



CITY OF
LEESBURG
FLORIDA

INCORPORATED 1875

CITY OF LEESBURG, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Prepared by:
Finance Department

CITY OF LEESBURG, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

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CITY OF LEESBURG, FLORIDA

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(Concluded)**

Additional Elements of Report Prepared in Accordance with *Government Auditing Standards*, Issued by the Comptroller General of the United States; the Provisions of Office of Management and Budget (OMB) Circular A-133; and the *Rules of the Auditor General* of the State of Florida

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INTRODUCTORY SECTION

This section contains the following subsections:

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

MISSION STATEMENT

“COMMITTED TO PUTTING CITIZENS FIRST WITH SERVICE EXCELLENCE”

March 15, 2005

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, 2004 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.

With the presentation of the CAFR for the fiscal year ended September 30, 2004, the City is implementing *Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* which represents a dramatic change in governmental financial reporting. The format and purpose of these changes are addressed in the Management Discussion and Analysis (See page 3). Additionally, the notes to the financial statements discuss the changes (See Note 1) and explain the effects of these changes.

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.



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— AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER —

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, 2004, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal 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 awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Leesburg's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Leesburg was founded and first settled in 1857 by Evander H. Lee, a native of Sumter, South Carolina. The City received its name as a result of shipping directions given by Calvin Lee, Evander's brother, during a merchandising trip to New York City in 1866. By a citizen vote of 23 to 2, the City of Leesburg was incorporated on July 12, 1875. The City was originally 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 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 29.5 square miles and has a population of 16,290. 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 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 both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances adopted by the City Commission for overseeing day-to-day operations of the City, appointing the department heads and approving 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 these 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 pages 64 as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 71.

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, Dura Stress, Inc., and Cutrale Citrus Juice, Inc., 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 twelve 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 2004 unemployment rate stands at 3.6 percent. This rate is lower than the state average of 4.1 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 1,382,267 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 27/468 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.

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

- 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. One of the 10 goals established by the City Commission shows their commitment to financial planning. The goal is stated as: "Financial Stability - Develop and implement policies which ensure the City's long term financial stability." The City Commission adopted several policies to demonstrated their commitment to financial stability.

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 in 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 will own all vehicles, and a lease fee, based on useful life will be 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 \$18,271,233 in 2004. The average yield on investments was 2.25 percent. The City's investment performance compares favorably to an average rate of 1.33 percent for the State Investment Pool for the same period. The maturity of securities held at September 30, 2004 range from 2 to 4 years, with an average maturity of 3.26 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 \$882,803 on all of its investments for the year ended September 30, 2004. The average yield on investments was 8.88% 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 three years, an independent actuary engaged by the pension board calculates the amount of the annual contribution the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City funds the Fire and General pension plans each year in an amount equal to the percentage of covered payroll as determined by the actuary for the General Employees Pension Plan. Sworn police officers and firefighters are covered by a defined benefit plan established pursuant to Chapters 175 and 185, Florida Statutes. The fire employees make a 6.5% contribution and the police officers contribute 7.65% to their respective plans, and the State contributes funds collected from insurance premium excise taxes. Therefore, the firefighters received pension payments from one plan, while the police officers are part of two pension plans.

The City of Leesburg also provides postretirement health care benefits for retirees and their dependents. At the end of the current fiscal year, there were 64 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 5 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, 2003. This was the fourteenth consecutive year (fiscal years ended 1990-2003) 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.

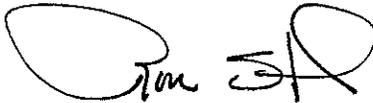
In addition, the City of Leesburg also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2003-04. This was the sixth consecutive year the City received this award. In order to qualify for the Distinguished Budget Presentation Award,

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. Deputy Finance Director Diane Reichard deserves special recognition for the guidance, expertise, and diligence she 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 the governing body 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,

Handwritten signature of Ron Stock, consisting of a large, stylized 'R' followed by 'on' and a large, stylized 'S' followed by 't'.

Ron Stock
City Manager

Handwritten signature of William Pfeilsticker, written in a cursive style.

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, 2003

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.



Nancy L. Zjelke

President

Jeffrey R. Emer

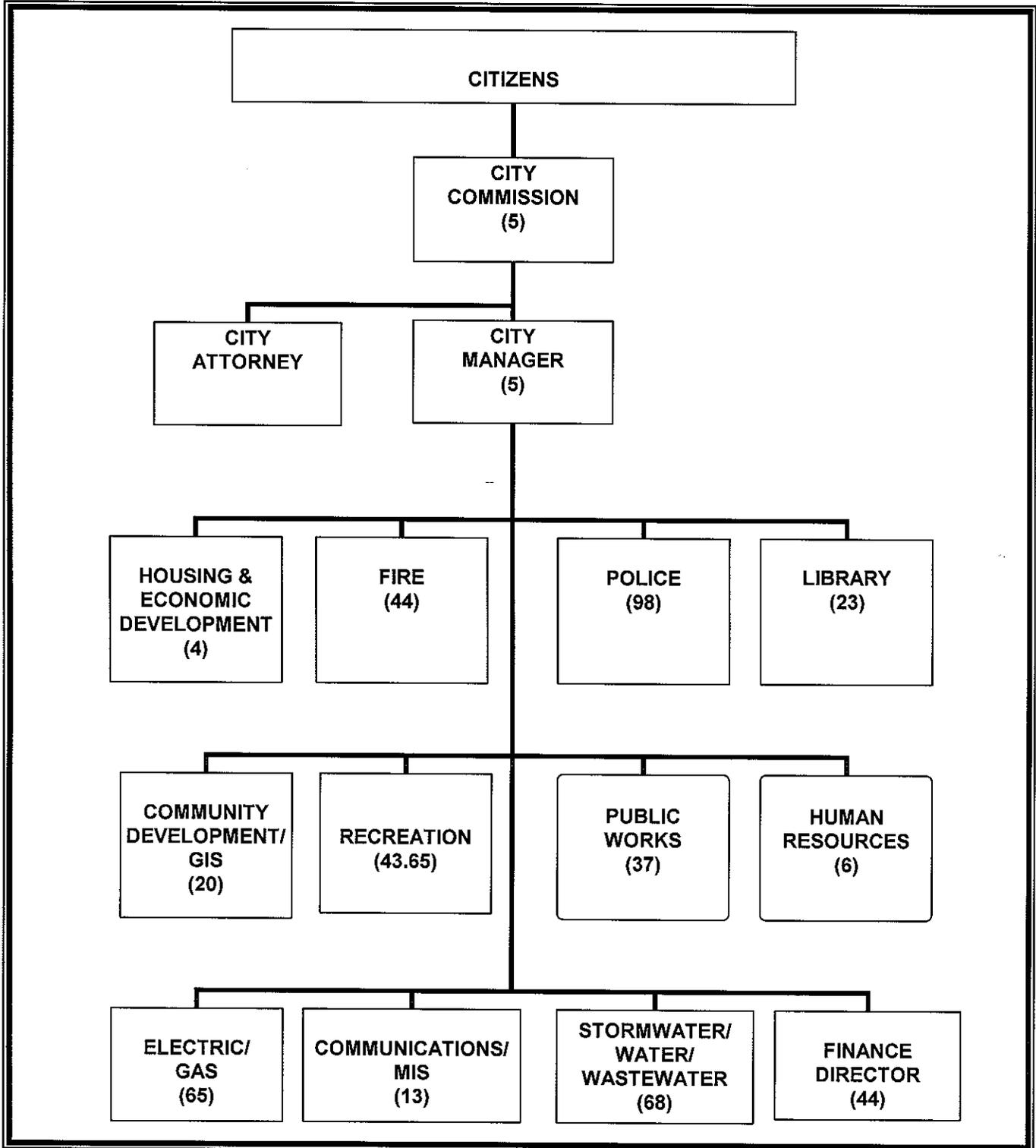
Executive Director

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leesburg, Florida for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 1999. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports 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 report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

**City of Leesburg, Florida
Organizational Chart**



• NUMBERS REFLECT FULL TIME EQUIVALENT EMPLOYEES IN RESPECTIVE DEPARTMENTS

**City of Leesburg, Florida
Principal City Officials
September 30, 2004**

CITY COMMISSION

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

Ron Stock
City Manager

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

William Pfeilsticker
Finance Director

Purvis Gray and Company
City Auditors

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 L. Bailey, P.E.

Director of Public Works

Laura McElhanon

Community Development Director

Ken Thomas

Housing & Economic Development Director

Barbara J. Morse

Library Director

Yvette E. Hartsfield

Recreation & Parks Director

Lloyd Shank

Director of Electric and Gas

Ray Sharp

Director of Environmental Services

Diane Reichard, CPA, CGFO

Deputy Finance Director

FINANCIAL SECTION

This section contains the following subsections:

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

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

- ◆ Required Supplementary Information

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

- ◆ Supplemental Schedules

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

INDEPENDENT AUDITORS' REPORT

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesburg, Florida (the City) as of and for the year ended September 30, 2004, 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, 2004, 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 December 31, 2004, 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 grants. 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.

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)

The Management's discussion and analysis and the major fund budgetary comparison 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.

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.

December 31, 2004
Ocala, Florida

Purvis, Gray and Company

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

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, 2004. Please read it in conjunction with the letter of transmittal, beginning on page i, and the financial statements beginning on page 16.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2004 by \$159,611,025 (net assets). Of this amount, \$11,724,051 (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 \$5,744,277.
- As of September 30, 2004, the City's governmental funds reported combined ending fund balances of \$24,809,933, an increase of \$17,350,052 in comparison with the prior year, due mainly to unspent bond proceeds in the capital projects fund as described in detail in the financial analysis section.
- On September 30, 2004, unreserved undesignated fund balance for the general fund was \$2,639,608 or 14.03% of total general fund expenditures and transfers out.
- Governmental fund revenues decreased by \$428,992 over the prior fiscal year. There was a dramatic decrease of \$2,779,954 in intergovernmental revenue because grant funds received earlier were used for construction of a parking garage (CDBG grant) and airport projects (State grants) in 2003. Growth in the area resulted in increases in the tax category: ad valorem tax (\$539,198), of which the majority can be attributed to the annexation of the mall in December 2002 and collected for the first time in November 2003, public service tax (\$476,586), gas tax (\$74,375), franchise fees (\$25,525), communications services tax (\$24,519), and local option sales tax (\$191,005).
- Although utility revenues (business-type activities) had an increase of \$9,874,284 from \$60,901,366 to \$70,775,650, net income from operations before transfers was positive in all funds with the exception of the communications fund. Rates must be sufficient to meet the demands for service, so a rate study for electric and gas began in January 2004 and should be complete in fiscal year 2004-05.
- The City's total debt increased by \$24,927,955 or 63.8% during fiscal year 2004. A key factor in this increase was the issuance of a note payable (known as Initial Pooled Loan Project) for \$1,300,000 granted by Florida Municipal Power Agency to install fiber optic cable for Lake County School Board. During May 2004, the City defeased \$25,865,000 Utility Revenue Refunding Bonds, Series 1999 A/B which required pledges of all electric and gas utility revenues. In July 2004, utility revenue bonds were issued to fund new capital projects for the electric utility (\$16,670,000) and the gas, water, and wastewater utilities (\$22,985,000) which separated the pledges of revenue respectively. Additionally, capital improvement revenue bonds were issued for \$17,110,000 in August 2004 to fund general government capital projects. The City received an underlying "A" rating on the Series 2004 Bonds, based solely on its ability to pay debt service payments
- 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

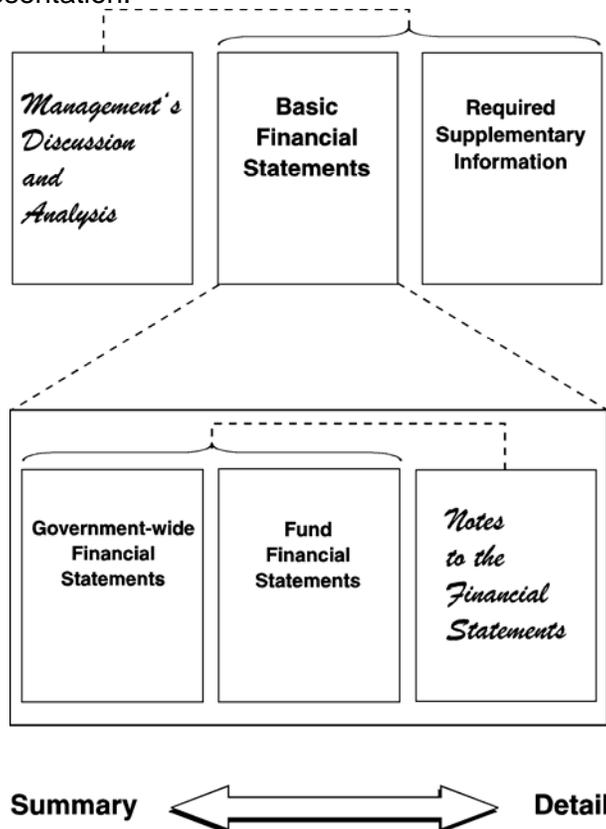
**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

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.

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

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

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 2004. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, stormwater, economic development, human services, airport, marina, culture and recreation. The business-type 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 16 and 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following 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

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report. The City adopts an annual appropriated budget for all governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

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

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise 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 22 through 31 of this report.

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

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

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

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

The City has elected to depreciate its infrastructure assets.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents budgetary comparison schedules for the City's general fund as well as historical trend information for pension trust funds. Required supplementary information can be found on pages 64 through 66 of this report.

The combining statements and budgetary comparison schedules referred to earlier in connection with nonmajor governmental and internal service funds are presented in the other supplemental information section of this report. Combining statements and individual fund schedules for the nonmajor governmental funds, as well as for the internal service funds, can be found on pages 67 through 80 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 \$159,611,025 at the close of the fiscal year ended September 30, 2004.

At the end of fiscal year 2004, 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	
	2004	2003	2004	2003	2004	2003
Assets						
Current and other assets	\$ 32,560,374	\$ 14,325,622	\$ 54,991,047	\$ 58,638,085	\$ 87,551,421	\$ 72,963,707
Capital assets (net)	54,883,752	51,540,529	103,414,775	89,299,197	158,298,527	140,839,726
Total assets	<u>87,444,126</u>	<u>65,866,151</u>	<u>158,405,822</u>	<u>147,937,282</u>	<u>245,849,948</u>	<u>213,803,433</u>
Liabilities						
Current and other liabilities	4,576,249	4,876,242	11,523,139	8,493,492	16,099,388	13,369,734
Long term liabilities:	25,009,992	9,118,376	45,129,543	37,448,575	70,139,535	46,566,951
Total liabilities	<u>29,586,241</u>	<u>13,994,618</u>	<u>56,652,682</u>	<u>45,942,067</u>	<u>86,238,923</u>	<u>59,936,685</u>
Net assets						
Invested in capital assets net of related debt	30,676,755	44,299,444	64,637,677	62,855,687	\$ 95,314,432	\$ 107,155,131
Restricted	17,203,324	944,332	35,369,218	8,169,919	\$ 52,572,542	\$ 9,114,251
Unrestricted:	9,977,806	6,627,757	1,746,245	30,969,609	11,724,051	37,597,366
Total net assets	<u>\$ 57,857,885</u>	<u>\$ 51,871,533</u>	<u>\$ 101,753,140</u>	<u>\$ 101,995,215</u>	<u>\$ 159,611,025</u>	<u>\$ 153,866,748</u>

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 \$158,298,527, which is 64.4% of all assets, which total \$245,849,948. 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, 2004**

A portion of the City's net assets (32.9%) represents resources that are subject to external restriction on how they may be used. This amount increased dramatically from \$9,114,251 to \$52,572,542 as a result of unspent bond proceeds available for capital projects over the next 2 years. Conversely, unrestricted assets decreased and will increase as bond proceeds rather than current revenue are spent to construct capital projects. It can be noted that the difference between the increase in restricted assets of \$43,458,291 and the decrease in unrestricted net assets of \$25,873,315 is reflected in the governmental funds where restricted assets increased due to the bond proceeds being restricted to construct six major capital projects. The balance of unrestricted net assets totaling \$11,724,051 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 17.

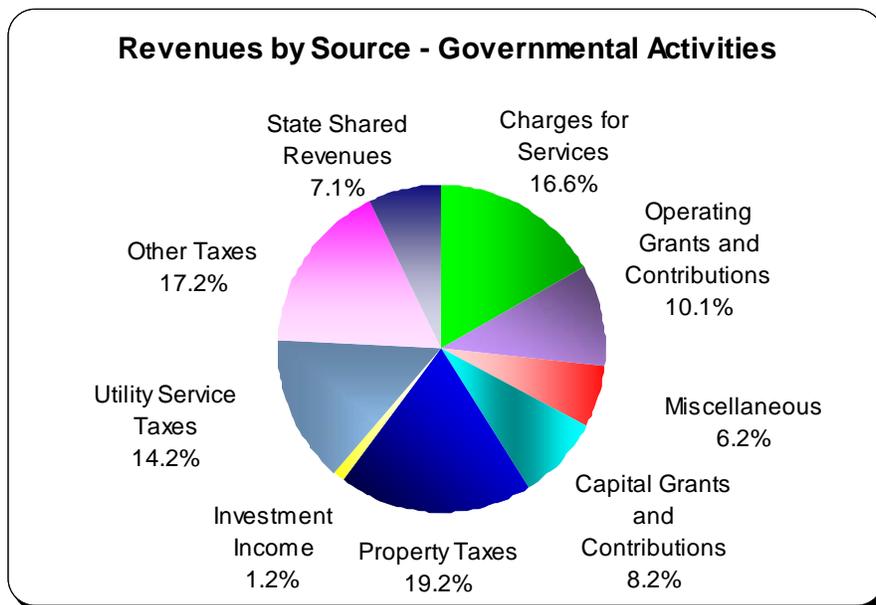
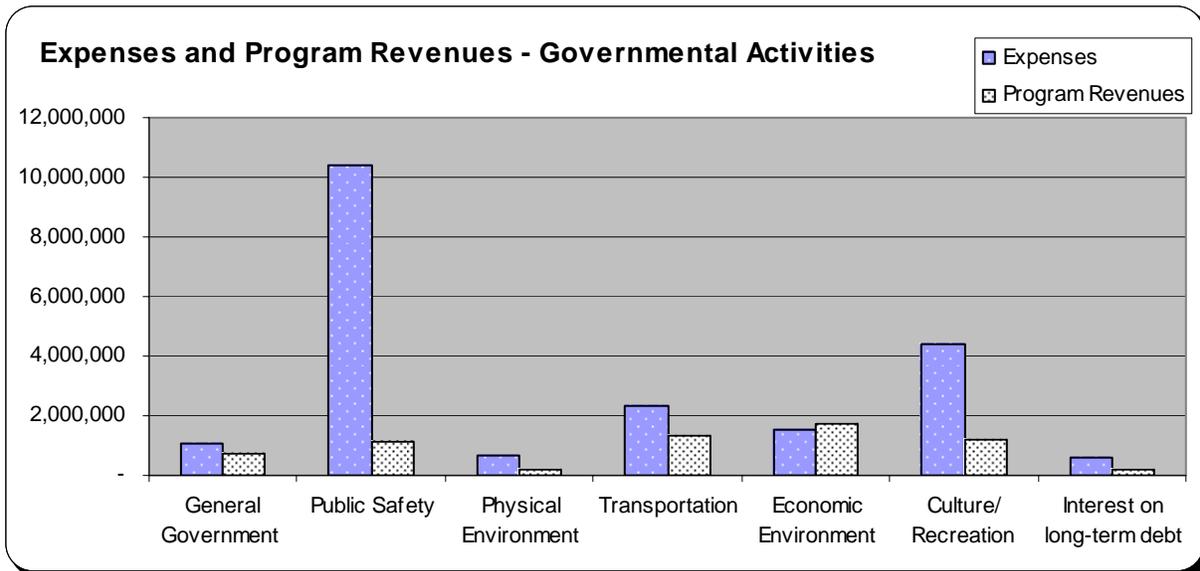
City of Leesburg's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 3,046,845	\$ 2,610,381	\$ 66,660,117	\$ 58,507,917	\$ 69,706,962	\$ 61,118,298
Operating grants and contributions	1,863,441	1,477,141	625,862	-	2,489,303	1,477,141
Capital grants and contributions	1,505,260	4,369,000	2,326,135	1,105,650	3,831,395	5,474,650
General revenues:					-	-
Property taxes	3,534,345	2,995,147	-	-	3,534,345	2,995,147
Utility service taxes	2,601,302	2,124,715	-	-	2,601,302	2,124,715
Other taxes	3,166,977	2,868,962	-	-	3,166,977	2,868,962
Other	2,646,931	1,448,774	1,163,536	1,287,799	3,810,467	2,736,573
Total Revenues	<u>18,365,101</u>	<u>17,894,120</u>	<u>70,775,650</u>	<u>60,901,366</u>	<u>89,140,751</u>	<u>78,795,486</u>
Expenses:						
General Government	1,079,476	1,451,272	-	-	1,079,476	1,451,272
Public Safety	10,293,509	9,478,560	-	-	10,293,509	9,478,560
Physical Environment	675,409	1,631,318	-	-	675,409	1,631,318
Transportation	2,313,918	2,266,516	-	-	2,313,918	2,266,516
Economic Environment	1,545,359	206,318	-	-	1,545,359	206,318
Human Services	82,899	82,812	-	-	82,899	82,812
Culture/Recreation	4,424,409	4,423,002	-	-	4,424,409	4,423,002
Interest on long-term debt	627,346	384,983	1,305,138	1,407,567	1,932,484	1,792,550
Electric	-	-	41,185,843	35,935,969	41,185,843	35,935,969
Gas	-	-	7,566,229	6,621,244	7,566,229	6,621,244
Water	-	-	3,876,184	3,333,533	3,876,184	3,333,533
Wastewater	-	-	5,606,459	5,015,831	5,606,459	5,015,831
Solid Waste	-	-	3,440,650	2,624,743	3,440,650	2,624,743
Communications	-	-	540,922	347,789	540,922	347,789
Total expenses	<u>21,042,325</u>	<u>19,924,781</u>	<u>63,521,425</u>	<u>55,286,676</u>	<u>84,563,750</u>	<u>75,211,457</u>
Change in Net Assets Before Transfers	(2,677,224)	(2,030,661)	7,254,225	5,614,690	4,577,001	3,584,029
Transfers	7,496,300	7,944,022	(7,496,300)	(7,944,022)	-	-
Change in Net Assets	4,819,076	5,913,361	(242,075)	(2,329,332)	4,577,001	3,584,029
Adjustment	1,167,276	-	-	-	1,167,276	-
Net Assets - Beginning	51,871,533	45,958,172	101,995,215	104,324,547	153,866,748	150,282,719
Net Assets - Ending	<u>\$ 57,857,885</u>	<u>\$ 51,871,533</u>	<u>\$ 101,753,140</u>	<u>\$ 101,995,215</u>	<u>\$ 159,611,025</u>	<u>\$ 153,866,748</u>

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

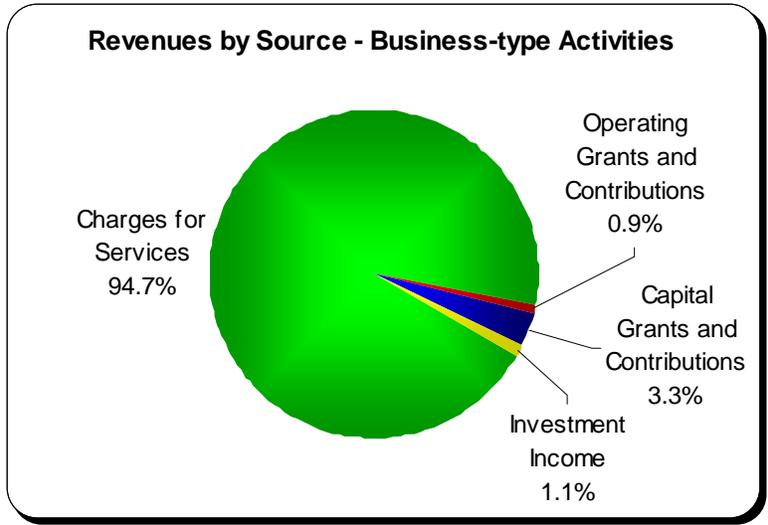
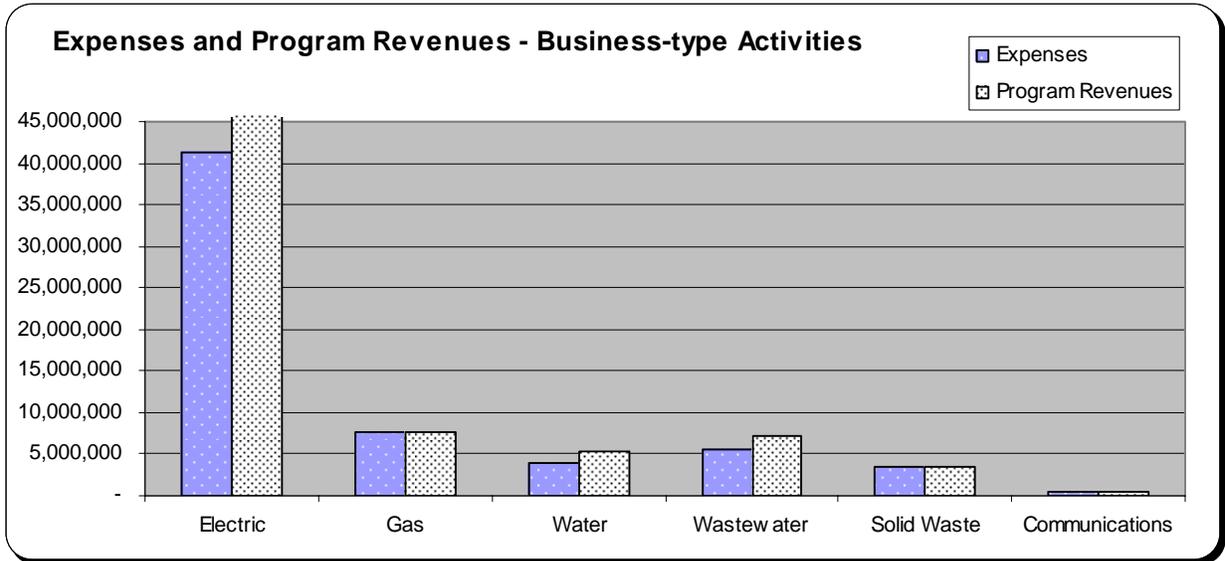
Governmental activities. Governmental activities increased the City's net assets by \$4,819,076, thereby accounting for more than the total growth in the net assets of the City. Key elements of this increase are:

- Total property tax revenue increased by \$539,198 (18 percent) during the year. Most of this increase is a result of annexation of the mall area.
- Operating grants increased by \$386,300 during the fiscal year and were used to fund general government, transportation, economic environment and recreation.
- Net capital assets grew by \$3,343,223, by using current cash resources to construct long lived assets.



**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

Business-type activities. Business-type activities decreased the City's net assets by \$242,075, which can be attributed to debris cleanup from Hurricane Francis and Jeanne in September. Key elements of this decrease are a direct result of the hurricane activity that occurred in the month of September.



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.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

As of the end of fiscal year 2004, the City's governmental funds reported combined ending fund balances of \$24,809,933, an increase of \$17,350,052 in comparison with the prior year. The increase is primarily due to unspent bond proceeds from the Capital Improvement Revenue Bonds, Series 2004 deposited in August 2004.

Unreserved fund balance of the governmental funds is \$2,639,608, 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 2004, the fund balance of the general fund was \$6,864,665, of which \$2,639,608 was unreserved. The City has a policy to reserve 20% of the next year's annual budget as an operating reserve, which totals \$3,934,329 at the end of the current year. 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 14%, while total fund balance represents a healthy 36.5% of that same amount.

The fund balance of the City's general fund increased by \$654,000 during the current fiscal year. This increase compared to the projected use of fund balance appropriated can be explained as follows:

- An increase in total general fund revenues of \$2,352,605 over fiscal year 2003, is primarily due to an increase of \$539,198 in ad valorem tax revenues, \$476,586 in utility services tax, \$124,419 in gas tax, franchise fees, and communications services tax, \$191,005 in local option sales tax, \$349,873 in licenses and permits, \$77,092 in fines and forfeitures, and \$584,824 in miscellaneous revenue.

The City annexed the mall area prior to December 31, 2002, which contributed to the increased tax base of \$70,886,000 for the 2003 tax year, and generated additional ad valorem tax revenue. The start up costs to maintain police and fire service levels effective January 1, 2003, were realized in fiscal year 2002-03.

Building permits revenue increased in direct relation to the number of annexations and economic activity that the City is realizing. Permits increased from 406 to 2,122 and construction value of permits issued increased from \$23,482,778 to \$42,477,401. The revenue increased from \$287,714 to \$611,499, which is the first year that building permit revenue was sufficient to cover the cost to provide the service. It is important to note that building permit fees were waived for repairs of hurricane damage.

Intergovernmental revenues exceeded the final budget by \$416,329, of which 339,225 is projected to be reimbursed by FEMA for hurricane related activity.

- Expenditures for general fund increased by \$1,773,237, primarily in public safety (\$1,143,692), and capital purchases (\$639,761). The expenditures were held below revenues partially because of the increase in the cost allocation from the utility departments to fund general fund operations as a contra expense. The total for fiscal year 2003 was \$4,893,279 and increased to \$5,989,862 in fiscal year 2004, which results in a net change of \$1,096,583.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Revenues exceeded budget by 10.3% and nearly 100% of the appropriated budget was expended. The amount of additional revenue of \$1,182,214 and unspent appropriations of \$528,214 resulted in an increase to the fund of \$654,000.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds. Unrestricted net assets of proprietary funds at the end of the year amounted to:

Fund	Unrestricted Net Assets
Electric	\$ 6,175,034
Gas	2,015,066
Water	5,309,286
Wastewater	(10,068,834)
Solid Waste	(162,874)
Communications	(1,521,433)
Total	\$ 1,746,245

This is significantly lower than last year by \$29,223,364, which can be attributed to the amount of the 1999 bonds that were defeased in May 2004 with unrestricted net assets (\$25,865,000). Note that restricted assets for capital projects increased by \$27,722,410, which will be used for capital purposes rather than unrestricted net assets. Restricted assets for impact fees in water and wastewater increased by \$1,157,798 and are included \$27 million above. As the bond proceeds are used to construct assets, unrestricted net assets will increase and restricted net assets will decrease.

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

The following briefly summarizes the differences between the original budget and the final amended budget as presented in the budget to actual comparison of expenditures, which shows a decrease of \$6,758,442:

- The decrease was primarily attributable to a change in how fleet and MIS charges for service are recorded and the cost allocation to the utilities. When the budget was adopted, these charges were recorded as revenue in the general fund. During fiscal year ending 2003, those revenues were moved to a contra expense in the appropriate division of the general fund. A budget adjustment was necessary for these changes, which amounted to \$961,174 for fleet maintenance, \$143,827 for MIS, and \$6,143,363 for cost allocation. These contra expenditures to the individual divisions totaling \$7,248,364 equal the budgeted amount revenues.
- The decrease was offset by the following increases of \$489,922, which could have been a transfer from reserves reflected as an increase in appropriations:
 - \$52,344 for police EMS grant
 - \$78,592 in police for tasers and portable radios
 - \$87,993 for fire equipment and uniforms
 - \$34,879 in executive for public information officer

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

- \$77,149 for additional computers and printers
- \$49,824 for AS400 – P10 Tier
- \$40,000 for GIS conversion
- \$26,913 for building inspector
- \$17,228 for Public Works vehicle
- \$25,000 in recreation for a power sweeper

The final budget anticipated \$413,856 to be expended from unreserved fund balance. During the year, however, revenues exceeded budgetary estimates by more than the savings from expenditures being lower than appropriations, which resulted in increasing fund balance by \$654,000. This was addressed in the governmental funds section of the financial analysis previously discussed.

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, 2004 amounts to \$158,298,527 (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 \$17,458,801 in the City's investment in capital assets for the current fiscal year was 12.4%.

A substantial increase of \$14,115,578 of capital assets attributable to business-type activities increased for all funds except solid waste. A few of the major projects and the amounts expended during the current year are identified as follows:

- The major electric lighting projects, which are part of the total cost of \$1,994,701 for the current year, are specifically identified as follows: Highway 441, CR 470 and Turnpike, LRMC, Oak Park and Carver Heights Middle Schools, Leesburg High School, and Airport.
- Electric distribution lines, excluding Highway 441, in the service territory at a cost of \$1,778,482, can be identified as follows: four elementary schools and the High School, Old Tavares Road, Silver Ridge, Royal Oak Estates, Phase I, Lake Nissan, Silver Pointe, Shore Acres underground, Gator Harley, Tally road Lift Station #27, and pole change outs on Highway 44 and North 14th Street.
- Improvements to subdivisions that totaled \$585,385.
- Transformer purchases totaling \$724,078.
- Improvements to Well #3 at Royal Highlands for \$394,158 and Highland Lake at a cost of \$232,616.
- \$1,449,862 for the transmission main of the water reuse system, the reuse main from the Turnpike to Hwy 27 and some local reuse mains.
- Rehabilitation of lift stations and associated collecting sewer systems totaling \$574,231.
- Upgrade the Canal Street Wastewater Treatment Plant at a cost of \$1,297,696.
- Installation of the SCADA system for lift stations totaling \$207,134.
- Phase II of DOT project to widen Hwy 441 near the Lake Square Mall between College Road and Tavares has a total to date cost of \$6,692,456 for all utilities. Total cost of this project for fiscal year 2004 totaled \$3,410,719 and can be specifically accounted for in the following funds: electric \$1,847,694, gas \$629,239, water \$701,471 wastewater \$43,777, and communications \$188,538.
- Construct fiber optic cable to Lake County School Board for \$2,011,259 and \$112,470 to complete the run to Tavares.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

- Expansion of fiber optic cable communications, excluding Hwy 441, at a cost of \$408,928, which includes Lake Sumter EMS, First Federal Bank, Lake County Clerk of Court, Diagnostic Outpatient Centers, Citizens Bank, Lake County Solid waste, Lake County Traffic signals, Lifestream, and Lake Sumter Community College.. In addition, the utility spent \$435,125 on interdepartmental fiber line extensions.

The total net capital asset increase of \$3,343,223 in the governmental-type activities can be attributed to the following expenditures in the current year:

- The construction costs associated with the City's new Police Station were \$576,503.
- Costs associated with the construction of Sleepy Hollow Recreation Complex totaled \$997,073.
- Purchase and renovate Vista Pak property on Magnolia Street at a cost of \$283,195.
- Completion of the downtown parking garage at a cost of \$118,612.
- Architectural service costs totaling \$330,339 for the new Library building.
- Airport fire rescue vehicle (partially state grant funded) at a cost of \$530,722.
- Other airport construction projects that were still in process at the end of the fiscal year totaled \$438,195.
- Six 2.8 gigahertz processor and accessories for \$242,613 and other equipment for \$86,703 in the MIS budget.
- 75 additional computers for various department totaling \$59,925.

City of Leesburg's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 7,927,051	\$ 7,927,051	\$ 7,039,212	\$ 7,039,212	\$ 14,966,263	\$ 14,966,263
Buildings	17,430,159	16,119,424	11,049,524	10,998,408	28,479,683	27,117,832
Improvements Other Than Buildings	11,230,979	11,034,873	91,508,683	84,904,662	102,739,662	95,939,535
Equipment	12,051,015	10,177,049	31,608,414	30,860,718	43,659,429	41,037,767
Infrastructure	20,715,576	20,715,576	0	0	20,715,576	20,715,576
Construction in Progress	15,753,194	13,026,736	21,040,910	10,476,649	36,794,104	23,503,385
	85,107,974	79,000,709	162,246,743	144,279,649	247,354,717	223,280,358
Less: Accumulated Depreciation	(30,224,222)	(27,460,180)	(58,831,968)	(54,980,452)	(89,056,190)	(82,440,632)
Capital Assets, Net	<u>\$ 54,883,752</u>	<u>\$ 51,540,529</u>	<u>\$ 103,414,775</u>	<u>\$ 89,299,197</u>	<u>\$ 158,298,527</u>	<u>\$ 140,839,726</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 2004, the City had total long-term debt outstanding of \$71,827,257. Of this amount, \$63,680,000 represents bonds secured solely by specified revenue sources. \$24,025,000 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, suit settlement, CR #3 decommissioning cost payable, landfill postclosure payable and compensated absences.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

The City's bonded debt had an increase of \$30,255,000 during fiscal year 2004, as explained previously in the financial analysis of City funds.

The City secured a loan from FMPA for financing the construction of fiber optic cable to the Lake County School System. This new debt of \$1,300,000 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.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lake County at September 30, 2004 was 4.2%, which is a decrease from a rate of 4.8% a year ago. This compares favorably to the state's average of 4.9% and the national average rate of 5.1%.
- The taxable value of commercial and residential property increased 19.6% in the 2004 fiscal year.
- Building permit activity had a dramatic increase of 423% in the 2004 fiscal year from 406 to 2,122, of which 12 permits with an estimated construction value of \$1,038,175 were issued free because they were specifically related to hurricane activity.
- Population only increased 2.4% from the prior fiscal year to 16,679 at September 30, 2004, but the City anticipates growth over the next 5 years as development occurs on the 4,998 acres that have been annexed in the past 4 years.
- The airport continues to expand and a grant related project will aid the fire department with construction of a Fire Station at the Airport, and a new fire truck to improve operations and response times at the airport and the mall area. Other airport construction projects include a line operations building, and an air traffic control tower.

During the current fiscal year, unreserved undesignated fund balance in the general fund increased to \$2,639,608, and the City appropriated \$82,650 of this amount in the 2005 fiscal year budget. In addition, the ad valorem tax rate for the general fund was not increased for the 2005 fiscal year budget.

As previously mentioned, the rate study for wastewater, implemented in February 2003, generated an increase of 27.3% to the wastewater revenue over fiscal year 2003, which is the second step of implementation. There will be 1 more increase in October 2004, which should result in a total approximate increase of 58% over the past 3 years. The City hired R. W. Beck, Inc. as a consultant to review electric and gas rates, and, if necessary, the rate adjustment should be implemented by February 2005.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF LEESBURG, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 26,424,226	\$ 2,310,435	\$ 28,734,661
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents		38,202,829	38,202,829
Investments		3,349,232	3,349,232
Internal Balances	3,206,422	(3,206,422)	0
Receivables (Net)	550,202	9,160,505	9,710,707
Prepaid Items	16,083		16,083
Due from Other Governments	965,304	1,187,656	2,152,960
Inventories	102,417	2,961,475	3,063,892
Notes Receivable - Employees	145,060		145,060
Capital Assets, Net of Accumulated Depreciation:			
Land	7,927,051	7,039,212	14,966,263
Buildings	12,784,657	8,384,560	21,169,217
Improvements Other Than Building	4,281,650	54,645,435	58,927,085
Machinery and Equipment	4,421,942	12,304,658	16,726,600
Infrastructure	9,715,258		9,715,258
Construction in Progress	15,753,194	21,040,910	36,794,104
Net Pension Obligation	1,150,660		1,150,660
Unamortized Bond Issue Costs		1,025,337	1,025,337
Total Assets	<u>87,444,126</u>	<u>158,405,822</u>	<u>245,849,948</u>
Liabilities			
Accounts Payable	2,096,732	6,493,390	8,590,122
Accrued Liabilities	1,044,990	1,659,875	2,704,865
Customer Advances for Construction		45,089	45,089
Accrued Interest Payable		396,755	396,755
Unearned Revenue	316,764		316,764
Customer Deposits		2,358,071	2,358,071
Noncurrent Liabilities:			
Due Within One Year	1,117,763	569,959	1,687,722
Due in More Than One Year	25,009,992	45,129,543	70,139,535
Total Liabilities	<u>29,586,241</u>	<u>56,652,682</u>	<u>86,238,923</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	30,676,755	64,637,677	95,314,432
Restricted for:			
Community Redevelopment	32,120		32,120
Public Safety	83,490		83,490
C.U.R.E. Program	1,514		1,514
Capital Projects	16,951,200	34,930,218	51,881,418
Debt Service	135,000		135,000
Gas Depository Trust		439,000	439,000
Unrestricted	9,977,806	1,746,245	11,724,051
Total Net Assets	<u>\$ 57,857,885</u>	<u>\$ 101,753,140</u>	<u>\$ 159,611,025</u>

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

**CITY OF LEESBURG, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 1,079,476	\$ 220,943	\$ 501,535	\$ 0	\$ (356,998)	\$ 0	\$ (356,998)
Public Safety	10,293,509	1,141,507	0	12,220	(9,139,782)	0	(9,139,782)
Physical Environment	675,409	0	0	196,572	(478,837)	0	(478,837)
Transportation	2,313,918	515,453	332,124	516,602	(949,739)	0	(949,739)
Economic Environment	1,545,359	736,092	1,014,672	0	205,405	0	205,405
Human Services	82,899	0	0	0	(82,899)	0	(82,899)
Culture/Recreation	4,424,409	432,850	15,110	779,866	(3,196,583)	0	(3,196,583)
Interest on Long-term Debt	627,346	0	0	0	(627,346)	0	(627,346)
Total Governmental Activities	21,042,325	3,046,845	1,863,441	1,505,260	(14,626,779)	0	(14,626,779)
Business-type Activities							
Electric	41,664,589	45,347,288	0	295,961	0	3,978,660	3,978,660
Gas	7,640,682	7,581,846	19,088	0	0	(39,748)	(39,748)
Water	4,040,154	4,444,273	45,359	811,450	0	1,260,928	1,260,928
Wastewater	6,170,097	5,835,638	31,872	1,218,724	0	916,137	916,137
Solid Waste	3,440,893	2,925,758	527,499	0	0	12,364	12,364
Communication Services	565,010	525,314	2,044	0	0	(37,652)	(37,652)
Total Business-type Activities	\$ 63,521,425	\$ 66,660,117	\$ 625,862	\$ 2,326,135	0	6,090,689	6,090,689
General Revenues							
Taxes:							
Property Taxes					3,534,345	0	3,534,345
Utility Service Taxes					2,601,302	0	2,601,302
Other Taxes					3,166,977	0	3,166,977
State Shared Revenues					1,298,657	0	1,298,657
Investment Income					214,666	788,042	1,002,708
Miscellaneous					1,133,608	375,494	1,509,102
Transfers from (to) Other Funds					7,496,300	(7,496,300)	0
Total General Revenues, Special Items and Transfers					19,445,855	(6,332,764)	13,113,091
Change in Net Assets					4,819,076	(242,075)	4,577,001
Net Assets, Beginning of Year, as Previously Reported					51,871,533	101,995,215	153,866,748
Adjustment					1,167,276	0	1,167,276
Net Assets, as Restated					53,038,809	101,995,215	155,034,024
Net Assets, End of Year					\$ 57,857,885	\$ 101,753,140	\$ 159,611,025

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, 2004**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 4,343,987	\$ 16,875,367	\$ 1,256,234	\$ 22,475,588
Internal Balances	3,206,422			3,206,422
Receivables (Net)	290,637	19,559	81,317	391,513
Due from Other Governments	639,818	323,502	1,984	965,304
Prepaid Items	16,083			16,083
Inventory	102,417			102,417
Notes Receivable - Employees	145,060			145,060
Total Assets	<u>8,744,424</u>	<u>17,218,428</u>	<u>1,339,535</u>	<u>27,302,387</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	828,501	267,228	34,971	1,130,700
Accrued Wages and Payroll Tax	734,494			734,494
Accrued Interest			310,496	310,496
Unearned Revenue	316,764			316,764
Total Liabilities	<u>1,879,759</u>	<u>267,228</u>	<u>345,467</u>	<u>2,492,454</u>
Fund Balances				
Reserved for:				
Notes Receivable - Employees	145,060			145,060
Computer Maintenance	44,581			44,581
Police Education and Other Expenditures	83,490			83,490
Prepays	16,083			16,083
C.U.R.E. Program	1,514			1,514
Capital Projects		16,951,200		16,951,200
Operating Reserve	3,934,329			3,934,329
Community Redevelopment			32,120	32,120
Debt Service			135,000	135,000
Unreserved Reported in:				
General Fund	2,639,608			2,639,608
Special Revenue Funds			826,948	826,948
Total Fund Balances	<u>6,864,665</u>	<u>16,951,200</u>	<u>994,068</u>	<u>24,809,933</u>
Total Liabilities and Fund Balances	<u>\$ 8,744,424</u>	<u>\$ 17,218,428</u>	<u>\$ 1,339,535</u>	<u>\$ 27,302,387</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, 2004**

Total Fund Balances of Governmental Funds \$ 24,809,933

**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	\$ 85,107,974	
Accumulated Depreciation	<u>(30,224,222)</u>	54,883,752

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. 3,141,295

Net pension obligation is not an available financial resource and, therefore, is not reported as an asset in the governmental funds. 1,150,660

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	(24,025,000)	
Note Payable	(181,997)	
Suit Settlement Accrual	(270,000)	
Compensated Absences	<u>(1,650,758)</u>	<u>(26,127,755)</u>

Total Net Assets of Governmental Activities \$ 57,857,885

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, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 8,047,844	\$ 1,445,759	\$ 0	\$ 9,493,603
Licenses and Permits	781,503	0	0	781,503
Intergovernmental	1,712,337	631,969	1,893,754	4,238,060
Charges for Services	250,560	0	678,507	929,067
Fines and Forfeitures	365,409	0	0	365,409
Miscellaneous:				
Interest	123,296	68,142	23,228	214,666
Other	1,417,339	25,481	0	1,442,820
Total Revenues	<u>12,698,288</u>	<u>2,171,351</u>	<u>2,595,489</u>	<u>17,465,128</u>
Expenditures				
Current:				
General Government	1,045,098	0	0	1,045,098
Public Safety	10,298,327	0	0	10,298,327
Physical Environment	221,266	0	301,046	522,312
Transportation	998,659	0	0	998,659
Economic Environment	151,302	0	1,379,770	1,531,072
Human Services	45,518	0	0	45,518
Culture and Recreation	4,077,320	0	0	4,077,320
Capital Outlay	1,284,047	4,095,269	37,301	5,416,617
Debt Service:				
Principal Payments	60,000	0	144,088	204,088
Interest and Fees	0	122,681	504,665	627,346
(Total Expenditures)	<u>(18,181,537)</u>	<u>(4,217,950)</u>	<u>(2,366,870)</u>	<u>(24,766,357)</u>
(Deficiency) Excess of Revenues (Under)				
Over Expenditures	<u>(5,483,249)</u>	<u>(2,046,599)</u>	<u>228,619</u>	<u>(7,301,229)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	6,776,225	1,388,428	121,955	8,286,608
Transfers to Other Funds	(638,976)	0	(151,332)	(790,308)
Bond Proceeds	0	17,110,000	0	17,110,000
Bond Premium	0	316,817	0	316,817
Bond Issuance Costs	0	(271,836)	0	(271,836)
Total Other Financing Sources (Uses)	<u>6,137,249</u>	<u>18,543,409</u>	<u>(29,377)</u>	<u>24,651,281</u>
Net Change in Fund Balances	654,000	16,496,810	199,242	17,350,052
Fund Balances, Beginning of Year	<u>6,210,665</u>	<u>454,390</u>	<u>794,826</u>	<u>7,459,881</u>
Fund Balances, End of Year	<u>\$ 6,864,665</u>	<u>\$ 16,951,200</u>	<u>\$ 994,068</u>	<u>\$ 24,809,933</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, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ 17,350,052

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	\$ 5,416,617	
Net Book Value of Disposals	(7,756)	
Depreciation Expense	<u>(2,982,226)</u>	2,426,635
Donated Capital Assets Increase Net Assets		916,589

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		(17,110,000)
Principal Repayments:		
Capital Improvement Revenue Bonds	130,000	
Note Payable	14,088	
Lawsuit Settlement	<u>60,000</u>	204,088

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		(103,467)
Changes in Net Pension Obligation		(16,616)

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.

1,151,795

Change in Net Assets of Governmental Activities \$ 4,819,076

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, 2004

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,449	\$ 694,475	\$ 875,157	\$ 2,510
Restricted Cash and Cash Equivalents:				
Debt Service Account	166,793	38,570	80,229	111,163
Customer Deposits Account	2,062,643	127,773	136,526	26,555
Landfill Escrow				
Due from Other Funds	4,300,000	1,000,000	5,000,000	
Due from Other Governments	555,898	19,089	45,359	34,946
Receivables:				
Customer Accounts - Unbilled	2,995,666	364,112	247,832	399,787
Customer Accounts - Billed	3,717,165	361,634	230,602	562,764
(Allowance for Doubtful Accounts)	(378,309)	(70,609)	(50,139)	(78,554)
Miscellaneous Receivables	467,392			
Inventory	2,956,025			5,450
Total Current Assets	<u>16,845,722</u>	<u>2,535,044</u>	<u>6,565,566</u>	<u>1,064,621</u>
Noncurrent Assets:				
Restricted Assets:				
Equity in Pooled Cash and Equivalents:				
Impact Fees Account			1,103,608	2,121,523
Depository Trust Account		439,000		
FMPA Loan - Cash with Trustee				
Bond Proceeds with Trustee	11,868,865	2,822,179	6,546,261	9,167,782
Investments:				
Crystal River Decommissioning Trust Account	3,349,232			
Total Restricted Assets	<u>15,218,097</u>	<u>3,261,179</u>	<u>7,649,869</u>	<u>11,289,305</u>
Property, Plant and Equipment:				
Land	398,126	95,111	121,945	6,395,330
Buildings	2,435,715	564,610	426,111	7,609,232
Improvements Other Than Buildings	52,999,107	8,140,277	13,523,990	13,323,863
Machinery and Equipment	11,779,385	1,608,145	2,565,765	12,337,871
(Accumulated Depreciation and Amortization)	(28,143,078)	(3,870,528)	(9,600,049)	(14,696,264)
Construction in Progress	5,840,682	1,782,789	5,895,821	4,824,529
Total Property, Plant and Equipment	<u>45,309,937</u>	<u>8,320,404</u>	<u>12,933,583</u>	<u>29,794,561</u>
Other Assets:				
Unamortized Bond Issue Costs	450,446	96,423	200,568	277,900
Total Other Assets	<u>450,446</u>	<u>96,423</u>	<u>200,568</u>	<u>277,900</u>
Total Noncurrent Assets	<u>60,978,480</u>	<u>11,678,006</u>	<u>20,784,020</u>	<u>41,361,766</u>
Total Assets	<u>\$ 77,824,202</u>	<u>\$ 14,213,050</u>	<u>\$ 27,349,586</u>	<u>\$ 42,426,387</u>

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

Business-Type Activities (Concluded)				Governmental
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 1,574,591	\$ 734,947	\$ 897	\$ 2,310,435	\$ 3,948,638
396,755			396,755	
2,353,497	1,215	3,359	2,358,071	
	78,785		78,785	
10,300,000			10,300,000	158,689
655,292	530,320	2,044	1,187,656	
4,007,397	199,531	29,005	4,235,933	
4,872,165	183,332	35,888	5,091,385	
(577,611)	(55,624)	(970)	(634,205)	
467,392			467,392	
2,961,475			2,961,475	
<u>27,010,953</u>	<u>1,672,506</u>	<u>70,223</u>	<u>28,753,682</u>	<u>4,107,327</u>
3,225,131			3,225,131	
439,000			439,000	
0		1,300,000	1,300,000	
30,405,087			30,405,087	
<u>3,349,232</u>			<u>3,349,232</u>	
<u>37,418,450</u>	<u>0</u>	<u>1,300,000</u>	<u>38,718,450</u>	<u>0</u>
7,010,512	28,700		7,039,212	
11,035,668	13,855		11,049,523	
87,987,237	59,209	3,462,237	91,508,683	
28,291,166	2,722,507	594,741	31,608,414	
(56,309,919)	(1,743,461)	(778,587)	(58,831,967)	
18,343,821		2,697,089	21,040,910	
<u>96,358,485</u>	<u>1,080,810</u>	<u>5,975,480</u>	<u>103,414,775</u>	<u>0</u>
1,025,337	0	0	1,025,337	0
<u>1,025,337</u>	<u>0</u>	<u>0</u>	<u>1,025,337</u>	<u>0</u>
134,802,272	1,080,810	7,275,480	143,158,562	0
<u>\$ 161,813,225</u>	<u>\$ 2,753,316</u>	<u>\$ 7,345,703</u>	<u>\$ 171,912,244</u>	<u>\$ 4,107,327</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, 2004
(Concluded)

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Liabilities				
Current Liabilities:				
Accounts and Retainage Payable	\$ 4,120,703	\$ 193,377	\$ 852,089	\$ 500,806
Accrued Expenses	1,425,491	51,718	47,822	75,813
Compensated Absences	198,841	59,697	76,788	60,620
Customer Advances for Construction	36,189			8,900
Due to Other Funds	1,696,422			10,300,000
Current Liabilities	<u>7,477,646</u>	<u>304,792</u>	<u>976,699</u>	<u>10,946,139</u>
Current Liabilities Payable from Restricted Assets:				
Customer Deposits	2,062,643	127,773	136,526	26,555
Estimated Landfill Closure Cost Payable				
Accrued Interest Payable	166,793	38,570	80,229	111,163
Current Liabilities Payable from Restricted Assets	<u>2,229,436</u>	<u>166,343</u>	<u>216,755</u>	<u>137,718</u>
Noncurrent Liabilities:				
FMPA Loan Payable				
Refunding Revenue Bonds Payable	16,670,000	3,855,135	8,018,997	11,110,868
(Unamortized Discount and Loss on Refunding)	(545,768)	(84,713)	(190,659)	(331,425)
Compensated Absences	162,688	48,843	62,826	49,598
Landfill Postclosure Costs Payable				
Decommissioning Costs Payable	4,150,150			
Total Noncurrent Liabilities	<u>20,437,070</u>	<u>3,819,265</u>	<u>7,891,164</u>	<u>10,829,041</u>
Total Liabilities	<u>30,144,152</u>	<u>4,290,400</u>	<u>9,084,618</u>	<u>21,912,898</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	29,636,151	4,646,405	5,305,813	19,293,018
Restricted for:				
Landfill Escrow				
Capital Projects	11,868,865	2,822,179	7,649,869	11,289,305
Gas Depository Trust		439,000		
Unrestricted (Accumulated Deficit)	6,175,034	2,015,066	5,309,286	(10,068,834)
Total Net Assets	<u>\$ 47,680,050</u>	<u>\$ 9,922,650</u>	<u>\$ 18,264,968</u>	<u>\$ 20,513,489</u>

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

Business-Type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 5,666,975	\$ 763,025	\$ 63,390	\$ 6,493,390	\$ 23,395
1,600,844	47,673	11,358	1,659,875	942,637
395,946	44,771	1,952	442,669	
45,089			45,089	
11,996,422		1,510,000	13,506,422	
<u>19,705,276</u>	<u>855,469</u>	<u>1,586,700</u>	<u>22,147,445</u>	<u>966,032</u>
2,353,497	1,215	3,359	2,358,071	
0	67,290		67,290	
396,755			396,755	
<u>2,750,252</u>	<u>68,505</u>	<u>3,359</u>	<u>2,822,116</u>	<u>0</u>
0		1,300,000	1,300,000	
39,655,000			39,655,000	
(1,152,565)			(1,152,565)	
323,955	36,630	1,597	362,182	
0	874,776		874,776	
4,150,150			4,150,150	
<u>42,976,540</u>	<u>911,406</u>	<u>1,301,597</u>	<u>45,189,543</u>	<u>0</u>
65,432,068	1,835,380	2,891,656	70,159,104	966,032
58,881,387	1,080,810	4,675,480	64,637,677	
33,630,218		1,300,000	34,930,218	
439,000			439,000	
3,430,552	(162,874)	(1,521,433)	1,746,245	3,141,295
<u>\$ 96,381,157</u>	<u>\$ 917,936</u>	<u>\$ 4,454,047</u>	<u>\$ 101,753,140</u>	<u>\$ 3,141,295</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, 2004

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Operating Revenues				
Charges for Services	\$ 44,352,667	\$ 7,481,266	\$ 4,400,282	\$ 5,685,373
Other	994,621	119,668	89,350	182,137
Total Operating Revenues	<u>45,347,288</u>	<u>7,600,934</u>	<u>4,489,632</u>	<u>5,867,510</u>
Operating Expenses				
Power Generation and Transmission	1,440,408			
Purchased Energy	30,248,643	4,799,350		
Supply and Pumping				199,771
Treatment			811,098	1,316,379
Distribution and Collection	2,900,728	933,715	920,235	1,180,626
Customer Accounts	1,548,433	657,098	989,881	799,985
General and Administrative	2,146,779	840,395	681,402	782,690
Operating Expenses				
Depreciation and Amortization	2,457,098	335,671	473,568	1,327,008
Change in Decommissioning/Postclosure Estimate	171,000			
(Total Operating Expenses)	<u>(40,913,089)</u>	<u>(7,566,229)</u>	<u>(3,876,184)</u>	<u>(5,606,459)</u>
Operating Income (Loss)	<u>4,434,199</u>	<u>34,705</u>	<u>613,448</u>	<u>261,051</u>
Nonoperating Revenues (Expenses)				
Investment Income	440,597	77,829	156,987	129,933
Other Nonoperating Income	290,783	188	19,390	15,288
Interest Expenses	(478,746)	(74,453)	(163,970)	(563,638)
Other Nonoperating Expense	(272,754)			
Total Nonoperating (Expenses) Revenues	<u>(20,120)</u>	<u>3,564</u>	<u>12,407</u>	<u>(418,417)</u>
Income (Loss) Before Contributions and Transfers	<u>4,414,079</u>	<u>38,269</u>	<u>625,855</u>	<u>(157,366)</u>
Transfers and Capital Contributions				
Capital Contributions/Impact Fees	295,961		811,450	1,218,724
Transfers from Other Funds				
Transfers to Other Funds	(8,856,363)	(767,090)	(810,784)	(403,728)
Total Transfers and Capital Contributions	<u>(8,560,402)</u>	<u>(767,090)</u>	<u>666</u>	<u>814,996</u>
Change in Net Assets	<u>(4,146,323)</u>	<u>(728,821)</u>	<u>626,521</u>	<u>657,630</u>
Net Assets, Beginning of Year	<u>51,826,373</u>	<u>10,651,471</u>	<u>17,638,447</u>	<u>19,855,859</u>
Net Assets, End of Year	<u>\$ 47,680,050</u>	<u>\$ 9,922,650</u>	<u>\$ 18,264,968</u>	<u>\$ 20,513,489</u>

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

Business-Type Activities (Concluded)				Governmental
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 61,919,588	\$ 2,890,614	\$ 522,831	\$ 65,333,033	\$ 4,194,466
1,385,776	562,643	4,527	1,952,946	
<u>63,305,364</u>	<u>3,453,257</u>	<u>527,358</u>	<u>67,285,979</u>	<u>4,194,466</u>
1,440,408			1,440,408	
35,047,993			35,047,993	
199,771			199,771	
2,127,477			2,127,477	
5,935,304			5,935,304	
3,995,397			3,995,397	1,914,509
4,451,266		383,697	4,834,963	537,060
0	3,195,031		3,195,031	762,182
4,593,345	176,905	157,225	4,927,475	
171,000	68,714		239,714	
<u>(57,961,961)</u>	<u>(3,440,650)</u>	<u>(540,922)</u>	<u>(61,943,533)</u>	<u>(3,213,751)</u>
5,343,403	12,607	(13,564)	5,342,446	980,715
805,346	18,427	(35,731)	788,042	79,945
325,649	25,636	24,209	375,494	91,136
(1,280,807)	(243)	(24,088)	(1,305,138)	
<u>(272,754)</u>			<u>(272,754)</u>	
<u>(422,566)</u>	<u>43,820</u>	<u>(35,610)</u>	<u>(414,356)</u>	<u>171,081</u>
4,920,837	56,427	(49,174)	4,928,090	1,151,796
2,326,135			2,326,135	
0		3,634,741	3,634,741	
(10,837,965)	(247,248)	(45,828)	(11,131,041)	
<u>(8,511,830)</u>	<u>(247,248)</u>	<u>3,588,913</u>	<u>(5,170,165)</u>	<u>0</u>
(3,590,993)	(190,821)	3,539,739	(242,075)	1,151,796
99,972,150	1,108,757	914,308	101,995,215	1,989,499
<u>\$ 96,381,157</u>	<u>\$ 917,936</u>	<u>\$ 4,454,047</u>	<u>\$ 101,753,140</u>	<u>\$ 3,141,295</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, 2004

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 44,574,414	\$ 7,428,207	\$ 4,509,443	\$ 5,727,048
Cash Paid to Suppliers for Goods and Services	(37,254,785)	(6,396,024)	(1,592,771)	(2,695,568)
Cash Paid for Insurance Claims				
Cash Paid to Employees for Services	(2,456,456)	(865,946)	(1,013,429)	(1,253,181)
Net Cash Provided by (Used in) Operating Activities	<u>4,863,173</u>	<u>166,237</u>	<u>1,903,243</u>	<u>1,778,299</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	(8,856,363)	(767,090)	(810,784)	(403,728)
Transfers from Other Funds				
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(8,856,363)</u>	<u>(767,090)</u>	<u>(810,784)</u>	<u>(403,728)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Capital Debt	16,670,000	3,855,135	8,018,997	11,110,868
Issuance of/Proceeds from Interfund Loan	(705,855)	(1,000,000)	(5,000,000)	10,300,000
Interest Paid on Revenue Bonds and Customer Deposits	(419,573)	(63,527)	(150,739)	(248,347)
Acquisition and Construction of Capital Assets	(7,938,477)	(1,467,887)	(3,613,416)	(2,437,763)
Principal Paid on Capital Debt	(9,481,281)	(1,097,812)	(5,632,982)	(16,254,925)
Amounts Paid for Bond Issuance	(325,392)	(81,111)	(163,982)	(22,980)
Unamortized Loss on Refunding	(274,658)	(33,372)	38,819	(135,789)
Capital Contributions	295,961		811,450	1,218,724
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,179,275)</u>	<u>111,426</u>	<u>(5,691,853)</u>	<u>3,529,788</u>
Cash Flows from Investing Activities				
Investment Income	440,597	77,829	156,987	129,933
Purchase of Crystal River Decommissioning Investments	(310,882)			
Other Nonoperating Activities	18,029	188	(144,580)	(548,350)
Net Cash Provided by (Used in) Investing Activities	<u>147,744</u>	<u>78,017</u>	<u>12,407</u>	<u>(418,417)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,024,721)	(411,410)	(4,586,987)	4,485,942
Cash and Cash Equivalents, Beginning of Year	<u>20,125,471</u>	<u>4,533,407</u>	<u>13,328,768</u>	<u>6,943,591</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,100,750</u>	<u>\$ 4,121,997</u>	<u>\$ 8,741,781</u>	<u>\$ 11,429,533</u>

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

Business-Type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 62,239,112	\$ 3,412,615	\$ 467,932	\$ 66,119,659	\$ 4,146,847
(47,939,148)	(2,396,038)	(115,925)	(50,451,111)	(1,210,320)
0				(2,443,025)
(5,589,012)	(664,977)	(236,702)	(6,490,691)	
<u>8,710,952</u>	<u>351,600</u>	<u>115,305</u>	<u>9,177,857</u>	<u>493,502</u>
(10,837,965)	(247,248)	(45,828)	(11,131,041)	
0		3,634,741	3,634,741	
<u>(10,837,965)</u>	<u>(247,248)</u>	<u>3,588,913</u>	<u>(7,496,300)</u>	<u>0</u>
39,655,000		1,300,000	40,955,000	
3,594,145		(387,723)	3,206,422	
(882,186)		(24,088)	(906,274)	
(15,457,543)	(171,455)	(3,322,293)	(18,951,291)	
(32,467,000)			(32,467,000)	
(593,465)			(593,465)	
(405,000)			(405,000)	
2,326,135			2,326,135	
<u>(4,229,914)</u>	<u>(171,455)</u>	<u>(2,434,104)</u>	<u>(6,835,473)</u>	<u>0</u>
805,346	18,427	(35,731)	788,042	79,945
(310,882)			(310,882)	
(674,713)	25,393	24,209	(625,111)	
<u>(180,249)</u>	<u>43,820</u>	<u>(11,522)</u>	<u>(147,951)</u>	<u>79,945</u>
(6,537,176)	(23,283)	1,258,592	(5,301,867)	573,447
44,931,237	838,230	45,664	45,815,131	3,375,191
<u>\$ 38,394,061</u>	<u>\$ 814,947</u>	<u>\$ 1,304,256</u>	<u>\$ 40,513,264</u>	<u>\$ 3,948,638</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, 2004
(Concluded)

	Business-Type Activities			
	Electric Utility Fund	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund
<u>Reconciliation of Cash and Cash Equivalents to Balance Sheet</u>				
Total Unrestricted Equity in Pooled Cash and Cash Equivalents	\$ 2,449	\$ 694,475	\$ 875,157	\$ 2,510
Total Restricted Equity in Pooled Cash and Cash Equivalents	11,868,865	3,261,179	7,649,869	11,289,305
Total Cash and Cash Equivalents, End of Year	<u>\$ 11,871,314</u>	<u>\$ 3,955,654</u>	<u>\$ 8,525,026</u>	<u>\$ 11,291,815</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 4,434,199	\$ 34,705	\$ 613,448	\$ 261,051
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Gain (Loss) on Fixed Asset Retirement	(154,766)	(24,113)	13,826	
Depreciation and Amortization	2,457,098	335,671	473,568	1,327,008
Decommissioning/Postclosure	171,000			
Decrease (Increase) in Assets:				
Customer Accounts (Net of Allowances)	(754,845)	(172,539)	19,811	(140,462)
Miscellaneous Receivables	(467,392)			
Due from Other Governments	(555,898)	(19,089)	(45,359)	(31,872)
Inventory	(1,212,333)			(2,117)
Increase (Decrease) in Liabilities:				
Accounts Payable	448,715	(30,426)	762,768	354,356
Claims Payable				
Accrued Expenses	294,001	28,215	38,830	28,095
Customer Advances for Construction	4,455			
Customer Deposits	198,939	13,813	26,351	(17,760)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 4,863,173</u>	<u>\$ 166,237</u>	<u>\$ 1,903,243</u>	<u>\$ 1,778,299</u>

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

Business-Type Activities (Concluded)				Governmental Activities
Total Combined Utility	Solid Waste	Communication Services	Total	Internal Service Funds
\$ 1,574,591	\$ 734,947	\$ 897	\$ 2,310,435	\$ 3,948,638
34,069,218	0	1,300,000	35,369,218	
<u>\$ 35,643,809</u>	<u>\$ 734,947</u>	<u>\$ 1,300,897</u>	<u>\$ 37,679,653</u>	<u>\$ 3,948,638</u>
\$ 5,343,403	\$ 12,607	\$ (13,564)	\$ 5,342,446	\$ 980,715
(165,053)			(165,053)	
4,593,345	176,905	157,225	4,927,475	
171,000	68,714		239,714	
(1,048,035)	(15,249)	(35,217)	(1,098,501)	
(467,392)			(467,392)	(47,619)
(652,218)	(522,299)	(2,044)	(1,176,561)	
(1,214,450)			(1,214,450)	
1,535,413	591,057	4,906	2,131,376	(2,213)
0			0	(528,517)
389,141	40,065	4,668	433,874	
4,455			4,455	
221,343	(200)	(669)	220,474	
<u>\$ 8,710,952</u>	<u>\$ 351,600</u>	<u>\$ 115,305</u>	<u>\$ 9,177,857</u>	<u>\$ 402,366</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, 2004

	<u>Employee Retirement Funds</u>
Assets	
Cash and Investments	\$ 1,192,962
Investments at Fair Value	
U.S. Government Securities	4,294,984
Domestic Corporate Bonds	10,979,549
Domestic Stocks	23,228,210
Mortgages	1,850,259
Total Investments	<u>40,353,002</u>
Interest Receivable	<u>90,877</u>
Total Assets	<u>41,636,841</u>
 Liabilities	
Due to Other Funds	<u>0</u>
 Net Assets	
Reserved for:	
Employees' Pension Benefits	<u><u>\$ 41,636,841</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, 2004

	<u>Employee Retirement Funds</u>
Additions	
Contributions:	
Employer	\$ 1,439,028
Employee	338,420
State of Florida	286,413
Total Contributions	<u>2,063,861</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	2,392,784
Interest and Dividend Income	1,049,000
Other Income	6,289
Total Investment Income	<u>3,448,073</u>
Total Additions	<u>5,511,934</u>
Deductions	
Benefit Payments	2,348,409
Administrative Expense	370,985
(Total Deductions)	<u>(2,719,394)</u>
Net Increase	2,792,540
Net Assets Reserved for Employees' Pension Benefits:	
Beginning of Year	<u>38,844,301</u>
End of Year	<u><u>\$ 41,636,841</u></u>

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

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

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

The financial statements of the City of Leesburg, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the reporting year ended September 30, 2004, the City has implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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.

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 **Communication Services Fund** accounts for the provision of communication services; such as, internet, fiber optic connections, and cellular tower rental.

Additionally, the City reports the following fund types:

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

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)

■ **Proprietary Funds** (Concluded)

the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

■ **Transfers**

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

■ **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.

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)

■ **Amortization**

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

■ **Cost Reimbursements**

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

■ **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition. Property, plant, and equipment with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 2004, \$54,462 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

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Summary of Significant Accounting Policies *(Continued)*

■ **Capital Assets** *(Concluded)*

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

■ **Compensated Absences**

Personnel policies allow employees to accumulate a maximum of 45 days vacation leave and unlimited sick leave. Upon termination, employees are paid for their accrued vacation leave and 50% of their accrued sick leave balance up to 200 hours. Upon retirement, employees are paid for their accrued vacation and 50% of their accrued sick leave balance up to 400 hours.

In governmental and proprietary fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures (expenses) represent the amounts paid during the year, plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of the compensated absence liability that would normally be liquidated with current expendable available resources in the next fiscal year is recorded in the 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**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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.

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)*

■ **Fund Equity *(Concluded)***

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.

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.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 2 - Stewardship, Compliance, and Accountability

■ **Budgetary Information**

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

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

■ **Excess of Expenditures Over Appropriations**

No individual funds contained an excess of expenditures over appropriations during the fiscal year ended September 30, 2004. However, within various programs, there may be some excesses of expenditures over appropriations at the line item level.

Note 3 - Deposits and Investments

Pooled Cash and Investments

The City maintains a cash and investment pool which carries substantially all cash and investments of the City, and is used by all funds except the pension trust funds. Each fund's portion of the pool is displayed in the accompanying basic financial statements as "Equity in Pooled Cash and Cash Equivalents." The cash and investments of the pension trust funds are held separately from those other funds of the City.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 - Deposits and Investments *(Continued)*

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 which is similar to depository insurance. At September 30, 2004, the carrying amount of the City's deposits was \$255,076 and the bank balance was \$432,613.

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.

Investments of the municipal police officers' retirement trust fund may be held in bonds, stocks, or other evidence of indebtedness issued or guaranteed by a corporation under the laws of the United States provided the corporation meets certain rating and profitability criteria.

Investments of the municipal firemen's retirement trust fund and the general employees' pension fund may be invested in accordance with Florida Statutes as previously described.

A summary of the carrying amount and market value of all City investments classified by category of credit risk follows:

	<u>Category of Risk</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Pooled Investments				
SunTrust Bank Repurchase Agreement	\$ 0	\$ 0	\$ 7,395,000	\$ 7,395,000
U.S. Government Securities	0	0	9,392,725	9,392,725
Pension Trust and Agency Fund Investments⁰				
Corporate Stocks	0	0	23,213,756	23,213,756
Corporate Bonds	0	0	11,101,284	11,101,284
Mortgages/Asset Backed Securities	0	0	1,728,524	1,728,524
U.S. Government Securities	0	0	4,294,984	4,294,984
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,126,273</u>	<u>57,126,273</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 - Deposits and Investments (Continued)

Investments (Continued)

	Category of Risk			Fair
	1	2	3	Value
FMPA Crystal River Decommissioning Trust				\$ 3,349,232
State Board of Administration of Florida, Local Government Pooled Investment Account				106,164
Total Investments				\$ 60,581,669

	Carrying Amount
Carrying Amount of Deposits	\$ 2,703,254
Cash with Fiscal Agent	1,300,000
U.S. Government Securities Held by Fiscal Agent	47,259,171
Carrying Amount of Investments (Above)	60,581,669
Total	\$ 111,844,094
Shown in the Accompanying Combined Balance Sheet as:	
Equity in Pooled Cash and Investments	\$ 11,870,702
Cash and Investments at Market Value	41,545,964
Restricted Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	58,427,428
Total	\$ 111,844,094

Levels of credit risk assigned to the above investments are based on an evaluation in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. **Category 1** includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. **Category 2** includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the City's name. **Category 3** includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

The State Board of Administration deposits in Tallahassee, Florida are maintained in an investment pool which invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes and U.S. Government obligations. The carrying value of the investment pool approximates market value due to the short-term nature of the underlying investments of the pool. The pool receives regulatory oversight from the State of Florida.

The following pension investments, including U.S. Government and U.S. Government guaranteed obligations, exceed 5% of the net assets available for pension benefits:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 - Deposits and Investments (Concluded)

Investments (Concluded)

	Fair Value	Percentage of Plan Net Assets
Municipal Police		
Fiduciary Assets	\$ 778,014	7.73%
Fiduciary Government Securities	1,442,799	14.33%
Fiduciary Mortgages	1,048,097	10.41%
Fiduciary Corporate Fixed Income	1,201,678	11.94%
Fiduciary Corporate Stocks	5,266,068	52.32%
Total Municipal Police	\$ 9,736,656	
Municipal Firemen		
Salem Trust Equity	\$ 669,591	9.73%
Salem Trust Government Securities	523,947	7.61%
Salem Trust Corporate Fixed Income	1,087,698	15.80%
Salem Trust Mortgages	625,931	9.09%
Salem Trust Corporate Stocks	3,636,188	52.84%
Total Municipal Firemen	\$ 6,543,355	
General Employees		
SunTrust Corporate Fixed Income	\$ 3,322,681	13.50%
SunTrust Corporate Stocks	6,155,332	25.02%
SunTrust Government Securities - Loomis	2,328,238	9.46%
SunTrust Corporate Fixed Income - Loomis	5,367,492	21.82%
SunTrust Corporate Stocks - Loomis	6,723,017	27.33%
Total General Employees	\$ 23,896,760	

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:

	General Fund	Enterprise Funds	Nonmajor and Other Funds	Total
Type of Receivable				
Accounts Receivable - Billed	\$ 290,637	\$ 5,091,385	\$ 61,259	\$ 5,443,281
Accounts Receivable - Unbilled	0	4,235,933	47,609	4,283,542
Total	290,637	9,327,318	108,868	9,726,823
Less: Allowance for Uncollectible Accounts	0	(634,205)	(7,992)	(642,197)
Accounts Receivable (Net)	\$ 290,637	\$ 8,693,113	\$ 100,876	\$ 9,084,626

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. Of the \$316,764 reported as deferred revenue in the General Fund, \$147,965 represents unearned occupational license revenue. Customer deposits for marina, Mote-Morris house, and other property rentals total \$45,033 and are reported as deferred revenues since the deposits are not restricted. A total of \$65,373 has been received for the local law enforcement block grant, and is not recorded as revenue as there have not been expenditures to match the revenues.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 7,927,051	\$ 0	\$ 0	\$ 7,927,051
Construction in Progress	<u>13,026,736</u>	<u>3,187,614</u>	<u>(461,156)</u>	<u>15,753,194</u>
Total Capital Assets Not Being Depreciated	<u>20,953,787</u>	<u>3,187,614</u>	<u>(461,156)</u>	<u>23,680,245</u>
Capital Assets Being Depreciated:				
Buildings	16,119,424	1,310,735	0	17,430,159
Improvements Other Than Buildings	11,034,873	199,106	(3,000)	11,230,979
Equipment	10,177,049	2,096,906	(222,940)	12,051,015
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>58,046,922</u>	<u>3,606,747</u>	<u>(225,940)</u>	<u>61,427,729</u>
Less Accumulated Depreciation for:				
Buildings	(4,231,111)	(414,391)	0	(4,645,502)
Improvements Other Than Buildings	(6,346,666)	(605,663)	3,000	(6,949,329)
Equipment	(6,912,627)	(931,630)	215,184	(7,629,073)
Infrastructure (Roads and Streets)	<u>(9,969,776)</u>	<u>(1,030,542)</u>	<u>0</u>	<u>(11,000,318)</u>
Total Accumulated Depreciation	<u>(27,460,180)</u>	<u>(2,982,226)</u>	<u>218,184</u>	<u>(30,224,222)</u>
Total Being Depreciated, Net	<u>30,586,742</u>	<u>624,521</u>	<u>(7,756)</u>	<u>31,203,507</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,540,529</u>	<u>\$ 3,812,135</u>	<u>\$ (468,912)</u>	<u>\$ 54,883,752</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 7,039,212	\$ 0	\$ 0	\$ 7,039,212
Construction in Progress	<u>10,476,649</u>	<u>10,564,261</u>	<u>0</u>	<u>21,040,910</u>
Total Capital Assets Not Being Depreciated	<u>17,515,861</u>	<u>10,564,261</u>	<u>0</u>	<u>28,080,122</u>
Capital Assets Being Depreciated:				
Buildings	10,998,408	52,700	(1,584)	11,049,524
Improvements Other Than Buildings	84,904,662	7,389,557	(785,536)	91,508,683
Equipment	<u>30,860,718</u>	<u>805,414</u>	<u>(57,718)</u>	<u>31,608,414</u>
Total Capital Assets Being Depreciated	<u>126,763,788</u>	<u>8,247,671</u>	<u>(844,838)</u>	<u>134,166,621</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6 - Capital Assets (Concluded)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities (Concluded)				
Less Accumulated Depreciation for:				
Buildings	\$ (2,429,485)	\$ (235,479)	\$ 0	\$ (2,664,964)
Improvements Other Than Buildings	(34,891,171)	(2,833,613)	861,536	(36,863,248)
Equipment	<u>(17,659,796)</u>	<u>(1,752,795)</u>	<u>108,835</u>	<u>(19,303,756)</u>
Total Accumulated Depreciation	<u>(54,980,452)</u>	<u>(4,821,887)</u>	<u>970,371</u>	<u>(58,831,968)</u>
Total Being Depreciated, Net	<u>71,783,336</u>	<u>3,425,784</u>	<u>125,533</u>	<u>75,334,653</u>
Total Business-type Activities Capital Assets, Net	<u>\$ 89,299,197</u>	<u>\$ 13,990,045</u>	<u>\$ 125,533</u>	<u>\$ 103,414,775</u>
 Depreciation Expense - Governmental Activities				
General Government and Administration				\$ 356,827
Public Safety				447,691
Physical Environment				149,508
Transportation				1,415,128
Economic Environment				27,471
Human Services				37,249
Parks and Recreation				<u>548,352</u>
Total Depreciation Expense - Governmental Activities				<u>\$ 2,982,226</u>
 Depreciation Expense - Business-type Activities				
Electric Utility				\$ 2,401,675
Gas Utility				327,632
Water Utility				454,796
Wastewater Utility				1,303,654
Solid Waste Utility				176,905
Communication Services				<u>157,225</u>
Total Depreciation Expense - Business-type Activities				<u>\$ 4,821,887</u>

Note 7 - Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2004, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Electric Utility	\$ 1,696,422
	Communications Services	1,510,000
Electric Utility	Wastewater Utility	4,300,000
Gas Utility	Wastewater Utility	1,000,000
Water Utility	Wastewater Utility	<u>5,000,000</u>
Total		<u>\$ 13,506,422</u>

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>	
Transfer Out:					
Electric Utility	\$ 4,644,628	\$ 1,094,015	\$ 0	\$ 3,117,720	\$ 8,856,363
Gas Utility	767,090	0	0	0	767,090
Water Utility	516,371	294,413	0	0	810,784
Wastewater Utility	403,728	0	0	0	403,728
Communications Services	45,828	0	0	0	45,828
Solid Waste	247,248	0	0	0	247,248
General Fund	0	0	121,955	517,021	638,976
Nonmajor Governmental	<u>151,332</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>151,332</u>
Total Transfers Out	<u>\$ 6,776,225</u>	<u>\$ 1,388,428</u>	<u>\$ 121,955</u>	<u>\$ 3,634,741</u>	<u>\$ 11,921,349</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, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Revenue Bonds and Notes:					
Capital Improvement Revenue Bonds – 1999	\$ 7,045,000	\$ 0	\$ (130,000)	\$ 6,915,000	\$ 135,000
Capital Improvement Revenue Bonds – 2004	0	17,110,000	0	17,110,000	0
Note Payable – 1999 GLCRA	<u>196,085</u>	<u>0</u>	<u>(14,088)</u>	<u>181,997</u>	<u>14,846</u>
Total Revenue Bonds and Notes	<u>7,241,085</u>	<u>17,110,000</u>	<u>(144,088)</u>	<u>24,206,997</u>	<u>149,846</u>
Other Liabilities:					
Compensated Absences	1,547,291	1,237,833	(1,134,366)	1,650,758	907,917
Suit Settlement	<u>330,000</u>	<u>0</u>	<u>(60,000)</u>	<u>270,000</u>	<u>60,000</u>
Total Other Liabilities	<u>1,877,291</u>	<u>1,237,833</u>	<u>(1,194,366)</u>	<u>1,920,758</u>	<u>967,917</u>
Total Governmental Activities	<u>\$ 9,118,376</u>	<u>\$ 18,347,833</u>	<u>\$ (1,338,454)</u>	<u>\$ 26,127,755</u>	<u>\$ 1,117,763</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>
Business-type Activities					
Revenue Bonds and Notes Payable:					
Utilities System Refunding Revenue					
Bonds – 1999A/B	\$ 26,390,000	\$ 0	\$ (26,390,000)	\$ 0	\$ 0
Electric System Revenue Bonds – 2004	0	16,670,000	0	16,670,000	0
Utility System Revenue Bonds – 2004	0	22,985,000	0	22,985,000	0
Less Deferred Refundings and Discounts	(626,608)	(928,989)	403,032	(1,152,565)	0
Notes Payable FMPA Pooled	<u>6,077,000</u>	<u>1,300,000</u>	<u>(6,077,000)</u>	<u>1,300,000</u>	<u>0</u>
Total Revenue Bonds and Notes Payable	<u>31,840,392</u>	<u>40,026,011</u>	<u>(32,063,968)</u>	<u>39,802,435</u>	<u>0</u>
Other Liabilities:					
CR#3 Decommissioning Cost Payable	3,979,150	171,000	0	4,150,150	0
Landfill Postclosure Payable	873,352	116,301	(47,587)	942,066	67,290
Compensated Absences	<u>755,681</u>	<u>627,215</u>	<u>(578,045)</u>	<u>804,851</u>	<u>442,668</u>
Total Other Liabilities	<u>5,608,183</u>	<u>914,516</u>	<u>(625,632)</u>	<u>5,897,067</u>	<u>509,958</u>
Total Business-type Activities	<u>\$ 37,448,575</u>	<u>\$ 40,940,527</u>	<u>\$ (32,689,600)</u>	<u>\$ 45,699,502</u>	<u>\$ 509,958</u>

The following is a schedule of bonds and notes outstanding at September 30, 2004:

<u>Description of Bonds</u>	<u>Purpose of Issue</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Rates</u>
Governmental Activities				
Revenue Bonds and Revenue Notes:				
Capital Improvement Revenue				
Bonds – 1999 GLCRA	Capital Improvement	\$ 7,345,000	\$ 6,915,000	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	<u>249,284</u>	<u>181,997</u>	5.25%
Total Governmental Activities		<u>\$ 24,704,284</u>	<u>\$ 24,206,997</u>	
Business-type Activities				
Notes Payable FMPA Pooled Loan	Capital Improvement	\$ 6,077,000	\$ 0	FMPA Commercial Paper + 0.6%
Notes Payable FMPA Pooled Loan	Fiber Optic Cable	1,300,000	1,300,000	FMPA Commercial Paper + 0.6%
Utilities System Refunding Revenue				
Bonds – 1999A/B	Refunding/Wastewater Plant	27,850,000	0	3.6% - 5.375%
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%
Total Business-type Activities		<u>\$ 74,882,000</u>	<u>\$ 40,955,000</u>	

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 note payable are as follows:

<u>Fiscal Year</u>	<u>Bonds Payable</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 135,000	\$ 1,160,210	\$ 0	\$ 1,854,964
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
2010-2014	2,790,000	5,216,759	4,370,000	8,603,814
2015-2019	3,425,000	4,537,308	5,295,000	7,597,330
2020-2024	4,335,000	3,555,125	6,635,000	6,144,750
2025 -2029	5,615,000	2,203,988	8,475,000	4,218,750
2030-2034	5,065,000	780,663	10,820,000	1,759,750
2035	<u>1,065,000</u>	<u>0</u>	<u>2,500,000</u>	<u>0</u>
Total	\$ 24,025,000	\$ 21,976,590	\$ 39,655,000	\$ 37,533,164

<u>Fiscal Year</u>	<u>Notes Payable</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 14,846	\$ 9,201	\$ 60,000	\$ 26,000
2006	15,645	8,402	63,000	24,800
2007	16,486	7,561	66,000	23,540
2008	17,373	6,674	70,000	22,220
2009	18,307	5,740	73,000	20,820
2010-2014	99,340	12,883	426,000	80,600
2015-2019	0	0	542,000	33,580
2020-2024	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 181,997	\$ 50,461	\$ 1,300,000	\$ 231,560

Governmental Activity Liabilities

A summary of all governmental long-term debt as of September 30, 2004, 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.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Governmental Activity Liabilities *(Continued)*

■ **Capital Improvement Bonds, 2004**

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

■ **Note Payable (GLCRA)**

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

■ **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, 2004:

● **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.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 8 - Long-term Liabilities (Continued)

Governmental Activity Liabilities (Continued)

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

● **Note Payable, FMPA Pooled Loan Program**

Florida Municipal Power Agency 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 City negotiated the loan agreement with FMPA in July 2004 and in order to meet certain contractual obligations, the City expended the project funds in fiscal year 2004. Due to unforeseen delays, the grantor executed the final loan agreement on November 1, 2004. The City requested the funds on November 2, 2004, and received the funds shortly thereafter. The principal amount of this loan is \$1,300,000.

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

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

Balance, September 30, 2003	\$	873,352
Adjustment of Estimate		116,301
Total Annual Costs Paid		(47,587)
Balance, September 30, 2004		942,066
(Current Maturities)		(67,290)
Total Long-term Portion	\$	874,776

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 \$942,066 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.

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 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 2004:

<u>Transaction Date</u>	<u>Amount</u>
Balance, September 30, 2003	\$ 77,078
Investment Income	1,707
Balance, September 30, 2004	\$ 78,785

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, 2004, the City has a balance in the trust fund of \$3,349,232.

● **Defeased Debt**

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

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

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:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 9 - Operating Leases (Concluded)

September 30,	Amount
2005	\$ 465,613
2006	487,657
2007	462,163
2008	379,621
2009	301,204
2010 - 2014	1,926,790
2015 - 2019	1,871,715
2020 - 2024	1,222,643
2025 - 2029	65,974
Total Minimum Lease Payments	\$ 7,183,380

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, 2004, was \$569,851.

Florida Municipal Power Agency (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:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 10 - Electric Power Agreements (Concluded)

Florida Municipal Power Agency (FMPA) (Concluded)

■ **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 Plan. Administrative costs are financed through contributions and investment earnings. Stand-alone financial reports are not issued.

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 firefighters. Participants who have completed 5 years of credited service are partially vested in the Plan and become fully vested after 10 years of credited service.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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 8.5% of the covered payroll for fiscal year 2003-2004.

Municipal Police Retirement Plan (MPRP)

The Plan covers 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 10 years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing 10 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 10 years of credited service. Such benefits are payable at a rate of 2% of the average monthly compensation for the 4 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.

Per City Code Section 17.91, the City Commission may amend established contribution requirements. Since the members of this plan are also members of the General Employees Pension Plan, which is fully funded through City contributions, the City does not contribute to this fund. The benefits from this plan supplement the benefits paid by the general employee retirement plan.

Municipal Firemen's Retirement Plan (MFRP)

The Plan covers firefighters who have completed one year of employment. Firefighters 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.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 11 - Defined Benefit Pension Plans (Continued)

Municipal Firemen's Retirement Plan (MFRP) (Concluded)

Participants who have completed 10 years of credited service are 100% vested in plan benefits. Participants whose service is terminated prior to completing 10 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 10 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 8.5% of the covered payroll for fiscal year 2003-2004.

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	<u>10/01/03</u> GERP	<u>10/01/03</u> MPRP	<u>10/01/03</u> MFRP
Retirees and Beneficiaries Receiving Benefits	125	17	14
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	114	3	0
Active Plan Members	<u>339</u>	<u>67</u>	<u>35</u>
Total	<u><u>578</u></u>	<u><u>87</u></u>	<u><u>49</u></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)	\$ 1,200,568	\$ 111,757	\$ 451,265
Interest on Net Pension Obligation	<u>(41,559)</u>	<u>(5,739)</u>	<u>(32,018)</u>
Annual Pension Cost	1,159,009	106,018	419,247
Contributions Made	(1,162,978)	(117,037)	(387,643)
Net Pension Obligation, Beginning of Year	<u>(650,964)</u>	<u>(37,348)</u>	<u>(478,964)</u>
Net Pension Obligation, End of Year	<u><u>\$ (654,933)</u></u>	<u><u>\$ (48,367)</u></u>	<u><u>\$ (447,360)</u></u>

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.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 11 - Defined Benefit Pension Plan (Continued)

Other Pension Plan Information (Concluded)

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. Because the NPO is negative, it has not been recorded in the accompanying financial statements.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>GERP</u>			
09/30/02	\$ 650,633	106%	\$ (879,082)
09/30/03	947,454	132%	(650,964)
09/30/04	1,159,009	100%	(654,933)
<u>MPRP</u>			
09/30/02	\$ 286,192	119%	\$ (87,966)
09/30/03	109,381	94%	(37,348)
09/30/04	106,018	110%	(48,367)
<u>MFRP</u>			
09/30/02	\$ 342,711	105%	\$ (460,704)
09/30/03	292,144	107%	(478,964)
09/30/04	419,247	93%	(447,360)

Below is a summarized schedule of the general and the police and 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)

Workers' Compensation Insurance Fund (Concluded)

SCHEDULE OF PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2003

	<u>Municipal Police Retirement Plan</u>	<u>Municipal Firemen's Retirement Plan</u>	<u>General Employees' Retirement Plan</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 151,389	\$ 338,224	\$ 703,349	\$ 1,192,962
Investments, at Fair Value:				
U.S. Government Securities	1,442,799	523,947	2,328,238	4,294,984
Domestic Corporate Bonds	1,201,678	1,087,698	8,690,173	10,979,549
Domestic Stocks	6,044,082	4,305,779	12,878,349	23,228,210
Mortgages	1,224,328	625,931	0	1,850,259
Total Investments	<u>9,912,887</u>	<u>6,543,355</u>	<u>23,896,760</u>	<u>40,353,002</u>
Interest Receivable	43,329	28,980	18,568	90,877
Total Assets	<u>10,107,605</u>	<u>6,910,559</u>	<u>24,618,677</u>	<u>41,636,841</u>
Net Assets Reserved for Employees' Pension Benefits	<u>\$ 10,107,605</u>	<u>\$ 6,910,559</u>	<u>\$ 24,618,677</u>	<u>\$ 41,636,841</u>

SCHEDULE OF THE CHANGE IN PENSION PLAN NET ASSETS AS OF SEPTEMBER 30, 2004

Additions				
Contributions:				
Employer	\$ 124,164	\$ 151,886	\$ 1,162,978	\$ 1,439,028
Employee	222,451	115,969	0	338,420
State of Florida	166,625	119,788	0	286,413
Total Contributions	<u>513,240</u>	<u>387,643</u>	<u>1,162,978</u>	<u>2,063,861</u>
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	582,789	411,841	1,398,154	2,392,784
Interest and Dividend Income	248,724	207,045	593,231	1,049,000
Other Income (Loss)	698	0	5,591	6,289
Total Investment Income	<u>832,211</u>	<u>618,886</u>	<u>1,996,976</u>	<u>3,448,073</u>
Total Additions	<u>1,345,451</u>	<u>1,006,529</u>	<u>3,159,954</u>	<u>5,511,934</u>
Deductions				
Benefit Payments	355,332	822,600	1,170,477	2,348,409
Administrative Expense	79,915	62,841	228,229	370,985
(Total Deductions)	<u>(435,247)</u>	<u>(885,441)</u>	<u>(1,398,706)</u>	<u>(2,719,394)</u>
Net Increase	910,204	121,088	1,761,248	2,792,540
Net Assets Reserved for Employees' Pension Benefits:				
Beginning of Year	9,197,401	6,789,471	22,857,429	38,844,301
End of Year	<u>\$ 10,107,605</u>	<u>\$ 6,910,559</u>	<u>\$ 24,618,677</u>	<u>\$ 41,636,841</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, 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>
Total	<u>\$ 1,471,154</u>	<u>\$ 1,914,509</u>	<u>\$ (2,443,025)</u>	<u>\$ 942,638</u>

	<u>Balance October 1, 2002</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>(Claims Paid)</u>	<u>Balance September 30, 2003</u>
Employee Health Insurance Fund	\$ 367,416	\$ 1,777,577	\$ (1,622,528)	\$ 522,465
Workers' Compensation Insurance Fund	<u>643,100</u>	<u>781,717</u>	<u>(476,128)</u>	<u>948,689</u>
Total	<u>\$ 1,010,516</u>	<u>\$ 2,559,294</u>	<u>\$ (2,098,656)</u>	<u>\$ 1,471,154</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, 2004, 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 judgements 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 \$445,417 were recognized for postretirement health care, which were offset by \$143,490 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

The City has active construction projects as of September 30, 2004. The commitment for the Canal Street wastewater treatment facilities upgrade is financed by revenue bonds secured by system revenues. The parking garage expenses spent to date were funded from a \$750,000 community development block grant, and the remaining commitment will be funded with local option infrastructure surtax revenue.

The commitment for the concession stand at the Sleepy Hollow Recreation Complex is funded from a \$400,000 tourist development grant. Although the majority of the new police station was funded with bond proceeds of the 1999 Capital Improvement Revenue Bonds, the outstanding commitment is funded with local option infrastructure surtax revenue. As of September 30, 2004, the City had the following commitments related to significant unfinished construction projects:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(Concluded)

Note 17 - Construction Commitments (Concluded)

	Expended as of September 30, 2004	Remaining Commitment
City Hall Reception	\$ 0	\$ 5,135
Land Development Code	85,450	14,550
Comprehensive Plan Revisions	14,989	10,011
Tally Basis – Stormwater	0	42,974
Marshall Drive – Stormwater	0	34,508
Stormwater Acquatic Weed Control	13,902	26,598
Taxiway K (Design)	63,100	49,775
Airport Fire Rescue Station (Design)	136,403	48,741
Airport Traffic Control Tower (Design)	99,744	49,986
Airport Security (Design)	36,884	10,526
Airport Line Operations Building (Design)	71,437	13,043
Airport Fire Rescue Station	0	1,445,600
Police Station (Design)	262,702	54,298
Radio Communications System	0	38,980
Public Works Facility (Design)	47,431	94,053
City Hall Annex (Design)	24,096	24,804
Vista Pak Building	26,736	26,736
Historic Society Building	13,892	13,892
Library Roof/Air Conditioning	16,332	379,388
New Library (Design)	341,769	160,378
Rails to Trails (Design)	109,332	4,993
Sleepy Hollow Entry Gate	55,979	20,809
Sleepy Hollow Restrooms	57,253	108,303
Sleepy Hollow Construction Phase II	94,852	317,812
Gymnasium (Design)	4,675	110,275
Electric Hydraulic Truck	169,959	169,959
Water Well #3	97,043	208,464
Canal Street Wastewater Upgrade (Design)	760,553	107,622
Tavares Road (Wastewater Engineering)	8,755	11,958
SCADA RTU's	210,507	69,165
Fiber for Lake County Schools	1,279	187,778
Recycle Truck	128,709	128,709

Note 18 - Adjustments

The following adjustment has been made to correct governmental activities net assets as previously reported:

Previously Unrecorded Negative, Net Pension Obligation	<u>\$ 1,167,276</u>
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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, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,577,891	\$ 7,577,891	\$ 8,047,844	\$ 469,953
Licenses and Permits	576,200	779,200	781,503	2,303
Intergovernmental	1,250,719	1,296,008	1,712,337	416,329
Charges for Services	1,195,374	234,200	250,560	16,360
Fines and Forfeitures	267,300	300,300	365,409	65,109
Miscellaneous:				
Interest	175,095	175,095	123,296	(51,799)
Other	7,287,070	1,153,380	1,417,339	263,959
Total Revenues	<u>18,329,649</u>	<u>11,516,074</u>	<u>12,698,288</u>	<u>1,182,214</u>
Expenditures				
Current:				
General Government	7,580,485	1,091,427	1,045,098	46,329
Public Safety	9,469,385	10,299,625	10,298,327	1,298
Physical Environment	813,312	227,840	221,266	6,574
Transportation	1,263,635	1,054,471	998,659	55,812
Economic Environment	550,212	153,220	151,302	1,918
Human Services	51,909	51,859	45,518	6,341
Culture and Recreation	4,122,630	3,855,555	4,077,320	(221,765)
Capital Outlay	1,194,894	1,554,023	1,284,047	269,976
Debt Service:				
Principal Payments	60,000	60,000	60,000	0
(Total Expenditures)	<u>(25,106,462)</u>	<u>(18,348,020)</u>	<u>(18,181,537)</u>	<u>166,483</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(6,776,813)</u>	<u>(6,831,946)</u>	<u>(5,483,249)</u>	<u>1,348,697</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	6,997,164	7,057,721	6,776,225	(281,496)
Transfers to Other Funds	(200,459)	(639,631)	(638,976)	655
Total Other Financing Sources	<u>6,796,705</u>	<u>6,418,090</u>	<u>6,137,249</u>	<u>(280,841)</u>
Net Change in Fund Balances	19,892	(413,856)	654,000	1,067,856
Fund Balance, Beginning of Year	<u>6,210,665</u>	<u>6,210,665</u>	<u>6,210,665</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 6,230,557</u>	<u>\$ 5,796,809</u>	<u>\$ 6,864,665</u>	<u>\$ 1,067,856</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)			
10/1/2003	\$ 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)			
10/1/2003	\$ 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
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%

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:

	GERP	MPRP	MFRP
Valuation Date	October 1, 2003	October 1, 2003	October 1, 2003
Actuarial Cost Method	Frozen Initial Liability Cost	Frozen Entry Age	Aggregate Actuarial Cost
Amortization Method	Level Dollar, Closed	Level Dollar, Closed	N/A
Remaining Amortization Period	15-28 Years	29 Years	N/A
Asset Valuation Method	Asset Appreciation	Market Value	Market Value
Actuarial Assumptions:			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	6.50%	6.00%
COLA	None	None	None

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

SUPPLEMENTAL INFORMATION

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

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**CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	<u>Special Revenue Funds</u>			
	<u>Community Development Fund</u>	<u>Housing Assistance Fund</u>	<u>Stormwater Fund</u>	<u>Greater Leesburg Community Redevelopment Fund</u>
Assets				
Equity in Pooled Cash and Cash				
Equivalents	\$ 0	\$ 0	\$ 778,618	\$ 0
Receivables (Net)	0	0	81,317	0
Due from Other Governments	0	0	1,984	0
Total Assets	<u>0</u>	<u>0</u>	<u>861,919</u>	<u>0</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	0	0	34,971	0
Accrued Interest	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>34,971</u>	<u>0</u>
Fund Balances				
Reserved for:				
Community Redevelopment	0	0	0	0
Debt Service	0	0	0	0
Unreserved	0	0	826,948	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>826,948</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 861,919</u>	<u>\$ 0</u>

<u>Carver Heights Community Redevelopment Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 32,120	\$ 445,496	\$ 1,256,234
0	0	81,317
0	0	1,984
<u>32,120</u>	<u>445,496</u>	<u>1,339,535</u>
0	0	34,971
0	310,496	310,496
<u>0</u>	<u>310,496</u>	<u>345,467</u>
32,120	0	32,120
0	135,000	135,000
0	0	826,948
<u>32,120</u>	<u>135,000</u>	<u>994,068</u>
<u>\$ 32,120</u>	<u>\$ 445,496</u>	<u>\$ 1,339,535</u>

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds			
	Community Development Fund	Housing Assistance Fund	Stormwater Fund	Greater Leesburg Community Redevelopment Fund
Revenues				
Intergovernmental	\$ 10,823	\$ 1,014,672	\$ 57,585	\$ 170,550
Charges for Services	0	0	678,507	0
Miscellaneous:				
Interest	(702)	1,308	14,270	2,980
Total Revenues	<u>10,121</u>	<u>1,015,980</u>	<u>750,362</u>	<u>173,530</u>
Expenditures				
Current:				
Physical Environment	0	0	301,046	0
Economic Environment	0	1,015,980	0	363,790
Capital Outlay	0	0	37,301	0
Debt Service:				
Principal	0	0	0	14,088
Interest	0	0	0	9,959
(Total Expenditures)	<u>0</u>	<u>(1,015,980)</u>	<u>(338,347)</u>	<u>(387,837)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,121</u>	<u>0</u>	<u>412,015</u>	<u>(214,307)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	0	0	0	111,976
Transfers to Other Funds	(32,813)	0	0	(118,519)
Total Other Financing (Uses) Sources	<u>(32,813)</u>	<u>0</u>	<u>0</u>	<u>(6,543)</u>
Net Change in Fund Balance	(22,692)	0	412,015	(220,850)
Fund Balances, Beginning of Year	<u>22,692</u>	<u>0</u>	<u>414,933</u>	<u>220,850</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 826,948</u>	<u>\$ 0</u>

<u>Carver Heights Community Redevelopment Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 15,199	\$ 624,925	\$ 1,893,754
0	0	678,507
591	4,781	23,228
<u>15,790</u>	<u>629,706</u>	<u>2,595,489</u>
0	0	301,046
0	0	1,379,770
0	0	37,301
0	130,000	144,088
0	494,706	504,665
<u>0</u>	<u>(624,706)</u>	<u>(2,366,870)</u>
<u>15,790</u>	<u>5,000</u>	<u>228,619</u>
9,979	0	121,955
	0	(151,332)
<u>9,979</u>	<u>0</u>	<u>(29,377)</u>
25,769	5,000	199,242
<u>6,351</u>	<u>130,000</u>	<u>794,826</u>
<u>\$ 32,120</u>	<u>\$ 135,000</u>	<u>\$ 994,068</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual Amounts</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Taxes	\$ 1,445,759	\$ 1,261,752	\$ 184,007
Intergovernmental	631,969	4,820,346	(4,188,377)
Miscellaneous:			
Interest	68,142	63,319	4,823
Other	25,481	0	25,481
Total Revenues	<u>2,171,351</u>	<u>6,145,417</u>	<u>(3,974,066)</u>
Expenditures			
Capital Outlays:			
General Government	530,107	905,092	374,985
Public Safety	1,475,659	1,686,332	210,673
Transportation	641,546	6,467,112	5,825,566
Culture and Recreation	1,447,957	2,693,225	1,245,268
Debt Service	122,681	152,275	29,594
(Total Expenditures)	<u>(4,217,950)</u>	<u>(11,904,036)</u>	<u>7,686,086</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(2,046,599)</u>	<u>(5,758,619)</u>	<u>3,712,020</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	1,388,428	2,785,526	(1,397,098)
Bond Proceeds	17,110,000	2,144,576	14,965,424
Bond Premium	316,817	0	316,817
Bond Issuance Costs	(271,836)	0	(271,836)
Total Other Financing Sources	<u>18,543,409</u>	<u>4,930,102</u>	<u>13,613,307</u>
Net Change in Fund Balances	16,496,810	(828,517)	17,325,327
Fund Balance, Beginning of Year	<u>454,390</u>	<u>454,390</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 16,951,200</u>	<u>\$ (374,127)</u>	<u>\$ 17,325,327</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 10,823	\$ 10,824	\$ (1)
Investment Earnings	(702)		(702)
Total Revenues	<u>10,121</u>	<u>10,824</u>	<u>(703)</u>
Expenditures			
Current:			
Physical Environment	0	0	0
Capital Outlay	0	0	0
(Total Expenditures)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>10,121</u>	<u>10,824</u>	<u>(703)</u>
Other Financing Sources (Uses)			
Transfers to Other Funds	<u>(32,813)</u>	<u>(32,813)</u>	<u>0</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(22,692)	(21,989)	(703)
Fund Balance, Beginning of Year	<u>22,692</u>	<u>22,692</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 703</u>	<u>\$ (703)</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental:			
HUD Contributions	\$ 1,014,672	\$ 1,014,672	\$ 0
Miscellaneous Revenues:			
Interest	1,308	1,308	0
Total Revenues	<u>1,015,980</u>	<u>1,015,980</u>	<u>0</u>
Expenditures			
Economic Environment:			
Housing Assistance:			
Operating Expenditures	1,015,980	1,015,980	0
(Total Expenditures)	<u>(1,015,980)</u>	<u>(1,015,980)</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Transfers to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 57,585	\$ 80,993	\$ (23,408)
Charges for Services:			
Utility Fees	678,507	645,700	32,807
Miscellaneous:			
Interest	14,270	14,128	142
Total Revenues	<u>750,362</u>	<u>740,821</u>	<u>9,541</u>
Expenditures			
Current Operating			
Physical Environment:			
Personal Services	134,955	140,952	5,997
Operating Expenditures	166,091	256,639	90,548
Capital Outlay	37,301	474,985	437,684
(Total Expenditures)	<u>(338,347)</u>	<u>(872,576)</u>	<u>534,229</u>
Excess of Revenues Over Expenditures	<u>412,015</u>	<u>(131,755)</u>	<u>543,770</u>
Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	412,015	(131,755)	543,770
Fund Balance, Beginning of Year	<u>414,933</u>	<u>414,933</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 826,948</u>	<u>\$ 283,178</u>	<u>\$ 543,770</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GREATER LEESBURG COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 170,550	\$ 170,550	\$ 0
Interest	2,980	2,990	(10)
Total Revenues	<u>173,530</u>	<u>173,540</u>	<u>(10)</u>
Expenditures			
Economic Environment:			
Operating Expenditures	363,790	363,791	1
Debt Service	24,047	24,048	1
(Total Expenditures)	<u>(387,837)</u>	<u>(387,839)</u>	<u>2</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(214,307)</u>	<u>(214,299)</u>	<u>(8)</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	111,976	111,976	0
Transfers to Other Funds	(118,519)	(118,527)	8
Total Other Financing (Uses)	<u>(6,543)</u>	<u>(6,551)</u>	<u>8</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	<u>(220,850)</u>	<u>(220,850)</u>	<u>0</u>
Fund Balance, Beginning of Year	<u>220,850</u>	<u>220,850</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LEESBURG, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
CARVER HEIGHTS COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 15,199	\$ 15,199	\$ 0
Interest	591	300	291
Total Revenues	<u>15,790</u>	<u>15,499</u>	<u>291</u>
(Total Expenditures)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>15,790</u>	<u>15,499</u>	<u>291</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	<u>9,979</u>	<u>9,979</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	25,769	25,478	291
Fund Balance, Beginning of Year	<u>6,351</u>	<u>6,351</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 32,120</u>	<u>\$ 31,829</u>	<u>\$ 291</u>

**CITY OF LEESBURG, FLORIDA
 COMBINING BALANCE SHEET
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2004**

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current Assets:			
Equity in Pooled Cash and Cash			
Equivalents	\$ 2,375,435	\$ 1,573,203	\$ 3,948,638
Miscellaneous Receivables	111,968	46,721	158,689
Total Current Assets	<u>2,487,403</u>	<u>1,619,924</u>	<u>4,107,327</u>
Total Assets	<u>2,487,403</u>	<u>1,619,924</u>	<u>4,107,327</u>
Liabilities			
Current Liabilities:			
Accounts Payable	0	23,395	23,395
Claims Payable	382,890	559,747	942,637
Total Current Liabilities	<u>382,890</u>	<u>583,142</u>	<u>966,032</u>
Total Liabilities	<u>382,890</u>	<u>583,142</u>	<u>966,032</u>
Net Assets			
Unrestricted	<u>2,104,513</u>	<u>1,036,782</u>	<u>3,141,295</u>
Total Net Assets	<u>\$ 2,104,513</u>	<u>\$ 1,036,782</u>	<u>\$ 3,141,295</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, 2004

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Operating Revenues			
Charges for Services	\$ 3,602,849	\$ 591,617	\$ 4,194,466
Operating Expenses			
Claims Expense	1,890,216	24,293	1,914,509
Administrative Expenses	473,275	63,785	537,060
Insurance Premiums	644,736	117,446	762,182
(Total Operating Expenses)	(3,008,227)	(205,524)	(3,213,751)
Operating Income	594,622	386,093	980,715
Nonoperating Revenues			
Investment Income	45,641	34,304	79,945
Other Nonoperating Income	91,136	0	91,136
Total Nonoperating Revenues	136,777	34,304	171,081
Income Before Operating Transfers	731,399	420,397	1,151,796
Net Operating Transfers to Other Funds	0	0	0
Change in Net Assets	731,399	420,397	1,151,796
Total Net Assets, Beginning of Year	1,373,114	616,385	1,989,499
Total Net Assets, End of Year	\$ 2,104,513	\$ 1,036,782	\$ 3,141,295

**CITY OF LEESBURG, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Employees' Health Insurance	Workers' Compensation Insurance	Total
Cash Flows from Operating Activities			
Cash Received from Employees	\$ 3,571,549	\$ 575,298	\$ 4,146,847
Cash Paid to Suppliers for Goods and Services	(1,039,909)	(170,411)	(1,210,320)
Cash Paid for Insurance Claims	(2,029,790)	(413,235)	(2,443,025)
Net Cash Provided by (Used in) Operating Activities	<u>501,850</u>	<u>(8,348)</u>	<u>493,502</u>
Cash Flows from Investing Activities			
Investment Income	<u>45,641</u>	<u>34,304</u>	<u>79,945</u>
Net Cash Provided by (Used in) Investing Activities	<u>45,641</u>	<u>34,304</u>	<u>79,945</u>
Net Increase (Decrease) in Cash and Cash Equivalents	547,491	25,956	573,447
Cash and Cash Equivalents, Beginning of Year	<u>1,827,944</u>	<u>1,547,247</u>	<u>3,375,191</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,375,435</u>	<u>\$ 1,573,203</u>	<u>\$ 3,948,638</u>

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(Concluded)

	<u>General Employees' Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Total</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Cash Provided by (Used in) Operating</u>			
<u>Activities:</u>			
Operating Income (Loss)	\$ 594,622	\$ 386,093	\$ 980,715
Adjustment to Reconcile Operating Income			
to Cash Flows Provided by (Used in)			
Operating Activities:			
Nonoperating Income (Loss)	91,136	0	91,136
Decrease (Increase) in Miscellaneous			
Receivables	(31,300)	(16,319)	(47,619)
Inventories	0	0	0
Increase (Decrease) in Accounts Payable	(13,033)	10,820	(2,213)
Increase (Decrease) in Claims Payable	(139,575)	(388,942)	(528,517)
Interfund Payables	0	0	0
Net Cash Provided by (Used in)			
 Operating Activities	<u>\$ 501,850</u>	<u>\$ (8,348)</u>	<u>\$ 493,502</u>

STATISTICAL SECTION

(Unaudited)

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

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

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

City of Leesburg
Net Assets by Component
Last Two Fiscal Years
(accrual basis of accounting)

	Fiscal Year	
	2003	2004
Governmental activities		
Invested in capital assets, net of related debt	\$ 44,299,444	\$ 30,676,755
Restricted	944,332	17,203,324
Unrestricted	6,627,757	9,977,806
Total governmental activities net assets	<u>\$ 51,871,533</u>	<u>\$ 57,857,885</u>
Business-type activities		
Invested in capital assets, net of related debt	\$ 62,855,687	\$ 64,637,677
Restricted	8,169,919	35,369,218
Unrestricted	30,969,609	1,746,245
Total business-type activities net assets	<u>\$ 101,995,215</u>	<u>\$ 101,753,140</u>
Primary government		
Invested in capital assets, net of related debt	\$ 107,155,131	\$ 95,314,432
Restricted	9,114,251	52,572,542
Unrestricted	37,597,366	11,724,051
Total primary government net assets	<u>\$ 153,866,748</u>	<u>\$ 159,611,025</u>

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

Expenses	Fiscal Year	
	2003	2004
Governmental activities:		
General Government	\$ 1,451,272	\$ 1,079,476
Public Safety	9,478,560	10,293,509
Physical Environment	1,631,318	675,409
Transportation	2,266,516	2,313,918
Economic Environment	206,318	1,545,359
Human Services	82,812	82,899
Culture and Recreation	4,423,002	4,424,409
Interest on Long Term Debt	384,983	627,346
Total governmental activities expenses	19,924,781	21,042,325
Business-type activities:		
Electric	35,935,969	41,185,843
Gas	6,621,244	7,566,229
Water	3,333,533	3,876,184
Wastewater	5,015,831	5,606,459
Solid Waste	2,624,743	3,440,650
Communication Services	347,789	540,922
Interest on Long Term Debt	1,407,567	1,305,138
Total business-type activities expenses	55,286,676	63,521,425
Total primary government expenses	\$ 75,211,457	\$ 84,563,750
 Program Revenues		
Governmental activities:		
Charges for services:		
General Government	\$ 213,724	\$ 220,943
Public Safety	707,634	1,141,507
Physical Environment	759,820	-
Transportation	529,970	515,453
Economic Environment	-	736,092
Culture and Recreation	399,233	432,850
Operating grants and contributions	1,477,141	1,863,441
Capital grants and contributions	4,369,000	1,505,260
Total governmental activities program revenues	8,456,522	6,415,546

	Fiscal Year	
	2003	2004
Program Revenues		
Business-type activities:		
Charges for services:		
Electric	40,018,906	45,347,288
Gas	6,673,500	7,581,846
Water	3,961,263	4,444,273
Wastewater	4,609,315	5,835,638
Solid Waste	2,855,808	2,925,758
Communication Services	389,125	525,314
Operating grants and contributions	-	625,862
Capital grants and contributions	1,105,650	2,326,135
Total business-type activities program revenues	<u>59,613,567</u>	<u>69,612,114</u>
Total primary government program revenues	<u>\$ 68,070,089</u>	<u>\$ 76,027,660</u>
Net (Expense)/Revenue		
Governmental activities	(11,468,259)	(14,626,779)
Business-type activities	4,326,891	6,090,689
Total primary government net expense	<u>\$ (7,141,368)</u>	<u>\$ (8,536,090)</u>
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes		
Property taxes	\$ 2,995,147	\$ 3,534,345
Utility services tax	2,124,715	2,601,302
Other taxes	2,868,962	3,166,977
State shared revenues	1,155,991	1,298,657
Investment income	231,198	214,666
Miscellaneous	61,585	1,133,608
Transfers from (to) other funds	7,944,022	7,496,300
Total governmental activities	<u>17,381,620</u>	<u>19,445,855</u>
Business-type activities:		
Investment income	1,053,329	788,042
Miscellaneous	234,470	375,494
Transfers from (to) other funds	(7,944,022)	(7,496,300)
Total business-type activities	<u>(6,656,223)</u>	<u>(6,332,764)</u>
Total primary government	<u>\$ 10,725,397</u>	<u>\$ 13,113,091</u>
Change in Net Assets		
Governmental activities	\$ 5,913,361	\$ 4,819,076
Business-type activities	(2,329,332)	(242,075)
Adjustment		1,167,276
Total primary government	<u>\$ 3,584,029</u>	<u>\$ 6,911,553</u>

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

Fiscal Year	Property Tax	Local Option Gas Tax	Sales Tax	Franchise Fees	Utility Services Tax	Communication Services Tax	Total
1995	\$ 2,300,083	\$ -	\$ 897,550	\$ 89,201	\$ -	\$ -	\$ 3,286,834
1996	2,322,022	-	922,525	135,979	-	-	3,380,526
1997	2,365,936	609,319	921,411	122,649	-	-	4,019,315
1998	2,397,214	607,067	998,768	135,823	-	-	4,138,872
1999	2,659,480	653,812	1,107,662	139,443	-	-	4,560,397
2000	2,613,423	646,428	1,215,514	145,951	951,650	-	5,572,966
2001	2,789,242	668,357	1,210,133	123,115	1,813,930	-	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	2,124,716	973,652	8,162,395
2004	3,534,345	827,156	1,445,759	86,870	2,601,302	998,171	9,493,603

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

	Fiscal Year	
	2003	2004
General fund		
Reserved	\$ 5,442,840	\$ 4,225,057
Unreserved	767,825	2,639,608
Total general fund	\$ 6,210,665	\$ 6,864,665
 All other governmental funds		
Reserved	\$ 834,283	\$ 17,118,320
Unreserved, reported in:		
Stormwater Fund	414,933	826,948
Total all other governmental funds	\$ 1,249,216	\$ 17,945,268

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 Two Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year	
	2003	2004
Revenues		
Taxes	\$ 8,162,395	\$ 9,493,603
Licenses and permits	431,630	781,503
Intergovernmental	7,018,014	4,238,060
Charges for services	904,570	929,067
Fines and penalties	288,317	365,409
Interest	231,198	214,666
Miscellaneous	857,996	1,442,820
Total revenues	<u>17,894,120</u>	<u>17,465,128</u>
Expenditures		
General Government	1,072,010	1,045,098
Public Safety	9,154,635	10,298,327
Physical Environment	1,521,900	522,312
Transportation	1,134,593	998,659
Economic Environment	189,735	1,531,072
Human Services	45,769	45,518
Culture and Recreation	4,004,672	4,077,320
Capital Outlay	14,304,255	5,416,617
Debt Service		
Principal payments	198,370	204,088
Interest and fees	384,983	627,346
Total expenditures	<u>32,010,922</u>	<u>24,766,357</u>
Excess of revenues over (under) expenditures	<u>(14,116,802)</u>	<u>(7,301,229)</u>
Other Financing Sources (Uses)		
Transfers in	8,209,595	8,286,608
Transfers out	(265,573)	(790,308)
Bonds proceeds	-	17,154,981
Total other financing sources (uses)	<u>7,944,022</u>	<u>24,651,281</u>
Net change in fund balances	<u>\$ (6,172,780)</u>	<u>\$ 17,350,052</u>
Debt service as a percentage of noncapital expenditures	3.3%	4.3%

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		
1995	\$ 529,728,870	\$ 178,082,194	\$ 251,544	\$ 159,328,840	\$ 22,492,169	\$ 526,241,599	4.50
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

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)

<u>Fiscal Year</u>	<u>City</u>	<u>School District</u>	<u>Lake County</u>	<u>Ambulance District</u>	<u>Northwest Hospital District</u>	<u>Water Conservation Authority</u>	<u>Water Management District</u>	<u>Total</u>
1995	4.500	8.515	5.135	0.222	1.000	0.400	0.482	20.254
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

Source: Lake County Property Appraiser

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

Taxpayer	Type of Business	2004			2003		
		2003 Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	2002 Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Sprint	Telecommunication	\$ 47,537,576	1	4.32%	\$ 47,418,136	1	4.75%
Cutrale Citrus Juices, U.S.A., Inc.	Citrus Processing	41,121,102	2	3.73%	43,093,559	2	4.32%
SDG Macerich Properties LP	Shopping Mall	26,371,080	3	2.40%	28,683,181	3	2.87%
Lake Port Properties	Retirement Community	23,614,351	4	2.14%	23,556,945	4	2.36%
Wal-Mart Stores, Inc.	Department Store	8,434,174	5	0.77%	8,790,534	5	0.88%
Lowe's Home Centers, Inc.	Home Improvement Center	7,484,555	6	0.68%	7,502,707	6	0.75%
Lake Harris Health Properties, LLC	Nursing Care Facilities	6,370,663	7	0.58%	-	-	
First Federal Savings Bank	Banking	6,191,826	8	0.56%	-	-	
Shoppes of Lake Village, LTD	Shopping Center	6,146,035	9	0.56%	-	-	
Home Depot USA, Inc.	Home Improvement Center	5,151,314	10	0.47%	5,279,395	9	0.53%
Publix Super Markets, Inc.	Grocery Store	4,975,890	11	0.45%	6,851,223	7	0.69%
Walling Enterprises, Inc.	Shopping Center	4,857,735	12	0.44%	-	-	
Huntington Banks	Banking	4,627,259	13	0.42%	6,838,270	8	0.68%
Dayton Hudson Corp	Department Store	4,543,365	14	0.41%	4,127,629	11	0.41%
Sun Trust Banks of Central Florida	Banking	-	-		4,813,321	10	0.48%
Buffalo-Gateway Business Trust	Shopping Center	-	-		3,857,404	12	0.39%
Horne Properties, Inc.	Shopping Center	-	-		3,769,933	13	0.38%
Total		\$ 197,426,925		17.93%	\$ 194,582,237		19.49%

Source: Lake County Property Appraiser

Note: Taxable Values (Florida Statutes Section 193.011) are as of January 1, 2002 and 2003 and represent total property values including real property, personal property and centrally assessed property.

Blank information in Taxable Assessed Value does not mean that the business no longer exists.

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

Fiscal Year Ended Sept 30	Taxes Levied for the Fiscal Year	Collections for the Fiscal Year of the Levy		Collections for Previous Years of Levy	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1995	\$ 2,368,087	\$ 2,274,288	96.04%	\$ 26,188	\$ 2,300,476	97.14%
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%

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			
1995	\$ 6,973,000	\$ -	\$ 21,190,000	\$ 2,095,000	\$ 30,258,000	9.99%	\$ 20,182
1996	7,001,000	-	20,408,686	1,805,000	\$ 29,214,686	9.04%	21,059
1997	7,045,000	-	19,580,629	1,490,000	\$ 28,115,629	8.31%	21,964
1998	7,105,000	-	18,708,681	1,155,000	\$ 26,968,681	7.47%	23,050
1999	7,345,000	245,607	29,930,912	795,000	\$ 38,316,519	10.35%	23,702
2000	7,345,000	234,182	26,544,487	-	\$ 34,123,669	8.68%	24,628
2001	7,290,000	222,142	26,129,529	-	\$ 33,641,671	8.08%	25,964
2002	7,170,000	209,455	26,199,171	-	\$ 33,578,626	7.99%	26,085
2003	7,045,000	196,085	25,763,392	6,077,000	\$ 39,081,477	N/A	N/A
2004	24,025,000	181,997	38,502,435	1,300,000	\$ 64,009,432	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, 2004.

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

**City of Leesburg
Pledged-Revenue Coverage
Capital Improvement Revenue Bonds
Series 1987 and 1999
Last Ten Fiscal Years**

Fiscal Year	Gross Sales Tax Revenues	Guaranteed Portion-State Revenues Sharing	Miscellaneous Revenues	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
1995	\$ 544,695	\$ 309,234	\$ 29,236	\$ 883,165	\$ 180,000	\$ 340,880	1.70
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	-	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

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 Sharing	Public Service Tax	Miscellaneous Revenues	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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	\$ -	\$ 126,286	30.36

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: Operation and Maintenance Expenses	Net Pledge Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
1995	N/A	N/A	N/A	N/A	N/A	N/A
1996	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
1998	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
2000	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
2002	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
2004	\$ 46,101,875	\$ 38,455,991	\$ 7,645,884	\$ -	\$ 166,793	45.84

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	
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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	\$ -	\$ 229,963	23.81

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	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
1995	15,014	\$ 303,013	\$ 20,182	46.2	N/A	5,157	7.1%	5.5%	5.6%
1996	15,352	323,298	21,059	46.7	242	5,403	4.4%	5.1%	5.4%
1997	15,409	338,443	21,964	47.1	270	5,427	3.9%	4.8%	4.9%
1998	15,658	360,917	23,050	47.4	320	5,439	3.2%	4.3%	4.5%
1999	15,624	370,320	23,702	47.0	283	5,588	2.5%	3.9%	4.2%
2000	15,956	392,964	24,628	45.1	295	4,845	2.5%	3.6%	4.0%
2001	16,033	416,281	25,964	45.7	283	4,366	3.4%	3.4%	4.8%
2002	16,104	420,073	26,085	46.5	314	4,880	4.7%	5.5%	5.4%
2003	16,290	N/A	N/A	45.9	300	5,730	4.8%	5.2%	6.1%
2004	16,679	N/A	N/A	N/A	274	4,789	4.2%	4.9%	5.1%

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

Population - from Table 1.25 for Leesburg

Per capital personal income from Table 5.10 for Lake County

Median Age from Table 1.38 for Lake County

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

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

Note: N/A - Information is not available.

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

Employer	Type of Business	2004			2003		
		Employees	City Rank	Percentage of Total County Employment	Employees	City Rank	Percentage of Total County Employment
Leesburg Regional Medical Center	Hospital	1,850	1	1.79%	1,800	1	1.85%
Lifestream Behavioral Center	Mental Health Services Provider	590	2	0.57%	450	5	0.46%
Lake County School Board	Educational Institution	538	3	0.52%	538	3	0.55%
Sprint-Florida Incorporated	Telecommunications	480	4	0.46%	850	2	0.88%
Wal-Mart Stores, Inc	Retail Sales	480	4	0.46%	424	6	0.44%
City of Leesburg	City Governmental Services	477	6	0.46%	461	4	0.47%
Lake Port Properties	Retirement Community	365	7	0.35%	400	7	0.41%
Hewitt Contracting	General Contractor	300	8	0.29%	300	8	0.31%
Lake-Sumter EMS, Inc	Emergency Medical Transport	227	9	0.22%	175	11	0.18%
Lake Sumter Community College	Two Year Community College	187	10	0.18%	180	9	0.19%
Avante Group, Inc	Nursing Rehabilitation	175	11	0.17%	180	9	0.19%
Cutrale Citrus Juices, U.S.A., Inc	Citrus Processing	157	12	0.15%	163	12	0.17%
First Baptist Church of Leesburg	Church Ministry Services	150	13	0.14%	105	18	0.11%
Leware Construction Company	General Contractor	134	14	0.13%	134	14	0.14%
Home Depot USA, Inc	Retail Sales	124	15	0.12%	136	13	0.14%
Sears, Roebuck and Company, Inc	Retail Sales	124	15	0.12%	124	15	0.13%
Leesburg Daily Commercial, Inc	Newspaper	112	17	0.11%	112	16	0.12%
Pringle Development, Inc	Residential Community Builder	110	18	0.11%	110	17	0.11%
Total		<u>6,580</u>		<u>6.35%</u>	<u>6,642</u>		<u>6.84%</u>
Lake County Labor Force		<u>103,551</u>			<u>97,088</u>		

Source: Labor Force data obtained from Metro Orlando Economic Development Commission (www.OrlandoEDC.com).

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

Full-time Equivalent Employees as of September 30

Function	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General government										
Legislative	1.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Executive	4.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance	39.50	39.50	39.00	39.00	39.00	39.00	41.00	41.00	43.00	44.00
Human Resources	4.60	4.60	4.60	4.60	5.00	5.00	5.00	5.00	5.00	6.00
MIS	5.00	5.00	5.00	6.00	7.00	7.00	8.00	8.00	10.00	11.00
Police										
Officers	53.00	48.75	48.75	54.75	58.75	61.10	62.10	62.10	66.25	72.25
Civilians	17.75	17.75	20.75	20.75	20.75	20.75	24.75	24.75	25.75	25.75
Fire										
Firefighters and officers	30.00	30.00	33.00	36.00	36.00	36.00	36.00	36.00	37.00	43.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works										
GIS / Engineering	3.00	3.00	3.00	6.00	9.00	8.00	7.00	7.00	7.34	8.34
Other	29.50	33.50	28.00	20.50	21.25	23.75	27.50	20.50	16.00	18.00
Community Development	2.00	7.00	10.00	9.00	9.25	9.25	12.00	12.00	11.66	11.66
Housing & Economic Development		2.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00
Library	19.38	19.38	20.87	22.12	22.30	22.30	22.30	22.30	23.00	23.00
Recreation	55.00	36.75	30.75	39.75	40.25	38.75	39.75	39.75	43.75	43.65
Airport										1.00
Stormwater	6.00	6.00	6.00	6.00	6.00	6.00	6.50	6.50	5.50	4.00
Subtotal for Governmental Funds	<u>270.73</u>	<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>
Electric	50.75	50.75	52.50	53.00	52.00	53.00	55.00	55.00	53.50	47.50
Gas	12.00	12.00	12.00	12.17	12.67	12.92	16.00	16.00	16.50	17.50
Water	21.00	21.00	21.00	18.66	17.66	18.41	22.50	22.50	23.59	27.00
Wastewater	22.00	22.00	27.00	28.17	25.67	31.67	37.50	37.50	38.91	37.00
Communication										2.00
Solid Waste	15.99	16.00	16.00	16.50	16.50	17.00	19.00	19.00	19.00	19.00
Subtotal for Business Type Funds	<u>121.74</u>	<u>121.75</u>	<u>128.50</u>	<u>128.50</u>	<u>124.50</u>	<u>133.00</u>	<u>150.00</u>	<u>150.00</u>	<u>151.50</u>	<u>150.00</u>
Total	<u><u>392.47</u></u>	<u><u>386.98</u></u>	<u><u>391.22</u></u>	<u><u>406.97</u></u>	<u><u>413.05</u></u>	<u><u>423.90</u></u>	<u><u>455.90</u></u>	<u><u>448.90</u></u>	<u><u>460.75</u></u>	<u><u>476.65</u></u>

Source: City Annual Budget

City of Leesburg
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Police										
Responses to calls for service	N/A	N/A	N/A	N/A	38,637	40,283	41,000	39,560	41,534	44,060
Part I crimes	N/A	N/A	N/A	N/A	2,613	1,482	1,500	1,363	1,236	1,365
Traffic accidents & citations	N/A	N/A	N/A	N/A	8,314	8,898	9,070	6,890	8,130	7,491
Fire										
Emergency responses	N/A	N/A	N/A	N/A	3,329	4,300	4,900	5,182	4,669	4,230
Inspections	N/A	2,000	1,256	1,048	403	404	810	1,822	1,805	1,900
Pre-fire plans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	311	254	164
Solid Waste										
Residential tons taken to incinerator	N/A	5,415	5,450	5,537	5,162	5,000	5,200	5,672	6,000	6,108
Residential tons of recyclables	N/A	314	584	653	1,305	1,500	812	416	400	486
Hand commercial collected	N/A	N/A	N/A	N/A	907	1,031	1,149	1,126	608	786
Commercial dumpster collected	N/A	N/A	N/A	N/A	7,601	8,485	8,762	9,541	7,693	9,840
Commercial tons of recyclables	N/A	N/A	N/A	N/A	146	175	200	160	99	123
Fleet Maintenance										
Vehicles owned by the City	N/A	N/A	N/A	N/A	N/A	N/A	N/A	610	644	625
Percent maintained by Fleet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	53%	90%	100%
Preventive maintenance complete	N/A	N/A	N/A	N/A	N/A	N/A	N/A	302	640	710
Community Development										
Building permits issued within the City	292	222	231	292	344	1,537	430	311	406	2,122
Construction value of permits issued (thousands)	N/A	N/A	N/A	N/A	N/A	41,483	39,185	43,973	23,483	42,477
Culture and Recreation										
Youth programs	N/A	104	103	95	95	93	97	72	83	85
Number of bookings at rental facilities	N/A	N/A	N/A	N/A	628	650	582	539	501	608
Total service hours	N/A	N/A	N/A	N/A	1,884	1,950	2,000	1,469	1,645	1,298
Participants using the pools	N/A	N/A	N/A	N/A	10,750	10,750	10,700	7,029	8,082	11,360
Library service hours	N/A	N/A	N/A	N/A	3,360	3,360	3,360	3,350	3,390	3,292
Circulation - adults	N/A	271,218	259,861	254,159	224,756	201,838	201,706	216,761	224,067	250,516
Circulation - juvenile	N/A	25,249	26,764	23,902	43,424	40,879	33,286	32,840	31,222	34,416
Internet use	N/A	N/A	N/A	N/A	16,593	20,071	21,636	15,929	34,146	33,198
Electric										
Number of residential customers	14,449	14,609	14,814	15,036	15,226	15,388	15,621	15,809	16,294	17,551
Average daily consumption (kWh)	33.23	34.63	32.43	35.30	34.60	34.73	35.37	34.00	36.67	33.70
Gas										
Number of residential customers	6,992	7,134	7,311	7,536	7,690	7,978	8,206	8,346	8,512	8,833
Average daily consumption (therms)	0.77	0.78	0.72	0.75	0.60	0.67	0.77	0.60	0.73	0.67
Water										
Number of residential customers	8,696	8,922	9,338	9,657	9,972	10,219	10,548	10,798	11,077	11,550
Average daily consumption (gallons)	301.97	310.30	316.64	339.91	365.99	372.60	332.83	310.33	284.38	311.65
Wastewater										
Number of residential customers	N/A	N/A	N/A	N/A	N/A	N/A	9,636	9,439	9,694	10,073
Average daily sewage treatment (gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	177.34	196.30	210.97

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									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Public Safety										
Police stations	2	2	2	2	2	2	2	2	1	1
Fire stations	2	2	2	2	2	2	2	2	3	3
Solid Waste										
Collection trucks	11	13	13	13	15	17	20	24	22	24
Streets										
Paved (miles)	79.6	80.1	80.1	80.4	80.7	80.7	80.9	80.9	84.1	84.1
Unpaved (miles)	4.0	3.5	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Culture and Recreation										
Rental facilities	3	3	3	3	3	3	3	3	3	3
Museum	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1
Parks facilities managed	9	10	10	10	10	10	10	10	22	22
Parks acreage	225	226	226	226	226	226	226	226	280	280
Library facilities	1	1	1	1	1	1	1	1	1	1
Volumes in collection	113,608	112,577	112,577	120,329	124,325	129,535	174,607	170,427	114,492	133,604
Electric										
Primary electric lines within the city (miles)	365	365	365	365	358	358	365	371	376	382
Overhead conductor replaced (feet)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	38,769	35,000	12,769
Underground primary conductor replaced (feet)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	22,000	33,000	270
Gas										
Gas mains	225	225	239	195	200	205	205	211	218	226
Gate stations	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	332	332	336	338	215	332	332	332	325	325
Maximum capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	3,500	7,460	7,940	9,100	9,100
Deep wells	N/A	N/A	N/A	N/A	N/A	14	15	15	15	17
Wastewater										
Sewers force mains (miles)	100	100	100	100	100	101	103	103	103	103
Sewers gravity lines (miles)	46	61	61	65	65	70	70	70	70	116
Lift stations	N/A	N/A	N/A	N/A	N/A	97	100	100	102	110
Disposal plants	1	1	1	1	1	2	2	2	2	2
Maximum capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000	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	N/A	38	50	70	140

Sources: Various city departments

Note: N/A - Information is not available.

OTHER REPORTS SECTION

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; THE PROVISIONS OF OFFICE OF MANAGEMENT AND
BUDGET (OMB) CIRCULAR A-133; AND THE *RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA***

CITY OF LEESBURG, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Section 8 Rental Voucher	FL115VO	14.857	\$ 1,014,672	\$ 1,014,672
U.S. Department of Homeland Security				
Indirect Programs:				
Passed Through Florida Department of Community Affairs Disaster Relief Funding	FEMA-(1539)(1545)(1561)-DR-FL	97.036	1,313,326	1,313,326
U.S. Department of Justice				
Direct Programs:				
Bulletproof Vest Partnership	2003BUBX03018565	16.607	3,386	1,451
Bulletproof Vest Partnership	2003BUBX03018566	16.607	8,920	1,088
Indirect Programs:				
Passed Through Florida Department of Law Enforcement:				
DARE/SRO	03-CJ-5A-06-45-02-093	16.579	34,125	0
Covert Surveillance Camera	04-CJ-J3-06-45-02-047	16.579	16,969	16,969
Local Law Enforcement Block Grant	2001-LB-BX-3831	16.592	67,183	5,444
Local Law Enforcement Block Grant	2002-LB-BX-0890	16.592	65,859	36,100
Local Law Enforcement Block Grant	2003-LB-BX-1613	16.592	52,344	18,892
Total Department of Justice			<u>248,786</u>	<u>79,944</u>
U.S. Department of Justice				
Direct Programs:				
City Hall Annex (Business Incubator)		10.443	215,000	23,639
U.S. Department of Transportation Federal Aviation Administration				
Passed Through Florida Department of Transportation:				
Airport Improvement Program - Taxiway Extension	3-12-0042-011-2002	20.106	863,280	20,872
Airport Improvement Program - Design Taxiway K Construction	3-12-0042-011-2002	20.106	521,100	11,381
Airport Improvement Program - Extend Taxiway K Phase 2	3-12-0042-012-2003	20.106	295,560	0
Airport Improvement Program - Air Traffic Control Tower	3-12-0042-012-2004	20.106	63,926	12,725
Total Department of Transportation Federal Aviation Administration			<u>1,743,866</u>	<u>44,978</u>
Total Expenditures of Federal Awards			<u>\$ 4,535,650</u>	<u>\$ 2,476,559</u>

Note to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of federal awards is presented on the 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, 2004

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Program or Award Amount</u>	<u>Expenses</u>
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Programs:				
Sleepy Hollow Recreation Complex		37.017	\$ 32,702	\$ 0
Florida Department of Community Affairs				
Florida Communities Trust - Florida Forever Act	03-104-FF3	52.002	3,884,861	207,659
Florida Department of Transportation				
Aviation Development Grants:				
Air Traffic Control Tower Construction	247556-1-84-01	55.004	400,000	101,800
Aircraft Rescue and Fire Fighting Facility	410091-1-94-01	55.004	1,077,600	155,829
Airport Entrance Signage	4148301-1-94-01	55.004	60,000	60,000
Airport Line Operation Building	415039-1-94-01	55.004	520,000	58,190
Airport Security Enhancement	4015141-1-84-01	55.004	337,410	25,483
Design Taxiway Construction	407621-1-94-01	55.004	26,055	632
Total Florida Department of Transportation			<u>2,421,065</u>	<u>401,934</u>
Total Expenditures of State Financial Assistance			<u>\$ 6,338,628</u>	<u>\$ 609,593</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 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 COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the basic financial statements of the City of Leesburg, Florida (the City), as of and for the year ended September 30, 2004, and have issued our report thereon dated December 31, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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 opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the basic 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the City Commission in a separate letter dated December 31, 2004.

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Honorable City Commission
City of Leesburg
Leesburg, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(*Concluded*)**

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

December 31, 2004
Ocala, Florida

Purvis, Gray and Company

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE
FINANCIAL ASSISTANCE PROJECT**

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* that are applicable to each of its major federal programs for the year ended September 30, 2004. The City's major federal programs and state financial assistance projects are identified in the summary of audit 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 financial assistance 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; and 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 and state financial assistance projects 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 financial assistance projects for the year ended September 30, 2004.

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.

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Honorable City Commission
City of Leesburg
Leesburg, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE
FINANCIAL ASSISTANCE PROJECT
(Concluded)**

Internal Control Over Compliance (Concluded)

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 financial assistance 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*.

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

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the basic financial statements of the City. As of and for the year ended September 30, 2004, and have issued our report dated December 31, 2004. Our audit was performed for the purpose of forming an opinion on the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

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

December 31, 2004
Ocala, Florida

Purvis, 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 no instances of reportable conditions in internal control or 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 no instances of reportable conditions in internal control over the major programs or reportable conditions which were material weaknesses in internal control over the major programs.

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 no findings required to be reported.

VII. **Programs/Projects Tested as Major Programs/Projects**

Federal Program

U.S. Department of Homeland Security:
Public Assistance Grant-FEMA (97.036)

State Project

Florida Department of Transportation:
Aviation Development Grants (55.004)

CITY OF LEESBURG, FLORIDA

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

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

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

\$500,000

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**

The audit disclosed no findings which are required to be reported under GAGAS.

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

The audit disclosed no findings which are required to be reported.

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**

There are no current year audit findings included in the current year's schedule of findings and questioned costs.

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, 2004, and have issued our report thereon dated December 31, 2004.

We have issued our independent auditors' report on compliance and on internal control dated December 31, 2004. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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. 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)(g)1.(a)] require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules and regulations, and contract provisions reported in the preceding annual financial audit report have been corrected. There were no such matters disclosed in the preceding audit report.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(b)] require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been addressed by the City.

The *Rules of the Auditor General* [Section 10.554(1)(g)2.] require that we determine whether the City complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Sections 10.554(1)(g)3. and 4.(a), (b), and (c)] require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control: recommendations to improve financial management, accounting procedures, and

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Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER
(Concluded)

internal controls; violations of laws, rules, and regulations 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, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. (Please see management letter comments dated December 31, 2004.)

The *Rules of the Auditor General* [Section 10.554(1)(g)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)(g)6.(a)], the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City, is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(b)], we determined that the financial report for the City of Leesburg, Florida, for the fiscal year ended September 30, 2004, 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, 2004.

The *Rules of the Auditor General* [Section 10.554(1)(g)6.(c)] require that we disclose that we have applied financial condition assessment procedures pursuant to Rule 10.556(8).

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.

December 31, 2004
Ocala, Florida

Purvis, Gray and Company

MANAGEMENT LETTER COMMENTS

Honorable City Commission
City of Leesburg
Leesburg, Florida

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

Current Year Recommendations

Financial Advisor

During the 2003-2004 fiscal year, the City signed an engagement agreement with a financial advisor continuing their assistance to the City with several proposed bond issues without issuing a RFP for the required services. Total cost was unknown at the time of hiring due to the complexity and uncertainty of the proposed bond issues. However, resolution 6710 requires that formal bids be obtained for items costing over \$25,000. This restriction is more restrictive than state law. We recommend that the City review the requirements of resolution 6710 to determine whether the more restrictive provisions are appropriate. We also recommend the City review the recommended practices published by the Government Finance Officers Association regarding the procurement of financial advisory services to determine if any changes to the existing policies are desirable.

Utility Surcharge

The City ordinance that limits operating transfers from utility funds to other funds does not address the Utility Surcharge. The City accounts for the surcharge in the same manner as the Public Service Tax except the surcharge is deposited into the appropriate utility fund and not the General Fund because surcharge is a fee charged by the utility, not a tax assessed by the City. The Public Service Tax is deposited directly into the General Fund and the utility surcharge is deposited into the utility fund and then transferred to the General Fund. The City is currently excluding the surcharge from operating transfers for purposes of computing the ten percent limit on operating transfers authorized by Ordinance 00-35. We recommend that the City review Ordinance 00-35 and its method of accounting for the utility surcharge and address this issue.

December 31, 2004
Ocala, Florida

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Honorable City Commission
City of Leesburg
Leesburg, Florida

**RESPONSES TO THE
MANAGEMENT LETTER COMMENTS**

The City of Leesburg hereby responds to Auditor's recommendations arising from the 2003-2004 financial audit. Several of the procedures proposed were initiated by the City prior to commencement of the audit.

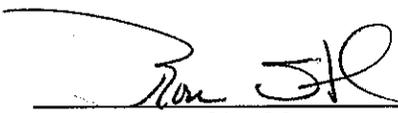
Financial Advisor

The financial advisor had served the City without remuneration for several years and had recently been engaged at a competitive hourly fee to assist with other loan proceedings. Because the financial advisor had quoted competitive rates and had extensive knowledge of the City's financial history, the firm was selected to assist with the proposed multifaceted bond issues.

Utility Surcharge

The Finance Department will recommend that Ordinance 00-35 be amended to address this issue.

Respectfully,



Ron Stock, City Manager



William Pfeilsticker, Finance Director