	13,209
Tally Basin	22,244	20,730
Canal Street Improvements	470,145	3,260,353
Sleepy Hollow Recreation Complex	13,549	6,760
Heritage Estates	0	2,120,683
City Hall Annex	13,187	11,617
Air Traffic Control Tower	0	976,411
Airport Security Enhancement	136,440	209,151
Environmental Assessment	148,937	199,787
Airport Fire Rescue Station	1,834,041	6,471
Fire Station South	0	58,718

**CITY OF LEESBURG, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
*(Concluded)*

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

	<b>Expended as of September 30, 2005</b>	<b>Remaining Commitment</b>
	<u>          </u>	<u>          </u>
Gymnasium	\$ 14,366	\$ 95,909
Canal Street WWTP	0	17,365,250
Herlong Park	0	33,500
Life Station Rehab	4,005	451,943
SCADA RTU's	0	249,438
Airport Substation Roof	0	1,815
Well Upgrades	0	34,886
Water Master Plan	27,808	59,400
Moose Lodge	1,243	10,850
Lake Pointe Booster Pump Station Upgrade	20,168	14,032
Utility Relocation Project	49,376	152,345
Gravity Sewer Project	0	170,159
Tank Rehab	650	7,841
<b>Totals</b>	<u>\$ 3,348,644</u>	<u>\$ 32,319,496</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,411,908	\$ 8,411,908	\$ 8,826,329	\$ 414,421
Licenses and Permits	706,044	706,044	1,039,497	333,453
Intergovernmental	1,301,605	1,427,254	1,596,490	169,236
Charges for Services	270,518	270,518	280,083	9,565
Fines and Forfeitures	308,652	308,652	339,962	31,310
Miscellaneous:				
Interest	112,710	112,710	119,639	6,929
Other	4,134,836	4,539,418	4,909,202	369,784
<b>Total Revenues</b>	<u>15,246,273</u>	<u>15,776,504</u>	<u>17,111,202</u>	<u>1,334,698</u>
<b>Expenditures</b>				
Current:				
General Government	2,465,961	2,559,504	2,393,514	165,990
Public Safety	10,727,221	11,418,879	11,641,923	(223,044)
Physical Environment	268,268	433,350	281,392	151,958
Transportation	1,130,626	1,184,240	1,144,742	39,498
Economic Environment	162,958	173,998	378,426	(204,428)
Human Services	56,863	54,216	53,288	928
Culture and Recreation	4,559,460	4,565,001	4,525,265	39,736
Capital Outlay	3,379,171	4,057,352	3,363,580	693,772
Debt Service:				
Principal Payments	60,000	90,000	90,000	0
<b>(Total Expenditures)</b>	<u>(22,810,528)</u>	<u>(24,536,540)</u>	<u>(23,872,130)</u>	<u>664,410</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(7,564,255)</u>	<u>(8,760,036)</u>	<u>(6,760,928)</u>	<u>1,999,108</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	7,698,119	7,223,275	7,249,533	26,258
Transfers to Other Funds	(133,864)	(375,700)	(329,607)	46,093
<b>Total Other Financing Sources (Uses)</b>	<u>7,564,255</u>	<u>6,847,575</u>	<u>6,919,926</u>	<u>72,351</u>
<b>Net Change in Fund Balances</b>	0	(1,912,461)	158,998	2,071,459
<b>Fund Balance, Beginning of Year</b>	<u>6,864,665</u>	<u>6,864,665</u>	<u>6,864,665</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 6,864,665</u>	<u>\$ 4,952,204</u>	<u>\$ 7,023,663</u>	<u>\$ 2,071,459</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)			
10/1/2004	\$ 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)			
10/1/2004	\$ 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
2004	\$ 1,200,568	96.9%	\$ 254,744	94.7%	\$ 451,265	78%
2003	1,017,781	70.7%	111,757	104.7%	342,160	91%
2002	717,664	96.4%	87,345	134.0%	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>
<b>Valuation Date</b>	October 1, 2004	October 1, 2004	October 1, 2004
<b>Actuarial Cost Method</b>	Frozen Initial Liability Cost	Frozen Entry Age	Aggregate Actuarial Cost
<b>Amortization Method</b>	Level Dollar, Closed	Level Dollar, Closed	N/A
<b>Remaining Amortization Period</b>	15-28 Years	29 Years	N/A
<b>Asset Valuation Method</b>	Asset Appreciation	Market Value	Market Value
<b>Actuarial Assumptions:</b>			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	6.20%	6.50%
COLA	None	None	None

The actuarial cost method does not identify or separately 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, 2005**

	<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>	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 701,296		\$ 35,037	\$ 720,339	\$ 1,456,672
Receivables (Net)	86,191				86,191
Due from Other Governments	1,045				1,045
<b>Total Assets</b>	<u>788,532</u>	<u>\$ 0</u>	<u>35,037</u>	<u>720,339</u>	<u>1,543,908</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	75,001			233	75,234
Accrued Interest				580,105	580,105
<b>Total Liabilities</b>	<u>75,001</u>	<u>0</u>	<u>0</u>	<u>580,338</u>	<u>655,339</u>
<b>Fund Balances</b>					
Reserved for:					
Community Redevelopment			35,037		35,037
Debt Service				140,001	140,001
Unreserved	713,531				713,531
<b>Total Fund Balances</b>	<u>713,531</u>	<u>0</u>	<u>35,037</u>	<u>140,001</u>	<u>888,569</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 788,532</u>	<u>\$ 0</u>	<u>\$ 35,037</u>	<u>\$ 720,339</u>	<u>\$ 1,543,908</u>

**CITY OF LEESBURG, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<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>	
<b>Revenues</b>					
Intergovernmental	\$ 73	\$ 197,355	\$ 1,683	\$ 1,298,548	\$ 1,497,659
Charges for Services	702,768				702,768
Miscellaneous:					
Interest	14,449	2,060	552	2,821	19,882
<b>Total Revenues</b>	<u>717,290</u>	<u>199,415</u>	<u>2,235</u>	<u>1,301,369</u>	<u>2,220,309</u>
<b>Expenditures</b>					
Current:					
Physical Environment	454,344				454,344
Economic Environment		165,424	444		165,868
Capital Outlay	376,363				376,363
Debt Service:					
Principal		14,846		135,000	149,846
Interest		9,201		1,161,368	1,170,569
<b>(Total Expenditures)</b>	<u>(830,707)</u>	<u>(189,471)</u>	<u>(444)</u>	<u>(1,296,368)</u>	<u>(2,316,990)</u>
<b>(Deficiency) Excess of Revenues (Under) Over Expenditures</b>	<u>(113,417)</u>	<u>9,944</u>	<u>1,791</u>	<u>5,001</u>	<u>(96,681)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds		131,981	1,126		133,107
Transfers to Other Funds		(141,925)			(141,925)
<b>Total Other Financing (Uses) Sources</b>	<u>0</u>	<u>(9,944)</u>	<u>1,126</u>	<u>0</u>	<u>(8,818)</u>
<b>Net Change in Fund Balance</b>	<u>(113,417)</u>	<u>0</u>	<u>2,917</u>	<u>5,001</u>	<u>(105,499)</u>
<b>Fund Balances, Beginning of Year</b>	<u>826,948</u>	<u>0</u>	<u>32,120</u>	<u>135,000</u>	<u>994,068</u>
<b>Fund Balances, End of Year</b>	<u>\$ 713,531</u>	<u>\$ 0</u>	<u>\$ 35,037</u>	<u>\$ 140,001</u>	<u>\$ 888,569</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Actual Amounts</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 1,121,297	\$ 811,762	\$ 309,535
Intergovernmental	2,523,769	4,653,932	(2,130,163)
Miscellaneous:			
Interest	473,609		473,609
Other	555,000	312,995	242,005
<b>Total Revenues</b>	<u>4,673,675</u>	<u>5,778,689</u>	<u>(1,105,014)</u>
<b>Expenditures</b>			
Capital Outlays:			
General Government		50,000	50,000
Public Safety	389,494	471,078	81,584
Physical Environment	368,694	2,277,986	1,909,292
Transportation	4,073,782	6,184,922	2,111,140
Culture and Recreation	1,261,047	10,207,453	8,946,406
Debt Service	22,498	22,498	0
<b>(Total Expenditures)</b>	<u>(6,115,515)</u>	<u>(19,213,937)</u>	<u>13,098,422</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(1,441,840)</u>	<u>(13,435,248)</u>	<u>11,993,408</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	1,373,669	1,356,568	17,101
Bond Proceeds		11,109,706	(11,109,706)
<b>Total Other Financing Sources (Uses)</b>	<u>1,373,669</u>	<u>12,466,274</u>	<u>(11,092,605)</u>
<b>Net Change in Fund Balances</b>	(68,171)	(968,974)	900,803
<b>Fund Balance, Beginning of Year</b>	<u>16,951,200</u>	<u>16,951,200</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 16,883,029</u>	<u>\$ 15,982,226</u>	<u>\$ 900,803</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**STORMWATER FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 73	\$ 377,585	\$ (377,512)
Charges for Services:			
Utility Fees	702,768	666,992	35,776
Miscellaneous:			
Interest	14,449	17,557	(3,108)
<b>Total Revenues</b>	<u>717,290</u>	<u>1,062,134</u>	<u>(344,844)</u>
<b>Expenditures</b>			
Current Operating			
Physical Environment:			
Personal Services	155,299	146,036	(9,263)
Operating Expenditures	299,045	376,926	77,881
Capital Outlay	376,363	705,000	328,637
<b>(Total Expenditures)</b>	<u>(830,707)</u>	<u>(1,227,962)</u>	<u>397,255</u>
<b>(Deficiency) of Revenues (Under)</b>			
<b>Expenditures</b>	<u>(113,417)</u>	<u>(165,828)</u>	<u>52,411</u>
<b>Other Financing Sources</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>(Deficiency) of Revenues and Other Financing</b>			
<b>Sources (Under) Expenditures and Other</b>			
<b>Financing Uses</b>	(113,417)	(165,828)	52,411
<b>Fund Balance, Beginning of Year</b>	<u>826,948</u>	<u>826,948</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 713,531</u>	<u>\$ 661,120</u>	<u>\$ 52,411</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**GREATER LEESBURG COMMUNITY REDEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 197,355	\$ 197,355	\$ 0
Interest	2,060	2,062	(2)
<b>Total Revenues</b>	<u>199,415</u>	<u>199,417</u>	<u>(2)</u>
<b>Expenditures</b>			
Economic Environment:			
Operating Expenditures	165,424	165,424	0
Debt Service	24,047	24,048	1
<b>(Total Expenditures)</b>	<u>(189,471)</u>	<u>(189,472)</u>	<u>1</u>
<b>Excess of Revenues Over Expenditures</b>	<u>9,944</u>	<u>9,945</u>	<u>(1)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	131,981	131,981	0
Transfers to Other Funds	(141,925)	(141,926)	1
<b>Total Other Financing (Uses)</b>	<u>(9,944)</u>	<u>(9,945)</u>	<u>1</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**CARVER HEIGHTS COMMUNITY REDEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,683	\$ 1,683	\$ 0
Interest	552	394	158
<b>Total Revenues</b>	<u>2,235</u>	<u>2,077</u>	<u>158</u>
<b>Expenditures</b>			
Economic Environment:			
Operating Expenditures	444	35,323	34,879
<b>(Total Expenditures)</b>	<u>(444)</u>	<u>(35,323)</u>	<u>34,879</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,791</u>	<u>(33,246)</u>	<u>35,037</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	1,126	1,126	0
<b>Total Other Financing Sources (Uses)</b>	<u>1,126</u>	<u>1,126</u>	<u>0</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	2,917	(32,120)	35,037
<b>Fund Balance, Beginning of Year</b>	<u>32,120</u>	<u>32,120</u>	<u>0</u>
<b>Fund Balance, End of Year</b>	<u>\$ 35,037</u>	<u>\$ 0</u>	<u>\$ 35,037</u>

**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,298,548	\$ 1,300,660	\$ (2,112)
Interest	2,821	0	2,821
<b>Total Revenues</b>	<u>1,301,369</u>	<u>1,300,660</u>	<u>709</u>
<b>Expenditures</b>			
Debt Service:			
Principal	135,000	135,000	0
Interest	1,161,368	1,165,660	4,292
<b>(Total Expenditures)</b>	<u>(1,296,368)</u>	<u>(1,300,660)</u>	<u>4,292</u>
<b>Excess of Revenues Over Expenditures</b>	<u>5,001</u>	<u>0</u>	<u>5,001</u>
<b>Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	5,001	0	5,001
<b>Fund Balance, Beginning of Year</b>	<u>135,000</u>	<u>32,120</u>	<u>102,880</u>
<b>Fund Balance, End of Year</b>	<u>\$ 140,001</u>	<u>\$ 32,120</u>	<u>\$ 107,881</u>

**CITY OF LEESBURG, FLORIDA  
COMBINING BALANCE SHEET  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2005**

	<u>General Employees' Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,963,123	\$ 1,997,009	\$ 4,960,132
Miscellaneous Receivables	53,395	35,316	88,711
Total Current Assets	<u>3,016,518</u>	<u>2,032,325</u>	<u>5,048,843</u>
<b>Total Assets</b>	<u>3,016,518</u>	<u>2,032,325</u>	<u>5,048,843</u>
 <b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	214,277	14,021	228,298
Claims Payable	527,327	920,695	1,448,022
Total Current Liabilities	<u>741,604</u>	<u>934,716</u>	<u>1,676,320</u>
<b>Total Liabilities</b>	<u>741,604</u>	<u>934,716</u>	<u>1,676,320</u>
 <b>Net Assets</b>			
Unrestricted	<u>2,274,914</u>	<u>1,097,609</u>	<u>3,372,523</u>
<b>Total Net Assets</b>	<u>\$ 2,274,914</u>	<u>\$ 1,097,609</u>	<u>\$ 3,372,523</u>

**CITY OF LEESBURG, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<b>General Employees' Health Insurance</b>	<b>Workers' Compensation Insurance</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 3,546,304	\$ 778,088	\$ 4,324,392
<b>Total Operating Revenues</b>	<u>3,546,304</u>	<u>778,088</u>	<u>4,324,392</u>
<b>Operating Expenses</b>			
Claims Expense	2,293,307	615,237	2,908,544
Administrative Expenses	750,312	36,340	786,652
Insurance Premiums	446,992	134,342	581,334
<b>(Total Operating Expenses)</b>	<u>(3,490,611)</u>	<u>(785,919)</u>	<u>(4,276,530)</u>
<b>Operating Income (Loss)</b>	<u>55,693</u>	<u>(7,831)</u>	<u>47,862</u>
<b>Nonoperating Revenues</b>			
Investment Income	44,890	28,515	73,405
Other Nonoperating Income	69,818	40,144	109,962
<b>Total Nonoperating Revenues</b>	<u>114,708</u>	<u>68,659</u>	<u>183,367</u>
<b>Income Before Operating Transfers</b>	<u>170,401</u>	<u>60,828</u>	<u>231,229</u>
<b>Net Operating Transfers to Other Funds</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Change in Net Assets</b>	170,401	60,828	231,229
<b>Total Net Assets, Beginning of Year</b>	<u>2,104,513</u>	<u>1,036,782</u>	<u>3,141,295</u>
<b>Total Net Assets, End of Year</b>	<u>\$ 2,274,914</u>	<u>\$ 1,097,610</u>	<u>\$ 3,372,524</u>

**CITY OF LEESBURG, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>General Employees' Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Employees	\$ 3,604,877	\$ 789,493	\$4,394,370
Cash Paid to Suppliers for Goods and Services	(983,027)	(180,056)	(1,163,083)
Cash Paid for Insurance Claims	(2,148,870)	(254,289)	(2,403,159)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>472,980</u>	<u>355,148</u>	<u>828,128</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income	44,890	28,515	73,405
Other Nonoperating	69,818	40,143	109,961
<b>Net Cash Flows from Investing Activities</b>	<u>114,708</u>	<u>68,658</u>	<u>183,366</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	587,688	423,806	1,011,494
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,375,435</u>	<u>1,573,203</u>	<u>3,948,638</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,963,123</u>	<u>\$ 1,997,009</u>	<u>\$4,960,132</u>
<b><u>Reconciliation of Operating Income (Loss) to Cash Provided by (Used in) Operating Activities:</u></b>			
Operating Income (Loss)	\$ 55,693	\$ (7,831)	\$ 47,862
Adjustment to Reconcile Operating Income to Cash Flows Provided by (Used in) Operating Activities:			
Decrease (Increase) in Miscellaneous Receivables	58,573	11,405	69,978
Increase (Decrease) in Accounts Payable	214,277	(9,374)	204,903
Increase (Decrease) in Claims Payable	144,437	360,948	505,385
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 472,980</u>	<u>\$ 355,148</u>	<u>\$ 828,128</u>

## **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)

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Governmental activities</b>			
Invested in capital assets, net of related debt	\$ 44,299,444	\$ 30,676,755	\$ 30,676,655
Restricted	944,332	17,203,324	17,657,048
Unrestricted	6,627,757	9,977,806	18,085,452
<b>Total governmental activities net assets</b>	<b>\$ 51,871,533</b>	<b>\$ 57,857,885</b>	<b>\$ 66,419,155</b>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt	\$ 62,855,687	\$ 64,637,677	\$ 76,296,976
Restricted	8,169,919	35,369,218	23,322,485
Unrestricted	30,969,609	1,746,245	4,153,914
<b>Total business-type activities net assets</b>	<b>\$ 101,995,215</b>	<b>\$ 101,753,140</b>	<b>\$ 103,773,375</b>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 107,155,131	\$ 95,314,432	\$ 106,973,631
Restricted	9,114,251	52,572,542	40,979,533
Unrestricted	37,597,366	11,724,051	22,239,366
<b>Total primary government net assets</b>	<b>\$ 153,866,748</b>	<b>\$ 159,611,025</b>	<b>\$ 170,192,530</b>

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

	Fiscal Year		
	2003	2004	2005
<b>Expenses</b>			
Governmental activities:			
General Government	\$ 1,451,272	\$ 1,079,476	\$ 4,614,037
Public Safety	9,478,560	10,293,509	11,410,642
Physical Environment	1,631,318	675,409	862,018
Transportation	2,266,516	2,313,918	2,603,092
Economic Environment	206,318	1,545,359	571,765
Human Services	82,812	82,899	53,288
Culture and Recreation	4,423,002	4,424,409	4,968,600
Interest on Long Term Debt	384,983	627,346	1,170,569
Total governmental activities expenses	<u>19,924,781</u>	<u>21,042,325</u>	<u>26,254,011</u>
Business-type activities:			
Electric	35,935,969	41,185,843	45,311,308
Gas	6,621,244	7,566,229	7,875,054
Water	3,333,533	3,876,184	3,898,107
Wastewater	5,015,831	5,606,459	5,973,024
Solid Waste	2,624,743	3,440,650	3,284,484
Communication Services	347,789	540,922	819,244
Interest on Long Term Debt	1,407,567	1,305,138	32,701
Total business-type activities expenses	<u>55,286,676</u>	<u>63,521,425</u>	<u>67,193,922</u>
Total primary government expenses	<u>\$ 75,211,457</u>	<u>\$ 84,563,750</u>	<u>\$ 93,447,933</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
General Government	\$ 213,724	\$ 220,943	\$ 3,044,485
Public Safety	707,634	1,141,507	1,224,873
Physical Environment	759,820	0	702,768
Transportation	529,970	515,453	593,200
Economic Environment	0	736,092	0
Culture and Recreation	399,233	432,850	483,677
Operating grants and contributions	1,477,141	1,863,441	454,762
Capital grants and contributions	4,369,000	1,505,260	3,729,099
Total governmental activities program revenues	<u>8,456,522</u>	<u>6,415,546</u>	<u>10,232,864</u>

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

	Fiscal Year		
	2003	2004	2005
<b>Program Revenues</b>			
Business-type activities:			
Charges for services:			
Electric	\$ 40,018,906	\$ 45,347,288	\$ 49,715,695
Gas	6,673,500	7,581,846	8,605,078
Water	3,961,263	4,444,273	4,401,492
Wastewater	4,609,315	5,835,638	7,079,097
Solid Waste	2,855,808	2,925,758	2,990,505
Communication Services	389,125	525,314	860,768
Operating grants and contributions	0	625,862	0
Capital grants and contributions	1,105,650	2,326,135	6,107,611
Total business-type activities program revenues	59,613,567	69,612,114	79,760,246
Total primary government program revenues	\$ 68,070,089	\$ 76,027,660	\$ 89,993,110
<b>Net (Expense)/Revenue</b>			
Governmental activities	\$ (11,468,259)	\$ (14,626,779)	\$ (16,021,147)
Business-type activities	4,326,891	6,090,689	12,566,324
Total primary government net expense	\$ (7,141,368)	\$ (8,536,090)	\$ (3,454,823)
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Taxes			
Property taxes	\$ 2,995,147	\$ 3,534,345	\$ 3,871,712
Utility services tax	2,124,715	2,601,302	2,955,112
Other taxes	2,868,962	3,166,977	3,584,329
State shared revenues	1,155,991	1,298,657	1,670,268
County-shared Revenues	0	0	175,992
Investment income	231,198	214,666	613,132
Miscellaneous	61,585	1,133,608	167,286
Transfers from (to) other funds	7,944,022	7,496,300	11,544,586
Total governmental activities	17,381,620	19,445,855	24,582,417
Business-type activities:			
Investment income	1,053,329	788,042	391,921
Miscellaneous	234,470	375,494	606,572
Transfers from (to) other funds	(7,944,022)	(7,496,300)	(11,544,586)
Total business-type activities	(6,656,223)	(6,332,764)	(10,546,093)
Total primary government	\$ 10,725,397	\$ 13,113,091	\$ 14,036,324
<b>Change in Net Assets</b>			
Governmental activities	\$ 5,913,361	\$ 4,819,076	\$ 8,561,270
Business-type activities	(2,329,332)	(242,075)	2,020,231
Adjustment	0	1,167,276	0
Total primary government	\$ 3,584,029	\$ 6,911,553	\$ 10,581,501

**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
1996	\$ 2,322,022	\$ 0	\$ 922,525	\$ 135,979	\$ 0	\$ 0	\$ 3,380,526
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

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

	<b>Fiscal Year</b>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund			
Reserved	\$ 5,442,840	\$ 4,225,057	\$ 4,718,613
Unreserved	767,825	2,639,608	2,305,051
Total general fund	<u>\$ 6,210,665</u>	<u>\$ 6,864,665</u>	<u>\$ 7,023,664</u>
All other governmental funds			
Reserved	\$ 834,283	\$ 17,118,320	\$ 17,058,067
Unreserved, reported in:			
Stormwater Fund	414,933	826,948	713,531
Total all other governmental funds	<u>\$ 1,249,216</u>	<u>\$ 17,945,268</u>	<u>\$ 17,771,598</u>

Note: The increase in reserved fund balance in 2004 was due to unspent 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		
	2003	2004	2005
<b>Revenues</b>			
Taxes	\$ 8,162,395	\$ 9,493,603	\$ 9,947,626
Licenses and permits	431,630	781,503	1,039,497
Intergovernmental	7,018,014	4,238,060	5,617,919
Charges for services	904,570	929,067	982,851
Fines and penalties	288,317	365,409	339,962
Interest	231,198	214,666	613,131
Miscellaneous	857,996	1,442,820	5,464,202
<b>Total revenues</b>	<u>17,894,120</u>	<u>17,465,128</u>	<u>24,005,188</u>
<b>Expenditures</b>			
General Government	1,072,010	1,045,098	2,393,514
Public Safety	9,154,635	10,298,327	11,641,923
Physical Environment	1,521,900	522,312	735,736
Transportation	1,134,593	998,659	1,144,742
Economic Environment	189,735	1,531,072	544,294
Human Services	45,769	45,518	53,288
Culture and Recreation	4,004,672	4,077,320	4,525,265
Capital Outlay	14,304,255	5,416,617	9,855,458
Debt Service:			
Principal payments	198,370	204,088	239,846
Interest and fees	384,983	627,346	1,170,569
<b>Total expenditures</b>	<u>32,010,922</u>	<u>24,766,357</u>	<u>32,304,635</u>
Excess of revenues (under) over expenditures	<u>(14,116,802)</u>	<u>(7,301,229)</u>	<u>(8,299,447)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	8,209,595	8,286,608	8,756,309
Transfers out	(265,573)	(790,308)	(471,532)
Bonds proceeds	0	17,154,981	0
<b>Total other financing sources (uses)</b>	<u>7,944,022</u>	<u>24,651,281</u>	<u>8,284,777</u>
<b>Net change in fund balances</b>	<u>\$ (6,172,780)</u>	<u>\$ 17,350,052</u>	<u>\$ (14,670)</u>
Debt service as a percentage of noncapital expenditures	3.3%	4.3%	6.3%

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

Fiscal Year Ended Sept 30	Real Property	Personal Property	Centrally Assessed Property	Less:		Net Taxable Assessed Value	Total Direct Tax Rate
				Real	Personal		
1996	\$ 543,970,690	\$ 197,058,751	284,266	\$ 160,269,415	\$ 42,668,949	\$ 538,375,343	4.50
1997	575,494,848	226,483,687	452,036	176,003,721	73,807,290	552,619,560	4.50
1998	594,277,180	253,305,184	418,085	181,972,591	100,742,292	565,285,566	4.50
1999	610,711,999	213,573,762	417,391	184,938,530	49,239,968	590,524,654	4.50
2000	644,575,304	239,027,959	321,959	200,427,103	84,022,857	599,475,262	4.50
2001	689,086,977	232,285,508	332,879	204,538,253	75,293,428	641,873,683	4.50
2002	715,445,919	231,355,431	369,119	206,877,608	71,494,826	668,798,035	4.50
2003	754,313,985	243,968,265	328,106	219,112,625	94,724,286	684,773,445	4.50
2004	875,334,295	225,356,519	336,057	230,212,863	52,179,737	818,634,271	4.50
2005	953,323,403	272,462,933	349,621	251,575,429	83,290,269	891,270,259	4.50

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	Northwest		Water Conservation Authority	Water Management District	Total
				Ambulance District	Hospital District			
1996	4.500	9.678	4.927	0.222	1.000	0.384	0.482	21.193
1997	4.500	9.228	4.909	0.158	1.000	0.384	0.482	20.661
1998	4.500	9.100	4.733	0.158	1.000	0.384	0.482	20.357
1999	4.500	9.190	4.733	0.268	1.000	0.384	0.482	20.557
2000	4.500	8.742	4.733	0.316	1.000	0.500	0.482	20.273
2001	4.500	8.495	5.117	0.550	1.000	0.500	0.472	20.634
2002	4.500	8.202	5.117	0.529	1.000	0.500	0.462	20.310
2003	4.500	8.395	5.917	0.529	1.000	0.482	0.462	21.285
2004	4.500	8.440	5.917	0.529	1.000	0.408	0.462	21.256
2005	4.500	7.990	5.817	0.529	1.000	0.383	0.462	20.681

Source: Lake County Property Appraiser

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

Taxpayer	Type of Business	2005			2004		
		2004 Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	2003 Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Sprint	Telecommunication	\$ 47,462,411	5.33%	1	\$ 47,537,576	1	4.32%
Cutrale Citrus Juices, U.S.A., Inc.	Citrus Processing	43,680,372	4.90%	2	41,121,102	2	3.73%
SDG Maccrich Properties LP	Shopping Mall	26,402,562	2.96%	3	26,371,080	3	2.40%
Lake Port Properties	Retirement Community	22,937,270	2.57%	4	23,614,351	4	2.14%
Lowe's Home Centers, Inc.	Home Improvement Center	9,290,723	1.04%	5	7,484,555	6	0.68%
Sun Trust Banks of Central Florida	Banking	9,058,660	1.02%	6			
Wal-Mart Stores, Inc.	Department Store	8,467,574	0.95%	7	8,434,174	5	0.77%
Publix Super Markets, Inc.	Grocery Store	7,899,505	0.89%	8	4,975,890	9	0.45%
First Federal Savings Bank	Banking	7,314,207	0.82%	9	6,191,826	7	0.56%
Shoppes of Lake Village, LTD	Shopping Center	6,146,035	0.69%	10	6,146,035	8	0.56%
<b>Total</b>		<u>\$ 188,659,319</u>	<u>15.39%</u>		<u>\$ 171,876,589</u>		<u>15.61%</u>

Source: Lake County Property Appraiser

Note: Taxable Values (Florida Statutes Section 193.011 ) are as of January 1, 2003 and 2004, 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	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
1996	\$ 2,422,689	\$ 2,305,607	95.17%	\$ 16,415	\$	\$ 2,322,022	95.84%
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%

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 Primary Government	Percentage of Personal Income			
1996	\$ 7,001,000	\$ 0	\$ 20,408,686	\$ 1,805,000	\$ 29,214,686	8.95%	\$ 21,255		
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	1,300,000	63,964,907	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, 2005.

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		Miscellaneous Revenues	Net Available Revenue		Debt Service		Coverage
	Revenues	Revenues	Sharing	Revenues		Principal	Interest			
1996	\$ 568,196	\$ 309,234		\$ 28,926	\$ 906,356	\$ 190,000	\$ 329,780		1.74	
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	

**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
	Sales Tax Revenues		Revenues	Sharing				Principal	Interest	
1996	N/A		N/A		N/A	N/A	N/A	N/A	N/A	N/A
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	\$ 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

**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	
1996	N/A	N/A		N/A	N/A		N/A
1997	N/A	N/A		N/A	N/A		N/A
1998	N/A	N/A		N/A	N/A		N/A
1999	N/A	N/A		N/A	N/A		N/A
2000	N/A	N/A		N/A	N/A		N/A
2001	N/A	N/A		N/A	N/A		N/A
2002	N/A	N/A		N/A	N/A		N/A
2003	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

**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: Operation and Maintenance Expenses	Plus: Capacity Charges	Net Pledge Revenues Available for Debt Service	Debt Service		Coverage
					Principal	Interest	
1996	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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	\$ 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

**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	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education		Unemployment Rate		
						High School Graduates	School Enrollment	Lake County	Florida	United States
1996	\$ 326,307	15,352	\$ 21,255	46.7	242	5,403	4.4%	5.1%	5.4%	
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%	

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

Population - from Table 1.25 for Leesburg

Per capita 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](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	2005			2004		
		Employees	City Rank	Percentage of Total County Employment	Employees	City Rank	Percentage of Total County Employment
Leesburg Regional Medical Center	Hospital	1,800	1	1.57%	1,850	1	1.79%
Lake County School Board	Educational Institution	665	2	0.58%	538	3	0.52%
Lifestream Behavioral Center	Mental Health Services Provider	550	3	0.48%	590	2	0.57%
City of Leesburg	City Governmental Services	520	4	0.45%	477	6	0.46%
Sprint-Florida Incorporated	Telecommunications	500	5	0.44%	480	4	0.46%
Wal-Mart Stores, Inc	Retail Sales	493	6	0.43%	480	4	0.46%
Lake Port Properties	Retirement Community	350	7	0.31%	365	7	0.35%
Hewitt Contracting	General Contractor	250	8	0.22%	300	8	0.29%
Lake-Sumter EMS, Inc	Emergency Medical Transport	238	9	0.21%	227	9	0.22%
Avante Group, Inc	Nursing Rehabilitation	200	10	0.17%	175	10	0.17%
<b>Total</b>		<u>5,566</u>		<u>4.85%</u>	<u>5,482</u>		<u>5.29%</u>
Lake County Labor Force		<u>114,675</u>			<u>103,551</u>		

Source: Labor Force data obtained from Metro Orlando Economic Development Commission ([www.OrlandoEDC.com](http://www.OrlandoEDC.com)), Direct contact.

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

		Full-time Equivalent Employees as of September 30									
		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Function</b>											
<b>General government</b>											
Legislative		6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Executive		5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance		39.50	39.00	39.00	39.00	39.00	41.00	41.00	43.00	44.00	43.00
Human Resources		4.60	4.60	4.60	5.00	5.00	5.00	5.00	5.00	6.00	6.00
MIS		5.00	5.00	6.00	7.00	7.00	8.00	8.00	10.00	11.00	14.00
<b>Police</b>											
Officers		48.75	48.75	54.75	58.75	61.10	62.10	62.10	66.25	72.25	73.25
Civilians		17.75	20.75	20.75	20.75	20.75	24.75	24.75	25.75	25.75	25.75
<b>Fire</b>											
Firefighters and officers		30.00	33.00	36.00	36.00	36.00	36.00	36.00	37.00	43.00	49.00
Civilians		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Public Works</b>											
GIS / Engineering		3.00	3.00	6.00	9.00	8.00	7.00	7.00	7.34	8.34	8.50
Other		33.50	28.00	20.50	21.25	23.75	27.50	20.50	16.00	18.00	20.50
<b>Community Development</b>											
Housing & Economic Development		7.00	10.00	9.00	9.25	9.25	12.00	12.00	11.66	11.66	14.00
Library		2.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00
Recreation		19.38	20.87	22.12	22.30	22.30	22.30	22.30	23.00	23.00	23.80
Airport		36.75	30.75	39.75	40.25	38.75	39.75	39.75	43.75	43.65	45.65
<b>Stormwater</b>											
Stormwater		6.00	6.00	6.00	6.00	6.00	6.50	6.50	5.50	4.00	4.00
<b>Subtotal for Governmental Funds</b>		<u>265.23</u>	<u>262.72</u>	<u>278.47</u>	<u>288.55</u>	<u>290.90</u>	<u>305.90</u>	<u>298.90</u>	<u>309.25</u>	<u>326.65</u>	<u>343.45</u>
<b>Electric</b>											
Electric		50.75	52.50	53.00	52.00	53.00	55.00	55.00	53.50	47.50	49.50
Gas		12.00	12.00	12.17	12.67	12.92	16.00	16.00	16.50	17.50	22.50
Water		21.00	21.00	18.66	17.66	18.41	22.50	22.50	23.59	27.00	28.50
Wastewater		22.00	27.00	28.17	25.67	31.67	37.50	37.50	38.91	37.00	38.00
<b>Communication</b>											
Communication		16.00	16.00	16.50	16.50	17.00	19.00	19.00	19.00	2.00	3.00
<b>Solid Waste</b>											
Solid Waste		121.75	128.50	128.50	124.50	133.00	150.00	150.00	151.50	150.00	159.50
<b>Subtotal for Business Type Funds</b>											
<b>Total</b>		<u>386.98</u>	<u>391.22</u>	<u>406.97</u>	<u>413.05</u>	<u>423.90</u>	<u>455.90</u>	<u>448.90</u>	<u>460.75</u>	<u>476.65</u>	<u>502.95</u>

**City of Leesburg**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Responses to calls for service	N/A	N/A	N/A	38,637	40,283	41,000	39,560	41,534	44,060	54,659
Part I crimes	N/A	N/A	N/A	2,613	1,482	1,500	1,363	1,236	1,365	1,563
Traffic accidents & citations	N/A	N/A	N/A	8,314	8,898	9,070	6,890	8,130	7,491	10,844
Fire										
Emergency responses	N/A	N/A	N/A	3,329	4,300	4,900	5,182	4,669	4,230	4,440
Inspections	2,000	1,256	1,048	403	404	810	1,822	1,805	1,900	1,351
Pre-fire plans	N/A	N/A	N/A	N/A	N/A	N/A	311	254	164	578
Solid Waste										
Residential tons taken to incinerator	5,415	5,450	5,537	5,162	5,000	5,200	5,672	6,000	6,108	1,832
Residential tons of recyclables	314	584	653	1,305	1,500	812	416	400	486	101
Hand commercial collected	N/A	N/A	N/A	907	1,031	1,149	1,126	608	786	164
Commercial dumpster collected	N/A	N/A	N/A	7,601	8,485	8,762	9,541	7,693	9,840	2,865
Commercial tons of recyclables	N/A	N/A	N/A	146	175	200	160	99	123	N/A
Fleet Maintenance										
Vehicles owned by the City	N/A	N/A	N/A	N/A	N/A	N/A	610	644	625	673
Percent maintained by Fleet	N/A	N/A	N/A	N/A	N/A	N/A	53%	90%	100%	100%
Preventive maintenance complete	N/A	N/A	N/A	N/A	N/A	N/A	302	640	710	550
Community Development										
Building permits issued within the City	222	231	292	344	1,537	430	311	406	2,122	3,666
Construction value of permits issued (thousands)	N/A	N/A	N/A	N/A	41,483	39,185	43,973	23,483	42,477	135,535
Culture and Recreation										
Youth programs	104	103	95	95	93	97	72	83	85	54
Number of bookings at rental facilities	N/A	N/A	N/A	628	650	582	539	501	608	829
Total service hours	N/A	N/A	N/A	1,884	1,950	2,000	1,469	1,645	1,298	N/A
Participants using the pools	N/A	N/A	N/A	10,750	10,750	10,700	7,029	8,082	11,360	10,137
Library service hours	N/A	N/A	N/A	3,360	3,360	3,360	3,350	3,390	3,292	3,346
Circulation - adults	271,218	259,861	254,159	224,756	201,838	201,706	216,761	224,067	250,516	258,695
Circulation - juvenile	25,249	26,764	23,902	43,424	40,879	33,286	32,840	31,222	34,416	59,367
Internet use	N/A	N/A	N/A	16,593	20,071	21,636	15,929	34,146	33,198	34,985
Electric										
Number of residential customers	14,609	14,814	15,036	15,226	15,388	15,621	15,809	16,294	17,551	17,420
Average daily consumption (kWh)	34.63	32.43	35.30	34.60	34.73	35.37	34.00	36.67	33.70	35.23
Gas										
Number of residential customers	7,134	7,311	7,536	7,690	7,978	8,206	8,346	8,512	8,833	9,190
Average daily consumption (therms)	0.78	0.72	0.75	0.60	0.67	0.77	0.60	0.73	0.67	0.63
Water										
Number of residential customers	8,922	9,338	9,657	9,972	10,219	10,548	10,798	11,077	11,550	11,754
Average daily consumption (gallons)	310.30	316.64	339.91	365.99	372.60	332.83	310.33	284.38	311.65	293.68
Wastewater										
Number of residential customers	N/A	N/A	N/A	N/A	N/A	N/A	9,439	9,694	10,073	10,235
Average daily sewage treatment (gallons)	N/A	N/A	N/A	N/A	N/A	N/A	177.34	196.30	210.97	232.13

Sources: Various city departments

Note: N/A - Information is not available.

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

Function	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public Safety										
Police stations	2	2	2	2	2	2	2	1	1	1
Fire stations	2	2	2	2	2	2	2	3	3	3
Solid Waste										
Collection trucks	13	13	13	15	17	20	24	22	24	23
Annexation Acres	42.74	1,547.18	158.96	496.19	193.30	3,720.96	126.22	1,025.04	125.49	1,005.12
Corporate Limits:										
Acres	11,614.66	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
Square Miles	18.15	20.57	20.81	21.59	21.89	27.71	27.90	29.50	29.70	31.26
Streets										
Paved (miles)	80.1	80.1	80.4	80.7	80.7	80.9	80.9	84.1	84.1	79.0
Unpaved (miles)	3.5	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	1.7
Culture and Recreation										
Rental facilities	3	3	3	3	3	3	3	3	3	6
Museum	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1
Parks facilities managed	10	10	10	10	10	10	10	22	22	50
Parks acreage	226	226	226	226	226	226	226	280	280	290
Library facilities	1	1	1	1	1	1	1	1	1	1
Volumes in collection	112,577	112,577	120,329	124,325	129,535	174,607	170,427	114,492	133,604	139,394
Electric										
Primary electric lines within the city (miles)	365	365	365	358	358	365	371	376	382	389
Overhead conductor replaced (feet)	N/A	N/A	N/A	N/A	N/A	N/A	38,769	35,000	12,769	20,825
Underground primary conductor replaced (feet)	N/A	N/A	N/A	N/A	N/A	N/A	22,000	33,000	270	16,450
Gas										
Gas mains	225	239	195	200	205	205	211	218	226	227
Gate stations	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	332	336	338	215	332	332	332	325	325	255
Maximum capacity (thousands of gallons)	N/A	N/A	N/A	N/A	3,500	7,460	7,940	9,100	9,100	9,100
Deep wells	N/A	N/A	N/A	N/A	14	15	15	15	17	17
Wastewater										
Sewers force mains (miles)	100	100	100	100	101	103	103	103	103	61
Sewers gravity lines (miles)	61	61	65	65	70	70	70	70	116	130
Lift stations	N/A	N/A	N/A	N/A	97	100	100	102	110	114
Disposal plants	1	1	1	1	2	2	2	2	2	2
Maximum capacity (thousands of gallons)	3,000	3,000	3,000	3,000	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	N/A	38	50	70	140	158

Sources: Various city departments

Note: N/A - Information is not available.

Note: In 2005, the City's Geographical Information Systems Department (GIA) 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, 2005**

**SINGLE AUDIT REPORTS  
AND  
MANAGEMENT LETTER  
CITY OF LEESBURG, FLORIDA  
SEPTEMBER 30, 2005**

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**CITY OF LEESBURG, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA Number	Program or Award Amount	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
City Hall Annex (Business Incubator)		10.443	\$ 215,000	\$ 13,794
<b>Total U.S. Department of Agriculture</b>			<u>215,000</u>	<u>13,794</u>
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership		16.607	8,920	3,415
Local Law Enforcement Block Grant	2003-LB-BX-1613	16.592	52,344	32,996
Local Law Enforcement Block Grant	2004-LB-BX-0680	16.592	23,718	16,688
<b>Total Department of Justice</b>			<u>84,982</u>	<u>53,099</u>
<b>U.S. Department of Transportation Federal Aviation Administration</b>				
Airport Improvement Program - Extend Taxiway K - Phase 2	3-12-0042-012-2003	20.106	314,974	314,974
Airport Improvement Program - Environmental Assessment Runway	3-12-0042-013-2005	20.106	331,288	141,490
Emergency Relief Program Agreement	ANZ06	20.205	44,386	44,386
Emergency Relief Program Agreement	ANZ07	20.205	31,155	31,155
Unconventional Police Vehicle	SC-05-13-17	20.600	35,000	33,253
<b>Total Department of Transportation</b>			<u>756,803</u>	<u>565,258</u>
<b>U.S. Department of Homeland Security</b>				
Passed Through Florida Department of Community Affairs				
Disaster Relief Funding	05-PA-G%-06-45-02-873	97.036	1,180,570	141,972
Disaster Relief Funding	05-PA-E=-06-45-02-615	97.036	114,704	293,516
<b>Total U.S. Department of Homeland Security</b>			<u>1,295,274</u>	<u>435,488</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,352,059</u>	<u>\$ 1,067,639</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, 2005**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>
<b>Florida Department of Environmental Protection</b>				
Florida Recreation Development Assistance Program:				
Sleepy Hollow Recreation Complex	F5167	37.017	\$ 32,702	\$ 32,702
<b>Total Florida Department of Environmental Protection</b>			<u>32,702</u>	<u>32,702</u>
<b>Florida Department of Community Affairs</b>				
Florida Communities Trust - Florida Forever Act	04-CT-B7-03-F3-A1-104	52.002	3,884,861	2,438,755
<b>Total Florida Department of Community Affairs</b>			<u>3,884,861</u>	<u>2,438,755</u>
<b>Florida Department of Transportation</b>				
Aviation Development Grants:				
Air Traffic Control Tower Construction	247556-1-94-01	55.004	800,000	4,774
Extend Taxiway K - Phase 2	407621-1-94-01	55.004	26,055	17,883
Aircraft Rescue and Fire Fighting Facility	410091-1-94-01	55.004	1,077,600	549,463
Airport Line Operation Building	415039-1-94-01	55.004	520,000	461,810
Airport Security Enhancement	405141-1-94-01	55.004	393,410	134,099
Aircraft Parking Apron	418462-1-94-01	55.004	280,000	212,000
<b>Total Florida Department of Transportation</b>			<u>3,097,065</u>	<u>1,380,029</u>
<b>Total Expenditures of State Financial Assistance</b>			<u>\$ 7,014,628</u>	<u>\$ 3,851,486</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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 27, 2006. 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 01-05 through 08-05.

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 items 01-05, 02-05 and 05-05 to be material weaknesses.

We also note certain additional matters that we reported to management in a separate letter dated April 27, 2006.

**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.

April 27, 2006  
Gainesville, Florida

*Purvis, Gray and Company*

**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 Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2005. 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, 2005.

**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*.

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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

**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)**

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program or state project in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-05.

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 the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal grant program or state project 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 compliance 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, we do not consider the reportable condition described above to be a material weakness.

**Schedule 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, 2005, and have issued our report thereon dated April 27, 2006. 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 schedule 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.

April 27, 2006  
Gainesville, Florida

*Harris, Gray and Company*

**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**

Audit disclosed a reportable condition in internal control over the major programs which was not considered to be a material weakness in internal control.

**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**

The audit disclosed one reportable condition.

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

**Federal Program**

U.S. Department of Transportation:  
Airport Improvement Program (20.106)

**State Projects**

Florida Department of Transportation:  
Aviation Development Grants (55.004)  
Florida Department of Community Affairs:  
Florida Forever Program (52.002)

**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)**

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

\$300,000

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

The auditee qualifies 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**

01-05 **Cash**

**Condition and Criteria**

The City's internal control policies and procedures require that all cash accounts be reconciled to the general ledger on a monthly basis. During our audit, we noted that this was not being done.

**Effects**

As a result, the cash balance in the pooled cash fund was approximately \$2,950,000 overstated. This overstatement also resulted in the cash balance in the combined City funds to be overstated as well.

**Cause of Condition**

Finance Department personnel were reconciling the bank statements to a handwritten cash journal rather than the general ledger. In addition, no one was reviewing and approving the bank reconciliation prepared by staff.

**Recommendation**

We recommend that the pooled cash account be reconciled to the general ledger on a monthly basis and that each month's reconciliation be reviewed and approved by a knowledgeable person within the Finance Department.

02-05 **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.

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

02-05 **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 disbursements 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.

03-05 **Grants**

Condition and Criteria

Request for reimbursements for bulletproof vests were not submitted on a timely basis during the fiscal year ended September 30, 2005. No request for reimbursements were made for the fiscal year ended September 30, 2004.

The schedule of federal and state financial assistance was not complete for the 2005 fiscal year because some grants were not included.

It also appears that reimbursement requests for airport improvement grants were not submitted on a timely basis.

Federal grant agreements require that all reimbursement requests be submitted on a timely basis. OMB Circular A-133 requires that the schedule of federal financial assistance include all active grant awards.

Effects

The receipt of cash to recover disbursements that have previously been made is delayed. Reimbursements may be lost.

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

03-05 **Grants (Concluded)**

Cause

Information on grant awards is not always being furnished to the Finance Department by other departments. The monitoring of grant awards by the Finance Department needs to be improved.

Recommendation

Each City department should furnish the Finance Department with a copy of all grant agreements administered by the department. The Finance Department should develop policies and procedures to monitor grant awards.

04-05 **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.

Effects

Not having an inventory of incomplete work orders 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.

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.

05-05 **Journal Entries**

Condition and Criteria

While reviewing Journal Entries (JE), we noted that several JE's did not have adequate documentation to support the JE. In addition, we also noted that JE's were not being approved prior to input. Documentation and approval of JE's is an important control activity.

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

05-05 **Journal Entries (Concluded)**

Effects

Erroneous entries could go undetected.

Cause of Condition

Misunderstanding of Finance Department policies.

Recommendation

All Finance Department policies regarding internal control procedures should be reviewed, documented and communicated to the staff.

06-05 **Health Insurance Fund**

Condition and Criteria

During our audit, we noted that health insurance claims increased significantly over year 2004. Furthermore, no one in risk management or the Finance Department could provide an explanation for the increase. Monitoring of financial activities is an important control activity.

Effects

Limited financial resources could be consumed before staff takes corrective action.

Cause of Condition

Misunderstanding of control activities.

Recommendation

The detail listing of health insurance claims should be provided to the risk management department for monitoring on a monthly basis.

07-05 **General Ledger Accounts**

Condition and Criteria

During our audit, we noted several accounts in the general ledger that had unexpected balances or did not appear to have had any activity for several years. These accounts included miscellaneous receivables and allowances for doubtful accounts. Monitoring of the general ledger account activity is an important control procedure.

Effects

Errors in account balances could remain undetected for extended periods of time.

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**

07-05 **General Ledger Accounts (Concluded)**

Cause or Condition

Misinterpretation of control activities and policies.

Recommendation

Each fund's general ledger should be reviewed by a knowledgeable person on a monthly basis.

08-05 **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.

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**

See item 03-05 in preceding section.

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

1. **Status of Prior Audit Findings**

There were no audit findings reported in our prior year's audit schedule of findings and questioned costs.

**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**

**01-05 Cash**

**Condition and Criteria**

The City's internal control policies and procedures require that all cash accounts be reconciled to the general ledger on a monthly basis. During our audit, we noted that this was not being done.

**Effects**

As a result, the cash balance in the pooled cash fund was approximately \$2,950,000 overstated. This overstatement also resulted in the cash balance in the combined City funds to be overstated as well.

**Cause of Condition**

Finance Department personnel were reconciling the bank statements to a handwritten cash journal rather than the general ledger. In addition, no one was reviewing and approving the bank reconciliation prepared by staff.

**Recommendation**

We recommend that the pooled cash account be reconciled to the general ledger on a monthly basis and that each month's reconciliation be reviewed and approved by a knowledgeable person within the Finance Department.

**Response**

**The City has done an excellent job of verifying the daily cash transactions to the statements received from the bank. The process in place requires that daily cash activity be verified to weekly bank statements, which ensures that the bank recognizes all cash transactions correctly. In addition to this, however, these same transactions need to be verified in the accounting system. Without this additional layer of review there can be timing issues that lead to reconciliation differences between the bank statement and the general ledger. The Finance Department recognizes that these differences can occur and if left unchecked can become material. An accountant has been hired and is currently being trained to track and monitor these differences and to reconcile all cash activity to the general ledger. In addition, there are system and workflow changes currently under review that will assist in the reconciliation process and the development of tighter controls.**

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

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

**Finding**  
**Number**

**Finding**

**02-05    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.

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 disbursements 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.

Response

**The City utilizes a highly integrated and sophisticated software package to facilitate the recognition of business transactions and activities. It is extremely important to understand the flow and timing of transactions and how they are updated from the various subledgers to the general ledger software. During the update process reports are generated which contain the detail supporting transactions sent to the general ledger. It is important that these reports be reviewed, monitored closely, and verified to the general ledger daily. All reports need to be packaged so as to comprise the daily business activity of the City. The Finance Department will be making a site visit to observe another HTE client. The knowledge gained from the visit, combined with additional training, will enable the development of clear audit trails for transactions affecting Cash and Accounts Receivable.**

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

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

Finding  
Number

Finding

03-05 Grants

Condition and Criteria

Request for reimbursements for bulletproof vests were not submitted on a timely basis during the fiscal year ended September 30, 2005. No request for reimbursements were made for the fiscal year ended September 30, 2004.

The schedule of federal and state financial assistance was not complete for the 2005 fiscal year because some grants were not included.

It also appears that reimbursement requests for airport improvement grants were not submitted on a timely basis.

Federal grant agreements require that all reimbursement requests be submitted on a timely basis. OMB Circular A-133 requires that the schedule of federal financial assistance include all active grant awards.

Effects

The receipt of cash to recover disbursements that have previously been made is delayed. Reimbursements may be lost.

Cause

Information on grant awards is not always being furnished to the Finance Department by other departments. The monitoring of grant awards by the Finance Department needs to be improved.

Recommendation

Each City department should furnish the Finance Department with a copy of all grant agreements administered by the department. The Finance Department should develop policies and procedures to monitor grant awards.

Response

**The Finance Department recognizes that opportunities and reimbursements can be lost if grants are not administered appropriately. Several announcements have been made at the weekly directors meetings addressing various discoveries regarding grants over the last six months. The directorship has been very aggressive in establishing responsibility and business flow. Bi-monthly commission meeting agendas are reviewed for grant activity and a special form has been designed for use in grant tracking. Finance works with the various directors and their respective managers to provide assistance and follow up. The schedules of Federal and State expenditures are now updated and kept current on an ongoing basis.**

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

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

**Finding  
Number**

**Finding**

**04-05 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.

Effects

Not having an inventory of incomplete work orders 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.

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.

Response

**The Finance Staff provided supporting information sufficient to test specific construction work-in-progress accounts transactions back to the general ledger. However, the control reports reflecting detail information supporting summary entries made to the general ledger were missing. Great care was taken to assist the audit staff with gaining confidence in the general ledger balances. Greater control will be established in retaining key reports reflecting detail transactions necessary to support summary entries. The Finance Department will also consult with its software provider to determine what modifications may be necessary to its processing procedures.**

**05-05 Journal Entries**

Condition and Criteria

While reviewing Journal Entries (JE), we noted that several JE's did not have adequate documentation to support the JE. In addition, we also noted that JE's were not being approved prior to input. Documentation and approval of JE's is an important control activity.

Effects

Erroneous entries could go undetected.

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

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

**Finding**  
**Number**

**Finding**

**05-05 Journal Entries (Concluded)**

**Cause of Condition**

Misunderstanding of Finance Department policies.

**Recommendation**

All Finance Department policies regarding internal control procedures should be reviewed, documented and communicated to the staff.

**Response**

**Corrective action has been taken. All Journal Entries are reviewed and will not be updated to the general ledger without the dated signature of the Deputy Finance Director. Entries will not be updated to the general ledger without backup and a thorough description as to why the entry is being made. In addition, no entries will be made to the general ledger without the appropriate account descriptions.**

**06-05 Health Insurance Fund**

**Condition and Criteria**

During our audit, we noted that health insurance claims increased significantly over year 2004. Furthermore, no one in risk management or the Finance Department could provide an explanation for the increase. Monitoring of financial activities is an important control activity.

**Effects**

Limited financial resources could be consumed before staff takes corrective action.

**Cause of Condition**

Misunderstanding of control activities.

**Recommendation**

The detail listing of health insurance claims should be provided to the risk management department for monitoring on a monthly basis.

**Response**

**The Finance Department is not aware of any unexplained variances or increases regarding the Health Insurance Fund. A detailed volume and variance analysis of pharmacy claims, which is the only known inquiry of audit staff regarding the health insurance fund, was provided. This does not mean, however, that additional oversight and review is not necessary. With spiraling healthcare costs, and the potential economic impact on the City, additional reporting is currently under review to assist with monitoring the various components of the Health Insurance Fund.**

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

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

**Finding**  
**Number**

**Finding**

**07-05 General Ledger Accounts**

Condition and Criteria

During our audit, we noted several accounts in the general ledger that had unexpected balances or did not appear to have had any activity for several years. These accounts included miscellaneous receivables and allowances for doubtful accounts. Monitoring of the general ledger account activity is an important control procedure.

Effects

Errors in account balances could remain undetected for extended periods of time.

Cause or Condition

Misinterpretation of control activities and policies.

Recommendation

Each fund's general ledger should be reviewed by a knowledgeable person on a monthly basis.

**Response**

**Miscellaneous receivable balances are currently under review. Any account with a balance that cannot be supported will be adjusted if necessary. The allowance for doubtful accounts will be handled as follows:**

- 30 days no reserve
- 60 days 50% of the outstanding balance will be reserved
- 90 days and over 100% of the outstanding balance will be reserved

**08-05 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.

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.

**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**

**08-05 Depreciation of Fixed Assets *(Concluded)***

**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.

**Response**

The Finance Staff provided supporting information sufficient to test specific assets and their related depreciation back to the general ledger. However, the control reports reflecting detail information supporting summary entries made to the general ledger were missing. Great care was taken to assist the audit staff with gaining confidence in the general ledger balances. Greater control will be established in retaining key reports reflecting detail transactions necessary to support the summary entries made. The Finance Department will also consult with its software provider to determine what modifications may be necessary to its processing procedures.

**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, 2005, and have issued our report thereon dated April 27, 2006.

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 compliance and on internal control over financial reporting, independent auditor's report on compliance and internal control over compliance applicable to each major federal awards program and state financial assistance project, and schedule of findings and questioned costs. Disclosures in those reports, which are dated April 27, 2006, 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 April 27, 2006.

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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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

**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, 2005, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

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. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

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.

April 27, 2006  
Gainesville, Florida

*Purvis, Gray and Company*

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:

**Current Year Recommendations**

**Crystal River III Decommissioning Cost**

During our audit, we noted that the City was accruing an incorrect amount as its annual estimated decommissioning cost. We recommend that staff become more familiar with the engineering study related to the future decommissioning of Crystal River III and make the appropriate adjustments to its accruals.

**Cash Balances**

At September 30, 2005, the City had the following unrestricted cash balances in its utility funds:

Electric	\$	1,596
Gas		7,531
Water		14,047
Wastewater		35,300
Solidwaste		87,072
Communication Services		4,232
<b>Total</b>	<b>\$</b>	<b>149,778</b>

The City is experiencing phenomenal growth in land size and service area. The additional costs for providing necessary infrastructure improvements and extensions as well as increased personnel and utility services necessary to accommodate the growth has contributed significantly to reductions of available cash. Although utility rates were increased considerably in recent years, they have not been sufficient to replace existing deficiencies, allow for continued inflation, and also fund additional services, infrastructure and retained earnings. Therefore, there is a continuous drain on unrestricted reserves in all funds. We recommend that management continue to monitor the financial needs of the utility funds.

April 27, 2006  
Gainesville, Florida

*Purvis, Gray and Company*

**Certified Public Accountants**

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## MANAGEMENT'S RESPONSE

Honorable City Commission  
City of Leesburg  
Leesburg, Florida

### Current Year Recommendations

#### **Crystal River III Decommissioning Cost**

During our audit, we noted that the City was accruing an incorrect amount as its annual estimated decommissioning cost. We recommend that staff become more familiar with the engineering study related to the future decommissioning of Crystal River III and make the appropriate adjustments to its accruals.

#### **City of Leesburg Response:**

During fiscal year 2005 an error was made when the journal entry to record the annual estimated decommissioning cost was made. The amount recorded as the expense was the same as the amount of funding required to be deposited into the Crystal River III Decommissioning Trust account. This error was a one time only error and was corrected prior to closing the accounting records for the fiscal year.

#### **Cash Balances**

At September 30, 2005, the City had the following unrestricted cash balances in its utility funds:

Electric	\$ 1,596
Gas	7,531
Water	14,047
Wastewater	35,300
Solid Waste	87,072
Communication Services	4,232
Total	<u>\$149,778</u>

The City is experiencing phenomenal growth in land size and service area. The additional costs for providing necessary infrastructure improvements and extensions as well as increased personnel and utility services necessary to accommodate the growth has contributed significantly to reductions of available cash. Although utility rates were increased considerably in recent years, they have not been sufficient to replace existing deficiencies, allow for continued inflation, and also fund additional services, infrastructure and retained earnings. Therefore, there is a continuous drain on unrestricted reserves in all funds. We recommend that management continue to monitor the financial needs of the utility funds.

#### **City of Leesburg Response:**

Management continues to monitor the cash flows of all enterprise funds. In the past two years, it has been particularly difficult to adjust rates appropriately due to the extreme volatility of wholesale energy costs as well as extraordinary increases in costs of infrastructure and services. Basic rate structures have been reviewed and modified, and energy cost increases are being passed through to customers on a timelier basis.

