

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2002



LEESBURG
The Lakefront City
City of Leesburg, Florida

CITY OF LEESBURG, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2002

Prepared By:

Thomas P. Klinker, CPA, CGFO, CPFO
City Clerk/Finance Director



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INTRODUCTORY SECTION

This section contains the following subsections:

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

CITY OF LEESBURG, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

MAYOR

C. Robert Lovell

MAYOR—PRO-TEM

David Knowles

COMMISSION

David L. Connelly
Ben Perry
Lewis Puckett

CITY MANAGER

Ron Stock

**CITY CLERK/
FINANCE DIRECTOR**

Thomas P. Klinker, CPA, CGFO, CPFO

CITY ATTORNEY

McLin, Burnsed, Morrison
Johnson, Newman & Roy, P.A.

CITY AUDITORS

Purvis, Gray and Company



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CITY OF LEESBURG, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

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March 17, 2003

To the Honorable Mayor and
City Commissioners of the
City of Leesburg, Florida

The Comprehensive Annual Financial Report of the City of Leesburg, Florida for the fiscal year ended September 30, 2002, is respectfully submitted. This report was prepared by the Finance Division of the City Clerk/Finance Director. I believe the financial and statistical information presented is accurate in all material respects, and is set forth in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. The report contains all of the disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

Organization and Content

The purpose of this letter is to narratively point out the highlights of the City's financial operations for the fiscal year ended September 30, 2002. The Comprehensive Annual Financial Report contains three major sections, which are the Introductory, the Financial, and the Statistical Sections. The Introductory Section is designed to give the reader some basic background about the governmental unit as a whole. The Financial Section is divided into the following subsections:

1. General Purpose Financial Statements by fund type and account group.
2. Notes to the Financial Statements.
3. Combining, Individual Fund and Account Group Statements and Schedules.

The Statistical Section presents social, demographic, and economic data together with information concerning the financial trends and fiscal capacity of the City of Leesburg, and is generally presented on a multi-year basis.

The following pages of this letter summarize and highlight the financial transactions of the City of Leesburg for the fiscal year ended September 30, 2002.

General Information

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.



LEESBURG
The Lakefront City

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- AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER -



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The City of Leesburg is situated between Lake Harris and Lake Griffin. 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.

The estimated April 1, 2002 population of 16,104 residents ranks the City of Leesburg as the 105th largest of Florida's 405 municipalities (the incorporated cities, towns and villages). In addition to Leesburg, the other thirteen incorporated municipalities located within Lake County are 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 located in north central Florida midway between the Gulf of Mexico and the Atlantic Ocean, approximately 200 miles southeast of the State Capitol, 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. Leesburg's location is depicted on the map below.



The major factors in the economy of the City of Leesburg and the surrounding areas are recreation and tourism. The Leesburg Industrial Park is located on SR 44 and is occupied by several industrial and commercial enterprises.

Government Structure

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 operates under a commission/manager form of government, with a governing board consisting of five City Commissioners, elected to staggered three-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.

The Financial Reporting Entity and Its Services

This report contains all of the funds and account groups of the City of Leesburg, as well as component units which are required to be included pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement Number 14.

Statement 14 generally requires inclusion within the financial statements of organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based on the application of the foregoing criteria, the Greater Leesburg Community Redevelopment Agency is included as a blended component unit of the City.

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After a detailed review of the criteria set forth in Governmental Accounting Standards Board Statement Number 14 (the Financial Reporting Entity), the following boards, authorities, agencies, and districts have been excluded from the financial reporting entity:

North Lake County Hospital District
Leesburg Regional Medical Center

The City provides a full range of governmental services contemplated by state law and local ordinance, 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 service provider), water and wastewater treatment.

Accounting System and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records used in preparing financial statements and maintaining accountability for assets. 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 evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework to adequately safeguard assets, and provide reasonable assurance of proper recording of financial transactions.

Formal budgetary integration is used as a management control device during the year for all governmental funds of the City. During fiscal year 1997-98, the City adopted a budget policy which 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 generally accepted accounting principles (GAAP). The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the City Commission.

The City's accounting system is organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type. For descriptions of the City's fund types, account groups and a summary of significant accounting policies, see the notes to the financial statements. For a description of individual funds, see the combining statements.

An abbreviated summary of the classes of funds is outlined below:

Governmental Funds

In Governmental Funds, measurement focus is based on a determination of the financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting, where revenues and other financial resource increments are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Basic financial statements necessary to fairly present financial position and operating results for these funds are the balance sheet and the statement of revenues, expenditures and changes in fund balance.

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Proprietary Funds

The Proprietary Funds (the Enterprise Funds and the Internal Service Funds) are used to account for activities in a manner similar to that utilized in the private sector, where the determination of net income is necessary or useful for sound financial administration. The Proprietary Funds are accounted for on the full accrual basis, where revenues are recognized when they are earned and expenses when they are incurred.

Fiduciary Funds

The measurement focus for Trust and Agency Funds is dependent on the nature of the fund. The only Trust and Agency Funds of the City of Leesburg are the Pension Trust Funds, which are accounted for in essentially the same manner as the Proprietary Funds.

Account Groups

The General Fixed Assets and General Long-Term Debt Account Groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The City's general fixed assets are not financial resources available for expenditure. The unmatured principal of the City's general long-term debt does not require the use of financial resources during the current accounting period. Accordingly, these are not accounted for in the governmental funds, but in self-balancing account groups.

General Governmental Functions

Revenues, as included in the governmental funds, totaled \$20,301,379 during fiscal year 2001-02 and increased by \$702,184 or 3.58% over the total revenues of \$19,599,195 reported in fiscal year 2000-01.

Pursuant to the uniform classification of accounts prescribed by the State

Comptroller's office, governmental fund revenues are classified into one of the following six categories:

Taxes - Includes property (ad valorem) taxes, local option gas taxes, public service taxes (authorized pursuant to the provisions of Section 166.231, Florida Statutes), other local taxes, and franchise fees.

Licenses and Permits - Includes occupational licenses, building, zoning, and utility permits, right-of-way permits, and other licenses and permits of a local nature.

Intergovernmental Revenues - Includes federal grants, payments, and revenue sharing, state grants, payments, and revenue sharing, such as the City's share of state collected motor fuel taxes and sales taxes.

Charges for Services - Includes park fees, recreational activity fees, marina merchandise and fuel sales, certification and copy of city documents and records, sale of official maps and publications, animal control fees, stormwater utility fees, zoning fees and other user charges.

Fines and Forfeitures - Includes court fines and fees (including police officers educational funding), the proceeds from the sale of judicially confiscated property, and library fines.

Miscellaneous Revenues - Includes interest on investments, rents, sales of surplus property, insurance proceeds from lost or destroyed property, marina storage fees, assessments (including street lighting and impact fees), refunds, contributions, reimbursements, and revenues not more properly recorded in other classifications.

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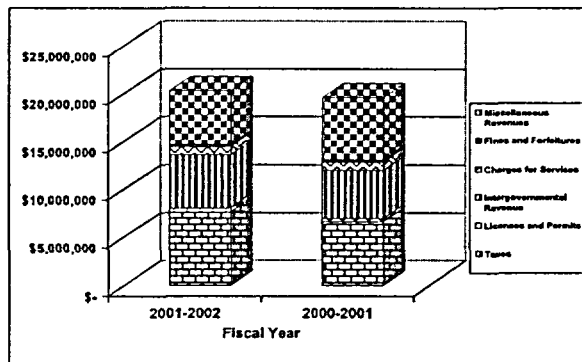
Based on the preceding classifications, the amount of general government revenues received during fiscal year 2001-02 as

compared to fiscal year 2000-01 was as follows:

Description	Fiscal Year 2001-2002	Fiscal Year 2000-2001	Increase (Decrease)	Percent Change
Taxes	\$ 7,612,203	\$ 6,604,777	\$ 1,007,426	15.25 %
Licenses and Permits	432,905	379,376	53,529	14.11 %
Intergovernmental Revenue	5,546,337	5,045,255	501,082	9.93 %
Charges for Services	811,981	826,919	(14,938)	(1.81)%
Fines and Forfeitures	260,586	283,690	(23,104)	(8.14)%
Miscellaneous Revenues ⁽¹⁾	5,637,367	6,459,178	(821,811)	(12.72)%
Totals	\$ 20,301,379	\$ 19,599,195	\$ 702,184	3.58 %

⁽¹⁾Includes interest income and reimbursements received from the Enterprise Funds for services provided by General Fund Departments

The relationships between the various sources of revenue received in fiscal year 2001-02, as compared to fiscal year 2000-01, may be shown graphically as follows:



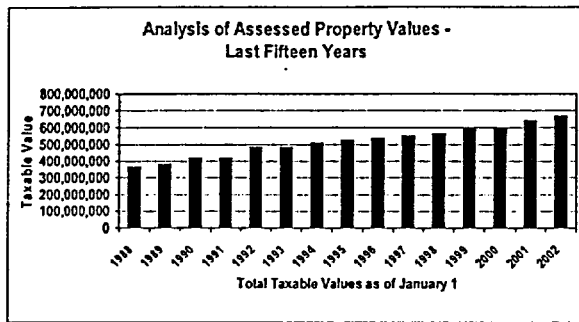
Taxes: Revenue generated in this category experienced the single largest increase of any of the major revenue categories. The most significant cause of the increase can be attributed to the communications services tax. The Florida Legislature enacted the "Communications Services Tax Simplification Law", which became effective October 1, 2001, and eliminated three (3) revenue sources (public service tax on telecommunications, cable television franchise fees, and telecommunications franchise fees) which were previously available to units of local government. The

new law replaces the eliminated revenues with a single tax collected by the Florida Department of Revenue. On July 9, 2001, the City Commission adopted Resolution Number 6263, which authorized the levy of the maximum discretionary communications services tax of 5.22% and elected not to collect right-of-way permit fees. During fiscal year 2001-02, a total of \$899,359 was collected, which accounts for 89.27% of the increase in this category.

Ad valorem tax revenues increased by \$45,290 or 6.73%, from \$2,789,242 in fiscal year 2000-01 to \$2,834,532 in fiscal year 2001-02. The millage rate (amount of taxes per \$1,000 of assessed value) levied in the City remained constant at 4.50 mills for both years. Therefore, the increase in ad valorem tax revenues is attributable totally to increases in the assessed value of taxable properties. Aggregate taxable property values rose by 4.19% or \$26,924,352 from \$641,873,683 in fiscal year 2000-01 to \$668,798,035 in fiscal year 2001-02.

In the past fifteen years, the increase in total taxable values has averaged 5.33% annually, which, may be shown graphically as follows:

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The public service tax (authorized pursuant to the provisions of Section 166.231, Florida Statutes), for electric, natural gas, and water service sold to customers in the incorporated limits of the City was implemented on April 1, 2000. This revenue source rose by \$44,693 or 2.46% from \$1,813,930 in fiscal year 2000-01 to \$1,858,623.

Revenues received from the levy of the one cent infrastructure sales surtax experienced an increase of \$56,746 from \$1,210,133 in fiscal year 2000-01 to \$1,266,879 in fiscal year 2001-02. On November 6, 2001, Lake County voters renewed the levy of an additional one cent tax on sales in the County pursuant to the provisions of Section 212.055, Florida Statutes. The City receives a portion of the tax based on an interlocal agreement with Lake County and the fourteen incorporated Lake County municipalities, which expires December 31, 2017. Utilization of the proceeds of this tax is limited to infrastructure improvements, long-term maintenance costs associated with landfill closure, and public safety vehicles and equipment with a life expectancy of at least 5 years.

Collectively, the local option gas taxes, and the one cent voted gas tax increased by \$34,445 over the amount received in fiscal year 2000-01. It should be noted at this point that the voters of Lake County, in a referendum election, approved this tax. The tax provides for the levy of a one cent

per gallon tax on motor fuel and special fuel sold in the County and taxed pursuant to the provisions of Section 206, Florida Statutes. Utilization of the proceeds of this tax is limited to the costs of acquisition, construction, reconstruction, and maintenance of roads and streets; and the costs of establishing, operating, and maintaining a transportation system and related facilities.

Nearly 30% of both the one cent voted gas taxes as well as the six cent local option gas tax collected are shared with the municipalities based on a cooperative agreement between Lake County and the fourteen incorporated Lake County municipalities.

On April 22, 2002, the City Commission approved Ordinance Number 02-24, which authorized collection of franchise fees from permit holders that service customers with solid waste collection and disposal within the City limits of Leesburg. This new revenue source for a partial year generated \$11,935.

Licenses and permits: The most significant increase in this category is building permits, which experienced an increase of \$50,503 or 34.87% from \$144,814 in fiscal year 2000-01 to \$195,317 in fiscal year 2001-02. This increase can be attributed to the total construction value of permits issued, which increased by \$4,787,670 or 12.22% from \$39,185,392 in fiscal year 2000-01 to \$43,973,062 in fiscal year 2001-02. The total number of building permits issued decreased by 119 from 430 during fiscal year 2000-01 to 311 during fiscal year 2001-02. The decrease in number of permits issued compared to total construction value can be explained by numerous large commercial projects. In addition, a large volume of permits with high construction values were submitted prior to the fee increase approved by Lake County.

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Occupational license revenue fell slightly by \$5,242 or 2.87% from \$182,343 in fiscal year 2000-01 to \$177,101 in fiscal year 2001-02. This decrease can partially be attributed to three (3) businesses in the sales with inventory category: K-Mart and Belk's department store closed permanently and Publix was closed for renovation. Gross revenue reported from businesses in this category dropped, which resulted in a decrease in fees collected. Occupational license fees are payable on or before October 1 of each year; therefore, the timing of when these items are paid could have an impact on the amount received from one year to the next.

Intergovernmental revenue: This category experienced significant changes, which can be seen in the "Schedule of Expenditures" for federal and state financial awards. Federal grants decreased by \$2,096,130 and State grants increased by \$2,151,966. The decrease in federal grants can be attributed to the amount of grant revenue recognized in the stormwater fund in connection with the construction of improvements to the Carver Heights drainage basin. Grant revenues for this project decreased by \$1,178,617 or 74.96% from \$1,569,681 in fiscal year 2000-01 to \$391,064 in fiscal year 2001-02. Grant sources for this project included a federal grant passed through the State of Florida, Department of Community Affairs, as well as funding from the St. John's River Water Management District.

Another decrease can be attributed to a housing rehabilitation grant secured in July 2001, which provided improvements to substandard housing units owned by eligible low-income individuals and families. Since the amount of grant revenue recognized relates directly to the amount of expenditures incurred, revenues from this source totaled \$692,500 during fiscal year 2000-01 and \$7,500 in fiscal year 2001-02 to complete the grant.

Finally, the level of activity during fiscal year 2001-02 for various grants related to the provision of law enforcement services from the U.S. Department of Justice decreased from \$236,858 to \$144,605. The City received funding from the following agencies:

Type	Agency	Number
Cops Fast	Federal	1
Local Law Enforcement Block Grant	Federal	2
SRO program, passed through from the U.S. Department of Justice	State	1
SRO/DARE	County	3

These decreases are offset by the increase in state grants, which is primarily due to all the activity associated with airport improvements, specifically land acquisition which totaled \$2,166,897 in fiscal year 2001-02.

Also, the proceeds received from the local government half-cent sales tax increased \$60,211 or 8.16% from \$737,543 in fiscal year 2000-01 to \$797,754 in fiscal year 2001-02.

Finally, housing grant revenues received from the United States Department of Housing and Urban Development remained relatively stable and rose by \$27,082 or 3.76% from \$719,547 in fiscal year 2000-01 to \$746,629 in fiscal year 2001-02. Funding is based on the number of leased units, which remained constant, and the established rate per unit. As of September 30, 2002, this program was transferred to Lake County.

Charges for services: Revenue from this source is subject to variances from year to year. Although this category experienced an overall decrease, stormwater utility fees increased slightly and traffic fine revenues increased \$14,458. Conversely, criminal fines and sales of forfeited property experienced a decrease of \$16,583 and \$16,611 respectively. Activity fees for

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recreation decreased by \$8,804 and zoning fees decreased \$11,089.

Miscellaneous revenues: The decrease of \$821,811 or 12.72% can be attributed to increases and decreases in the four (4) areas within the category. The major decrease is related to proceeds from the sale of real property, which generated one time revenues in both the general fund as well as the capital projects fund. In fiscal year 2000-01, the City realized revenue from the sale of the remaining parcels the City owned in the Municipal Industrial Park (\$303,219) and the sale of property on the corner of Dixie Avenue and Canal Street, known as the Babe Ruth ball field (\$820,310). The proceeds from this sale were deposited into the capital projects fund and will be used to construct the new baseball and softball fields at the Sleepy Hollow Recreation Complex.

Interest earnings also fell from \$756,079 in fiscal year 2000-01 to \$435,637 in fiscal year 2001-02, a decrease of 42.38% or \$320,442. Although, the amount of surplus funds available for investment (reported as equity in pooled cash and cash equivalents) grew by \$766,443 from \$12,093,793 as of September 30, 2001 to \$12,860,236 as of September 30, 2002, interest revenues decreased as a result of the decline in interest rates. The change in general fund equity in pooled cash and cash equivalents from \$5,280,905 as of September 30, 2001 to \$6,214,234 as of September 30, 2002 was a result of the effort to restore the general fund to a strong fiscal foundation. The adjustments required (pursuant to the provisions of GASB Statement 31) to adjust investment values to market prices resulted in a decrease to investment income totaling \$26,317 in fiscal year 2001-02. The City recorded a market value decrease of \$130,888, which is a change of \$157,205.

The reimbursement revenue from the six (6) enterprise funds increased by

\$499,912 or 28.72% from \$3,835,994 in fiscal year 2000-01 to \$4,335,906 in fiscal year 2001-02. General fund departments provide a wide variety of services to the enterprise funds. The costs of providing these services are recovered from the enterprise funds by way of cost allocation, and are deposited into the general fund as reimbursement revenues. As general fund expenditures of the departments providing services to the enterprise funds increase, the amount of reimbursement revenue generated also increases.

Rent and royalty revenue also rose by \$104,200 or 20.85% from \$499,705 in fiscal year 2000-01 to \$603,905 in fiscal year 2001-02. More than 100% of this increase can be directly attributed to increases in rental income generated by the Leesburg Regional Airport, which rose by \$123,880. This increase is offset by a decrease of \$7,774 in community building fees and \$9,988 in dry slip rental fees.

Total expenditures, as included in the governmental funds, rose by \$2,835,512 or 12.30% from \$23,046,920 in fiscal year 2000-01 to \$25,882,432 in fiscal year 2001-02.

Similar to the fashion in which revenues are classified into major categories, governmental fund type expenditures are classified into one of the following nine functional categories:

General Government - Includes the costs of services provided by the legislative, judicial and administrative branches of government for the benefit of the public and the governmental body as a whole.

Public Safety - Includes expenditures related to the security of persons and property, such as police services, building inspection services, fire protection and rescue services.

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Physical Environment - Includes the costs of services necessary for the attainment of a satisfactory living environment, such as pollution control, stormwater management, and other activities relating to the environment.

Transportation - Includes those expenditures necessary to provide for the safe and efficient flow of vehicle and pedestrian traffic throughout the City, primarily through construction and maintenance of roads, as well as those costs related to the construction and maintenance of airport facilities.

Economic Environment - Includes costs incurred for the development and improvement of economic conditions for the community and its citizens.

Human Services - Includes expenditures for the care, treatment, and control of human illness, injury, or handicap, and for the welfare of the

community as a whole, such as the Citizens Utility Relief Effort (C.U.R.E.) and animal control services.

Culture/Recreation - Includes the costs of providing and maintaining cultural and recreational facilities throughout the City for the benefit of all its citizens.

Capital Projects - Includes expenditures for major construction projects, which generally require longer than one fiscal year to complete.

Debt Service - Includes the costs of liquidating long-term liabilities of the City, such as principal and interest on bond issues and notes, contracts payable and related expenditures.

Utilizing the functional categories listed above, the amount of expenditures incurred in the governmental funds during fiscal year 2001-02, as compared to fiscal year 2000-01, was as follows:

Description	Fiscal Year 2001-2002	Fiscal Year 2000-2001	Increase (Decrease)	Percent Change
General Government	\$ 5,300,534	\$ 4,920,929	\$ 379,605	7.71 %
Public Safety	7,793,941	7,076,688	717,253	10.14 %
Physical Environment	1,992,276	3,122,998	(1,130,722)	(36.21)%
Transportation	1,329,190	1,369,496	(40,306)	(2.94)%
Economic Environment	957,399	1,740,293	(782,894)	(44.99)%
Human Services	46,551	46,153	398	0.86 %
Culture and Recreation	3,243,260	2,810,475	432,785	15.40 %
Capital Projects	4,719,851	1,520,633	3,199,218	210.39 %
Debt Service	499,430	439,255	60,175	13.70 %
Totals	\$ 25,882,432	\$ 23,046,920	\$ 2,835,512	12.30 %

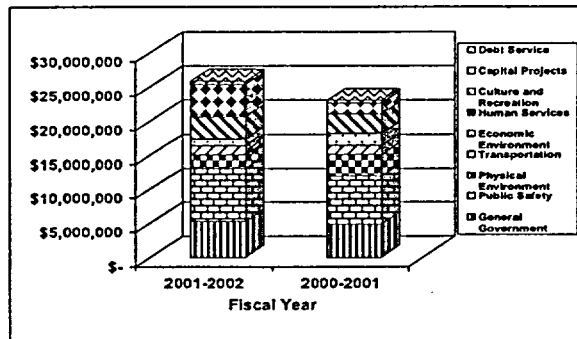
As shown in the above table, significant increases in expenditures for general government, specifically general fund (\$2,835,512) and capital projects fund (\$3,199,218), are offset by the decreases in the special revenue funds (\$2,191,567) as discussed in the physical environment and economic environment categories.

Throughout the various categories, there will be reference to increases in personal

service costs. In the governmental funds, those costs increased from \$12,112,336 in fiscal year 2001-02 to \$13,576,908 in fiscal year 2001-02, which is a 12.09% increase totaling \$1,464,572. In addition to the regular merit increases, the market salary survey adjustment (\$668,757) and the employer health insurance cost increase (\$231,019) were the cause for over 60% of the increase.

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The following is a graphic representation of the changes in expenditures by category from fiscal year 2000-01 to fiscal year 2001-02:



General Government: Personal services expenditures (i.e. salaries and benefits) account for over 60% of the total expenditures in the general government category and experienced an increase of \$516,558 or 17.04% over fiscal year 2001-02. The other major increase was \$108,870 over fiscal year 2000-01 for professional services for the consultant to update the comprehensive plan.

Public Safety: Personal services expenditures for police department (\$469,211) and fire department (\$207,975) represent over 94% of the increase.

Physical Environment: Other than the capital projects category, this category experienced the largest dollar decrease of any of the major expenditure categories. As discussed in the intergovernmental revenue category, more than 100% of this decrease is a result of stormwater projects. The Carver Heights drainage project, grant funded, was completed in fiscal year 2000-01 and accounted for \$973,890 of the decrease. The engineering division experienced an increase in the personal services category (\$46,604) and purchased new software and licenses (\$31,532) to improve the operation of the department. Finally, the public works administration

division purchased a new vehicle and copier, which accounts for \$29,000 of the increase.

Transportation: In March 2002, the City contracted with Superior Asphalt to perform services for streets division including street and sidewalk repairs. This resulted in a \$22,511 savings for fiscal year 2001-02.

Expenditures associated with the Leesburg Regional Airport fell by \$17,795 for two (2) reasons. There was a decrease in capital outlay expenditures above and beyond those funded out of the capital projects fund. Capital outlay expenditures in fiscal year 2000-01 totaling \$44,000 were made for road construction to the Lowe's store located on airport property. Second, there were two (2) major repairs in fiscal year 2000-01 including a roof repair on Phil's Aircraft associated with the storm of July 20, 2001 (\$15,300), and repairs to the Sim's hangar (\$9,175) that accounted for the change.

Economic Environment: The majority of the decrease in this category was associated with the community development block grant for low-income housing units. Expenditures fell from \$832,500 in fiscal year 2001-02, when work on the grant neared completion to \$7,500 in fiscal year 2001-02, which was the final administrative payment. Conversely, personal service expenditures for economic development division increased by \$32,648 over fiscal year 2000-01. Expenditures in the federally assisted housing voucher program remained relatively stable and rose by only \$27,082.

Human Services: The change in this category was so minimal there is little need to identify the reasons. Expenditures associated with the Citizens Utility Relief Effort (C.U.R.E.) Program are dependent on the amount of citizen contributions received, and tend to vary from year to year.

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Culture/Recreation: Excluding capital projects, this category had the second largest increase. In addition to the increases in personal service costs of \$13,706 in library and \$244,779 in recreation, there were five (5) other expenditures significant to this category, specifically clean air ducts at the library (\$19,000), purchase software (\$32,154), and overhead projector (\$15,534).

The recreation department spent \$20,000 on Venetian Gardens canal dredging and \$20,000 for a new vehicle.

Capital Projects: The significant increase in this category can be attributed to land acquisition at the airport, which represents 90% or \$2,882,459 of the increase. The other major capital project that began during fiscal year 2000-01 and had significant increases is land acquisition for the remaining parcels for the police department and the design and engineering costs associated with the construction of the police station, which increased by \$429,678 for both projects.

Debt Service: Expenditures vary depending on the amount of the periodic installments of principal and interest due on long-term obligations during a particular fiscal year. Total debt service expenditures increased by

\$52,952 or 13.71% from \$386,303 in fiscal year 2000-01 to \$439,255 in fiscal year 2001-02.

The debt service expenditures are associated with the issuance of the \$7,345,000 City of Leesburg, Florida Refunding and Capital Improvement Bonds, Series 1999 remained relatively stable (\$384,255 in fiscal year 2000-01 and \$379,430 in fiscal year 2001-02). The majority of the change resulted from an increase in principal repayment from \$55,000 in fiscal year 2000-01 to \$125,000 in fiscal year 2001-02.

Debt Administration

The \$7,345,000 Refunding and Capital Improvement Revenue Bonds, Series 1999, the \$15,705,000 Utilities System Refunding Revenue Bonds, Series 1999A and the \$12,145,000 Utilities System Revenue Bonds, Series 1999B are insured by Ambac Assurance Corporation (Ambac) and carry a AAA Standard and Poors Bond Rating and AAA Fitch IBCA Bond Rating.

The following is a summary of long-term debt activity for the fiscal year ended September 30, 2002:

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Description	Balance October 1, 2001	Additions	Retirements	Balance September 30, 2002
Refunding and Capital Improvement Revenue Bonds, Series 1999	7,290,000	\$ -	\$ 120,000	\$ 7,170,000
Utilities System Refunding Revenue Bonds, Series 1999A ⁽¹⁾	14,950,000	-	400,000	14,550,000
Utilities System Revenue Bonds, Series 1999B ⁽¹⁾	11,945,000	-	105,000	11,840,000
Total Long-Term Bonded Debt⁽¹⁾	\$ 34,185,000	\$ -	\$ 625,000	\$ 33,560,000
Plus:				
Compensated Absences ⁽²⁾	1,265,521	120,313	-	1,385,834
Suit Settlement Payable ⁽³⁾	450,000	-	60,000	390,000
Notes Payable ⁽⁴⁾	222,142	-	12,687	209,455
Total Long-Term Debt⁽¹⁾	\$ 36,122,663	\$ 120,313	\$ 697,687	\$ 35,545,289

⁽¹⁾Includes the Long-Term portion of the Utilities System Refunding Revenue Bonds, Series 1999A, the Utilities System Revenue Bonds, Series 1999B, which are payable from the enterprise funds.

⁽²⁾Includes only compensated absence liabilities payable from the governmental funds (i.e. the general fund and the special revenue funds).

⁽³⁾Represents that portion of the legal settlement with the Tri-County Branch of the NAACP which does not represent a current liability. Specifically, the terms of the settlement require the City of Leesburg to continue an annual funding subsidy, in the amount of \$30,000, to the Community Development Corporation, for a period of 10 years, which began in fiscal year 1997-98. In addition, the City is also required to pay an additional \$30,000 per year for a period of 10 years, which began in fiscal year 2000-01. The balance due for both settlements, recorded as a long term liability, totals \$390,000.

⁽⁴⁾Represents the principal portion of the purchase of the Christley property by the Greater Leesburg Community Redevelopment Agency (CRA) Fund, which is subject to a 15 year mortgage that extends until May 2014.

Capital Projects Fund

As previously described, the City has created a capital projects fund to account for major construction projects, which generally require longer than one fiscal year to complete. As reported above, expenditures from the capital projects fund totaled \$4,719,851 during fiscal year 2001-02. Significant revenue sources used to fund the capital projects fund include the proceeds received by the City from the one-cent local government infrastructure surtax, as well as federal and state grants such as the State Department of Transportation airport funding agreements.

Fiscal year 2001-02 capital projects fund revenues totaled \$4,016,451.

All other capital improvement expenditures are reported within the appropriate governmental fund type.

Fiduciary Operations

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

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outside fund managers. The operation of the three pension plans declined during fiscal year 2001-02. Even though the net decrease to the funds totaled \$3,065,681, the net assets held in trust for pension benefits totaled \$35,126,389 as of September 30, 2002.

General Fixed Assets

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude those fixed assets known collectively as infrastructure, i.e., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets which are immovable and generally of value only to the City of Leesburg. Also excluded from general fixed assets are the fixed assets of enterprise and internal service

funds, if any. As of September 30, 2002, the general fixed assets of the City amounted to \$45,167,624. This amount represents the historical cost of purchased assets or the estimated fair market value at the date of acquisition of assets acquired through donation or other means. The City's fixed asset accounting policy requires capitalization in the accounting records of fixed assets with a value of \$1,000 or more.

Proprietary Operations

The City has created a total of six enterprise funds to account for the following utility services: electric, natural gas, solid waste services, communication services, water and wastewater treatment. The results of operations of the enterprise funds for the fiscal year ending September 30, 2002 may be summarized as follows:

	Electric Utility	Gas Utility	Water Utility	Sanitary Sewer and Wastewater Utility	Solid Waste Utility	Communi- cation Services Utility	Total
Operating Revenues	\$ 36,997,082	\$ 5,575,909	\$ 3,804,857	\$ 3,815,141	\$ 2,725,740	\$ 316,318	\$ 53,235,047
Operating Expenses	(32,924,316)	(4,798,412)	(2,871,721)	(4,753,803)	(2,837,378)	(361,337)	(48,546,967)
Operating Income (Loss)	\$ 4,072,766	\$ 777,497	\$ 933,136	\$ (938,662)	\$ (111,638)	\$ (45,019)	\$ 4,688,080
Nonoperating Revenue(Expenses)	690,546	96,325	522,609	(180,059)	63,310	38,461	1,231,192
Income before Operating Transfer	\$ 4,763,312	\$ 873,822	\$ 1,455,745	\$ (1,118,721)	\$ (48,328)	\$ (6,558)	\$ 5,919,272
Operating Transfer	(4,446,783)	(591,470)	(1,007,067)	(256,846)	(183,275)	89,761	(6,395,680)
Net Income (Loss)	\$ 316,529	\$ 282,352	\$ 448,678	\$ (1,375,567)	\$ (231,603)	\$ 83,203	\$ (476,408)

In addition to the general government services provided, the following six (6) utility systems are also an important part of the City organization. As shown in the schedule above, four of the six enterprise funds had positive net income during fiscal year 2001-02.

The Wastewater Utility Fund experienced a net loss of \$1,375,567 as a result of several factors: additional expenditures associated with the operation of a second

treatment plant, and a reduction in interest revenue earned. The rate study was completed subsequent to this audit report and the revenue increases in future years will be sufficient to support the operating expenditures of this utility. The loss in the solid waste fund was a result in restatement of the landfill postclosure estimate.

In the aggregate, the net loss (after subtracting operating transfers to the general fund) in the six enterprise funds totaled

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\$476,408. A majority of this loss can be attributed to the decrease in interest earnings from \$3,754,972 in fiscal year 2000-01 to \$1,829,975 in fiscal year 2001-02. In addition to the declining interest rates, the amount of surplus funds available for investment (reported as equity in pooled cash and cash equivalents) fell by \$6,466,532. Much of this cash was reinvested in capital assets, which had a net increase of \$5,256,788.

The City of Leesburg serves residents and many customers outside the incorporated limits. The City has an active maintenance program and considers all systems to be in good condition.

The City believes the rates charged for the use of all the utility systems are reasonably comparable to rates charged by similar utilities. The rates of the electric system are established by ordinance of the City Commission. The current rate structure of the City (as opposed to the actual rates) is subject to the approval of the Public Service Commission (PSC). Rates for the use of the natural gas, water, wastewater, solid waste, communications, and stormwater systems are established by ordinance of the City Commission and are not regulated by any other agency.

Electric System

The electric system, established in 1926, serves 19,763 customers. The system includes five substations, distribution facilities, 371.4 miles of primary electric lines, and covers a total area of 50 square miles. The City of Leesburg purchases power from the Florida Municipal Power Agency (FMPA) on an all-requirements basis. FMPA was created pursuant to Florida Statutes Chapter 163, Parts I and II ("The Interlocal Act": and "The Joint Power Act") which, among other things, provides a means for Florida municipal corporations to cooperate with

each other to provide for their present and future energy needs. The agreement remains in effect until October 1, 2020, with two optional successive ten-year renewal periods. The power rates that FMPA charges the City are subject to a majority vote of the FMPA Board of Directors. The City has limited oversight authority over the operation.

The City operates no generation facilities, but owns an undivided 0.8244% interest in and generation entitlement share to Crystal River Number 3, a nuclear steam electric generating unit. Florida Progress (formerly known as Florida Power Corporation) owns 90% of the unit and is responsible for the operation of the plant. The City acquired its share of the facilities in 1975. Participants are entitled to energy output of the unit based upon their respective generation entitlement share. Operation costs are paid monthly in proportion to the entitlement share. Nuclear fuel payments are required of participants in advance.

The City, through FMPA, negotiated an agreement with Florida Power and Light Corporation guaranteeing the City the right to purchase up to 1.716 megawatts of generating capacity from the St. Lucie No. 2 nuclear generating plant. This plant became operational in 1984.

The Public Service Commission approved a territorial agreement with Florida Power Corporation in May 1982 and with Sumter Electric Cooperative in May 1991. The City of Leesburg entered into a franchise agreement, effective November 1, 1983, with the City of Fruitland Park to provide electric services for 25 years and the right for the City of Fruitland Park to purchase the distribution system in 2008.

The capital improvements plan for the electric system for the fiscal years ending September 30, 2003 through 2007 includes

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various capital expenditures aggregating \$32,990,956 (including \$5,000,000 for converting electric utilities to underground), all of which are projected to be paid from revenues of the electric system. No indebtedness is anticipated to be issued with respect to the electric system in order to finance such capital improvements.

Natural Gas System

The natural gas system, established in 1959, encompasses 83 square miles, both inside and outside the City limits, and is composed of 211 miles of steel gas mains and 9,510 steel services. The areas served include the City of Leesburg, the area west along SR 44 including the Municipal Industrial Park and Pennbrooke Fairways, the area east of the City which includes the Lake Square Mall and Bassville Park and is bounded by Dead River, the City of Fruitland Park to the north and the area west of US Highway 27, which includes Okahumpka and extends along CR 470 to the Coleman Federal Correction Facility to the west and the area along US Highway 27 South including Legacy, Highland Lakes, and ending at Royal Highlands just south of the Florida Turnpike to the south.

The City of Fruitland Park is served under a franchise agreement which became effective November 1, 1983. The agreement provides for 25 years of service and the right for the City of Fruitland Park to purchase its distribution system in 2008.

Installation and maintenance of all gas mains and service lines are the responsibility of the City Gas Department. Mains that are 4 inches in diameter and larger are installed by outside contractors.

The City of Leesburg is a member of the Florida Gas Utility (FGU) consortium. FGU purchases natural gas for its members from various suppliers and coordinates day-to-day nominations to Florida Gas

Transmission Company (FGT, an interstate pipeline company) for delivery of natural gas to the City's two gate stations. The scheduled volumes are based on the weather forecast, daily consumption needs not related to weather, and FGT system constraints.

The Capital Improvement Plan for the gas system for the fiscal years ending September 30, 2003 through 2007 includes various capital expenditures aggregating \$6,783,823 all of which are projected to be paid from revenues of the gas system. No indebtedness is anticipated to be issued with respect to the gas system in order to finance such capital improvements.

Water System

The water system was established nearly 100 years ago. The water service area encompasses 26 square miles inside and outside the City limits and serves 13,173 customers. The water distribution system is primarily composed of 332 miles of water mains. The system includes four (4) elevated storage tanks, (College Street 500,000 gallons, Newell Hill 200,000 gallons, Highland Lakes 200,000 gallons, and Lake Square Mall 150,000 gallons). There are three (3) ground storage tanks within the system. Two (2) of the ground storage tanks within the City limits are rated at 1.5 million gallons per day (MGD) and the one at Royal Highlands is a 500,000 MGD tank. In addition, there is a 10,000 gallon hydropneumatic tanks at the Leesburg Regional Airport and the Legacy Development. Water is obtained from 15 Floridian aquifer wells. The City has a consumptive use permit from St. Johns River Water Management District to withdraw 2,897.9 million gallons in 2002, which is an average daily flow of 7.94 million gallons. Treatment of the raw water is accomplished through the main water treatment plant and four (4) satellite plants.

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The water system is anticipated to have the capacity to meet the needs of the existing customers of the City through the year 2020. The water system received the "Outstanding Water Distribution Award, Division II" from the Florida Section of the American Water Works Association for 1999 and 2000. The City meets all federal and state drinking water standards.

The Capital Improvement Plan for the water system for the fiscal years ending September 30, 2003 through 2007 include various capital expenditures aggregating \$11,808,462 all of which are projected to be paid from revenues of the water system. No indebtedness is anticipated to be issued with respect to the water system in order to finance such capital improvements.

Wastewater System

The wastewater treatment system was established in the 1920's. The wastewater collection system serves the City and the surrounding service area which totals 26 square miles and serves 10,338 customers. The wastewater collection system consists of 100 pumping lift stations and 103 miles of sewer force mains and 70 miles of sewer gravity lines. Gravity sewer lines range from 4 to 24 inches in diameter and force mains range from 4 to 20 inches in diameter. The City has an operating permit from the Florida Department of Environmental Protection to operate two wastewater treatment plants, the Canal Street Plant, which is rated at 3.5 MGD, and the new Turnpike Plant, which is rated at 3.0 MGD. The system is in compliance with all state and federal regulations. The City treats its effluent water to an advance secondary standard and irrigates 675 acres of City owned property of which 365 acres are utilized for the hay operation. The resulting sludge waste generated from the wastewater treatment process is disposed of on 340 acres of City-owned hay fields. With both the Turnpike and Canal Street

wastewater treatment plants and land disposal sites maintained and in service, the City anticipates having sufficient wastewater treatment/disposal capacity through the year 2015.

Wastewater reuse is a commodity that will help the City maximize the life of the drinking water aquifer available for customers. Reuse is a valuable resource for not only residential customers, but for commercial customers that require high volumes of water at reasonable rates. The availability of reuse water in industrial and residential applications will be utilized to provide a means of reducing the City's use of potable water. Construction of a reuse facility and reuse line extensions began in fiscal year 1999-2000. Although the City has 86 customers in selected areas using the reuse pipelines, the City will be able to expand the reuse water service once the facility is complete. The City anticipates the construction of the additional reuse equipment and the reuse pipeline will be completed by December 2003. This new service will allow certain users to purchase irrigation water at a lower rate than the potable water rate, as well as meet the St. Johns River Water Management District water consumption requirement.

The Capital Improvement Plan for the wastewater system for the fiscal years ending September 30, 2003 through 2007 include various capital expenditures aggregating \$30,208,576, of which the majority are projected to be paid from revenues of the wastewater system. In addition, Canal Street Plant improvements have been identified and estimated to cost \$13 million and will require the issuance of indebtedness with respect to the wastewater system in order to finance such capital improvements. As of September 30, 2002, all the proceeds from the \$12,145,000 Utilities System Revenue Bonds, Series 1999B, have been used to complete specific capital improvements.

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Communication System

The communication utility system was established in 1993 and serves customers both inside and outside the City limits. This utility has a variety of customers: cellular telephone tower rental, internet services, and fiber optic communications. A monopole tower, located at the wastewater system spraysite on CR 470, was constructed in fiscal year 1998 and currently has two (2) cellular tower rental customers.

The water towers serve four (4) customers for cellular telephone tower rental space. Internet services were first offered in November 1998 and currently serve 336 customers.

The fiber optic extensions serve 26 municipal facilities and five (5) substations that interconnect all City offices to the IBM AS/400 computer located in the City Hall building. The City currently has seven (7) outside commercial customers. The City has installed 77 miles of fiber-optic cable, including 12 miles of new cable from 2nd Street north to The Villages retirement community. The City has embarked on an aggressive campaign to install fiber-optic cable. The budget includes funds to install 80,000 feet of new fiber optic lines to customers for high speed internet access, video conferencing, and to secure data transfer between multiple business sites.

In fiscal year 2001-02, the City began offering a 10 mb ethernet service to provide service for easy connectivity and extensions for computer networks that are cost effective.

The Capital Improvement Plan for the communications system for the fiscal years ending September 30, 2003 through 2007 include various capital expenditures aggregating \$7,144,599, the majority of which are projected to be paid from revenues of the electric system as a loan to be repaid from user charges over 10 years.

Solid Waste System

The solid waste system serves the incorporated area of the City, which totals almost 30 square miles and serves 6,671 customers. The City provides 90 gallon garbage cans for all residential and small commercial customers. Large commercial customers are now provided commercial dumpsters in various sizes from 2 cubic yards up to 10 cubic yards, which the City leases. Solid waste management instituted roll off service for construction and demolition debris. During fiscal year 2000-01, the City purchased the following roll off containers: 5 10-yards, 7 20-yards, 7 30-yards, and 4 40-yards. Presently there are: 175(2cy), 170(4cy), 53(6cy), and 75(8cy) dumpsters in service city-wide, 40% of which are City owned.

Internal Service Funds

The City has created three internal service funds to account for fleet maintenance services, employee health benefits coverage, and workers' compensation coverage.

As of September 30, 2002, the Fleet Maintenance Fund was transferred to the general fund. Activity for this fund was reported on the income statement, and assets and liabilities were transferred to the general fund, so the balance sheet reflects a zero balance.

The Health Insurance Fund experienced a net income of \$616,574 resulting in positive retained earnings of \$313,745. Although administrative expenses increased significantly, claims experience decreased \$907,584. On October 1, 2000, the City increased rates in order to build a substantial reserve over a two year period, which proved to be a successful endeavor. The City Commission terminated the contract with Well America Group, effective May 31, 2000 and continues litigation to

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recover \$744,109 of claims expense incurred by City participants that should have been paid by Well America as the third party insurance company. The program provides for the payment of City and employee contributions into a self-insurance fund, which is managed by the City and a third party administrator. Specific and aggregate stop loss coverage remains in effect, subject to the limits detailed in the following section.

The Workers' Compensation Fund experienced a net loss of \$186,164, resulting in a positive retained earning of \$1,103,830. This loss for the second year led to an increase in user charges from 25% of the state established rates to 37.5%.

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. The main elements of the risk management program are risk control (loss reduction) and risk financing (restoration of the economic damages of losses incurred).

Presently, the City's risk management program calls for self-insuring many types of risk, subject to the following limitations:

Type of Risk	Amount of Risk Retained by City	Limit of Excess Insurance Coverage
Workers' Compensation	\$ 400,000	None
Health Benefits	\$ 45,000	\$ 955,000

The limits stated above are on a per occurrence basis.

Cash Management

The City Clerk/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 1998-1999 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, and in government securities authorized by the investment policy. Interest rates and maturities (from the date of purchase) on securities purchased by the City during fiscal year 2001-02 were as follows:

Description	Days to Maturity		Interest Rate	
	Low	High	Low	High
Federal Agencies and Discount Notes:				
Federal National Mortgage Association	1,826	1,826	5.00	5.00
Federal Home Loan Bank	820	1,826	3.125	5.45

Funds deposited in local banks and savings and loan associations were secured by a pledge of approved collateral securities by the participating institutions with the State Treasurer's office. In addition, funds were invested in the Local Government Surplus Funds Trust Fund in order to take advantage of the higher yields and greater liquidity available therein.

Major Initiatives

During the past several years, it became increasingly apparent that the financial health of the City's general fund was experiencing considerable stress. This stress was caused, at least in part, by an increasing dependency on operating transfers from the enterprise funds to finance general government operations including certain large scale capital improvements. In an effort to deal with these issues, on August 14, 2000, the City adopted, by ordinance, three financial policies, which became effective for the fiscal year beginning on October 1, 2000.

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The first policy requires that the City Commission maintain adequate fund balance/retained earnings and reserves in its various operating funds. This policy basically provides a minimum threshold balance of unreserved undesignated fund balance in the general fund equal to 20% of the adopted budget, and a minimum threshold balance of unreserved retained earnings in each of the enterprise funds equal to 25% of the adopted budget. During the annual review to determine compliance with this policy, all funds were determined to be in compliance.

The second policy governs the transfer of funds from each of the enterprise funds to the general fund. The policy provides that the operating transfer shall not exceed 10% of operating revenues generated by each of the City's six (6) enterprise funds. During fiscal year 2001-02, operating transfers from the enterprise funds to the general fund totaled 8% of estimated revenues.

The third policy, the special projects transfer policy, governs transfers made from the utility funds for the purpose of financing general government special projects. Once the Commission determines a need for a nonrecurring transfer to a non-enterprise fund for capital improvements, the policy establishes a means to determine if funding is available. A total of \$900,227 was transferred from the enterprise funds, specifically electric and water funds, to the capital projects fund during fiscal year 2001-02 for the purpose of funding projects including rails to trails and improvements at the Leesburg Regional Airport.

Although not reflected in the total annexations for fiscal year 2001-02, the City continues an active annexation program. Over the past ten years, the City has expanded in size, from 19.63 square miles in 1993, to 29.71 square miles as of September 30, 2002, which represents an increase of over 50% during the ten year period. While annexations do provide the City with an

expanding revenue base, they also create demands for additional services which must be carefully considered as a part of the overall annexation decision.

Also during fiscal year 2001-02, the City entered into a contract with Lake-Sumter Emergency Medical Services, Inc. allowing the Leesburg Fire Department to upgrade and provide Advanced Life Support (ALS) services to the residents of Leesburg and the surrounding area. The fire department has provided Basic Life Support (BLS) services for a number of years. ALS services differ from BLS services in that ALS allows personnel to administer drugs, interpret basic cardiac EKG's and administer advanced life sustaining treatment. In return for the provision of ALS services by the Leesburg Fire Department, Lake-Sumter Emergency Medical Services, Inc. will compensate the City in an amount equal to a 0.10 mill property tax levy on all City property. The program began to generate revenue in September 2001, and realized revenue of \$63,312 for fiscal year 2001-02.

Prospects for the Future

The City of Leesburg Electric Utility represents the single most important financial aspect of the City's operation. Revenues generated from the electric utility fund accounts for nearly half of all City revenues. Nevertheless, the electric system may be affected by a number of factors which could have a material adverse impact on its financial condition.

Deregulation of the electric utility industry has the potential for significant detrimental impact upon the City of Leesburg. Presently, most customers of electric utilities are unable to choose among various suppliers of electricity and are dependent upon the local utility. Rates charged by local utilities are either set or regulated by the government, and utilities are generally not subject to competitive pressures. The electric utility

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industry may in the future become subject to open retail competition, and it is not possible to predict whether it would have any adverse impact upon the electric system. The City of Leesburg will continue to prepare the electric utility for the prospect of increased competition.

During fiscal year 1999-2000, the City implemented a public service tax on electric, gas, and water services in an effort to protect the City's revenue stream, provide an equitable system to fund City services, and maintain utility rates that are competitive, and to reduce general fund dependence on utility fund income for survival.

Over the past two (2) years, volatility in the cost of fuel used to produce energy has required pricing reactions on the part of the City with respect to electricity and natural gas. Increasingly, natural gas is used as a fuel source for the production of electricity. The increase in natural gas prices also had a significant impact to the city's electric utility. Unfortunately, the City has no option but to pass these increases on to the electric customers. The volatility of the current energy market, and the threat of war, will cause the City to more aggressively monitor these costs and may necessitate additional adjustments to the Bulk Power Cost Adjustment in the months ahead.

One other major issue on the horizon which is of significant concern to the City of Leesburg is the upcoming implementation of the Governmental Accounting Standards Board Statement 34 entitled Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. While the City intends to implement the provisions of GASB-34 statement as required this fiscal year, nevertheless the City has concerns over the effects of its implementation. Specifically, in the global sense, Statement 34 radically changes the traditional focus of governmental financial reporting from one of

stewardship and the flow of current financial resources, to a focus on the results of operations and the flow of economic resources. We believe this radical change may not be readily acceptable by several of the classes of users of governmental financial reports, namely, elected officials, the public and the news media. To illustrate, one of the principal tenets of Statement 34 is the preparation of government-wide financial statements. Under current practice, long lived assets and long term liabilities associated with the governmental funds are accounted for in account groups rather than being reported on the balance sheet of the various funds. This permits the users of the financial statements to evaluate the amount of current financial resources available in the governmental funds. However, with the entity wide statement of net assets (there will no longer be a balance sheet) required pursuant to Statement 34, long lived assets and long term liabilities will be commingled with current assets and liabilities, which could distort the total amount of resources available to fund the ongoing operations.

By assuming that the value of general fixed assets is equal to approximately half of their useful life remaining, then the undepreciated value of these assets could appear to show greater financial resources, and could increase the perceived value of the City's net assets. Although the amounts reported do not represent the current cash resources of the City, we are nevertheless concerned about the perception created about the financial health, or lack thereof, of the governmental unit as a whole.

Economic Condition and Outlook

The City of Leesburg is part of the Greater Orlando Metropolitan Statistical Area (MSA). As a member of the Economic Development Commission of Mid Florida, Inc., the City of Leesburg is able to take advantage of the unique partnership created with the City of Orlando, Orange, Seminole,

March 17, 2003

Lake and Osceola counties to provide a progressive, cohesive effort for new and expanding businesses. A strong pro business environment also can be seen from a financial point of view. Florida ranks sixth lowest nationwide in corporate income taxes, and there is no state personal income tax. In addition, state and local incentives are available to create enticing packages based on economic impact.

With the adoption of the 1996 fiscal year budget, the City Commission made a commitment to continue city-wide economic development activities to create more and better jobs for our citizens, stability for their families, and develop balance within the local economy.

Since March 1993, when the City initiated its first formal economic development office, efforts to attract new industry and assist the expansion of existing business in Leesburg has been significant. The City has developed strategies to diversify its service based job economy by creating more semi skilled and skilled positions at higher wages. By doing so, the City also hopes to enhance property values and to stabilize taxes.

On March 27, 2000, the City Commission adopted the City of Leesburg Strategic Economic Development Plan. As part of this incentive plan, the Commission has adopted two (2) incentive strategies, a fast track permitting process and a job growth incentive program.

The job growth incentive program adopted by the City Commission mirrors the program approved by the Lake County Commission for the Lake County Industrial Development Authority. In order to fund the job growth incentive program for the City of Leesburg, during fiscal year 2001 2002, the City committed \$15,000 for economic incentive programs, with a maximum of \$500 per job. In order to qualify for receipt of job

growth incentive funds the following criteria must be met:

- Create a minimum of 10 new full time jobs in the City of Leesburg within two years for new businesses, or a minimum of 5 full time jobs in one year for existing businesses, **and**
- The starting wage of each position provided an incentive must be 110% of the average wage in Lake County, Florida, as may be annually adjusted, **and**
- Created jobs must be from one of the targeted industries identified in the tables provided in the ordinance.

Independent Audit

Section 11.45, Florida Statutes, requires a financial audit of the annual financial statements of The City of Leesburg by an independent Certified Public Accountant selected by the City Commission and paid from City funds. This requirement has been accomplished, and the report of our auditors is included in the financial section of this report.

Certificate of Achievement

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, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program

March 17, 2003

standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements.

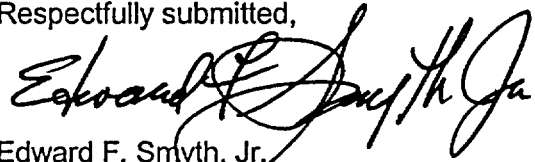
A Certificate of Achievement is valid for a period of one year only. The City of Leesburg has received a Certificate of Achievement for the last twelve consecutive years (fiscal years ended 1990-2001). The City's current report continues to conform to the Certificate of Achievement Program requirements, and will be submitted to the GFOA to determine its eligibility for another Certificate.

Acknowledgments

A comprehensive annual financial report of this nature could not have been prepared without the efficient and dedicated service of

all staff members involved. I would like to express my appreciation to the staff of the Accounting Division of the Office of the City Clerk/Finance Director, and specifically Deputy Finance Director Diane Reichard, for their efforts in producing this report, and to the accounting firm of Purvis Gray and Company for their contributions to the design, preparation and publication of this document. Finally, my thanks for the interest and support of the City Commission and the City Manager in planning and conducting the fiscal operations of the City of Leesburg.

Respectfully submitted,

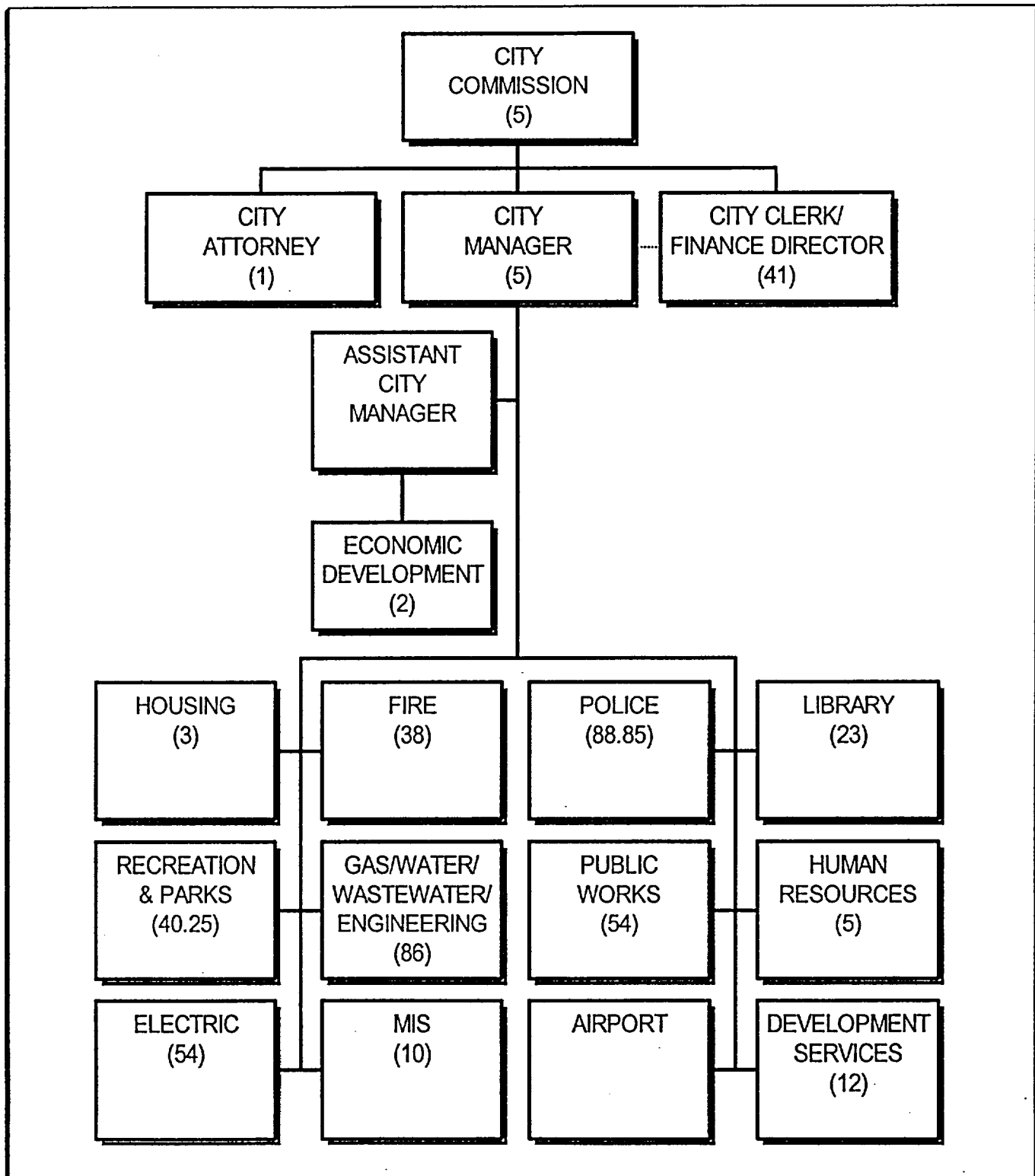
A handwritten signature in black ink, appearing to read "Edward F. Smyth, Jr.", written over a horizontal line.

Edward F. Smyth, Jr.
Acting Finance Director



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City of Leesburg, Florida Organizational Chart



- NUMBERS REFLECT FULL TIME EQUIVALENT EMPLOYEES IN RESPECTIVE DEPARTMENTS



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leesburg,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

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.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director



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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.



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FINANCIAL SECTION

This section contains the following subsections:

- ◆ Report of Independent Auditors
- ◆ General Purpose Financial Statements
- ◆ Combining Statements – By Fund Type
- ◆ Schedules

FINANCIAL SECTION

Independent Auditors' Report

General Purpose Financial Statements

Required Supplementary Information

Combining and Individual Fund and Account Group Statements and Schedules



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INDEPENDENT AUDITORS' REPORT

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the accompanying general purpose financial statements of the City of Leesburg, Florida, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Leesburg, Florida's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Our audit was made 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Leesburg, Florida at September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2003, on our consideration of the City of Leesburg, Florida'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

* P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238

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



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Honorable City Commission
City of Leesburg
Leesburg, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Leesburg, Florida taken as a whole. The required supplementary information listed in the table of contents is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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. The accompanying schedule of expenditures of federal awards and state financial assistance as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the *Rules of the Auditor General* of the State of Florida, and combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Leesburg, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The information presented in the statistical section is presented for the purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

January 24, 2003
Ocala, Florida

Pieris, Gray and Company



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GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF LEESBURG, FLORIDA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Equity in Pooled Cash and Cash Equivalents	\$ 6,214,234	\$ 626,662	\$ 314,503	\$ 5,704,837
Cash and Investments With Trustees Receivables:				
Customer Accounts:				
Unbilled		43,115		
Billed		48,579		
Allowance for Doubtful Accounts		(11,265)		
Accrued Interest				
Other	189,305			
Prepaid Items	28,026			
Due From Other Funds				
Due From Other Governments	659,219	150,583		1,064,109
Inventory	58,345			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents				
Investments				
Notes Receivable - Employees	167,312			
Property, Plant and Equipment				
General Fixed Assets				
(Accumulated Depreciation)				
Construction in Progress				
Unamortized Bond Issue Costs				
Amount Available for Debt Service				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	<u>\$ 7,316,441</u>	<u>\$ 857,674</u>	<u>\$ 314,503</u>	<u>\$ 6,768,946</u>

See accompanying notes.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2002	2001
\$ 38,170,038	\$ 2,300,555	\$ 35,004,913			\$ 53,330,829	\$ 58,501,284
					35,004,913	38,059,588
2,338,381					2,381,496	2,478,760
3,742,859					3,791,438	4,154,802
(608,109)					(619,374)	(554,911)
		121,476			121,476	132,482
	212,550				401,855	443,591
					28,026	13,655
1,152,860					1,152,860	788,767
5,212					1,879,123	1,540,455
1,707,254					1,765,599	1,603,398
10,008,462					10,008,462	10,297,223
2,553,129					2,553,129	2,140,798
					167,312	155,254
130,135,683					130,135,683	121,963,681
			\$ 45,167,624		45,167,624	39,994,063
(52,065,081)					(52,065,081)	(48,735,241)
5,964,373					5,964,373	4,625,414
460,221					460,221	489,026
				\$ 125,000	125,000	120,000
				9,030,289	9,030,289	9,107,663
<u>\$ 143,565,282</u>	<u>\$ 2,513,105</u>	<u>\$ 35,126,389</u>	<u>\$ 45,167,624</u>	<u>\$ 9,155,289</u>	<u>\$250,785,253</u>	<u>\$ 247,319,752</u>

(Continued)

See accompanying notes.

CITY OF LEESBURG, FLORIDA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002
(Concluded)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$ 424,773	\$ 48,112		\$ 343,840
Accrued Items	341,807			
Customer Advances for Construction				
Due to Other Governments		12,342		
Due to Other Funds				
Payable From Restricted Assets:				
Customer Deposits				
Accrued Interest on Revenue Bonds				
Current Portion - Revenue Bonds				
Claims Payable				
Matured Interest Payable			\$ 189,503	
Revenue Bonds Payable - Net				
Compensated Absences				
Suit Settlement Payable				
Mortgage Payable				
Unearned Revenue	265,752			
Landfill Postclosure Costs Payable				
Decommissioning Costs Payable				
Total Liabilities	<u>1,032,332</u>	<u>60,454</u>	<u>189,503</u>	<u>343,840</u>
Fund Equity and Other Credits				
Contributed Capital				
Investment in General Fixed Assets				
Retained Earnings:				
Reserved				
Unreserved				
Fund Balances:				
Reserved for Employee Benefits				
Other Reserves	4,936,044	193,486	125,000	6,425,106
Unreserved	1,348,065	603,734		
Total Fund Equity and Other Credits	<u>6,284,109</u>	<u>797,220</u>	<u>125,000</u>	<u>6,425,106</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 7,316,441</u>	<u>\$ 857,674</u>	<u>\$ 314,503</u>	<u>\$ 6,768,946</u>

See accompanying notes.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2002	2001
\$ 3,283,536	\$ 85,014				\$ 4,185,275	\$ 4,173,216
1,098,887					1,440,694	1,283,290
29,890					29,890	11,945
1,152,860					12,342	24,717
					1,152,860	788,767
2,057,308					2,057,308	1,975,127
688,581					688,581	698,282
504,999					504,999	485,000
	1,010,516				1,010,516	850,312
					189,503	191,903
25,694,172				\$ 7,170,000	32,864,172	33,419,529
				1,385,834	1,385,834	1,265,521
				390,000	390,000	450,000
				209,455	209,455	222,142
					265,752	301,167
922,352					922,352	752,341
3,808,150					3,808,150	3,599,950
<u>39,240,735</u>	<u>1,095,530</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>9,155,289</u>	<u>51,117,683</u>	<u>50,493,209</u>
24,291,418					24,291,418	24,307,397
			45,167,624		45,167,624	39,994,063
25,521,076	1,417,575				26,938,651	26,657,780
54,512,053					54,512,053	54,864,127
		35,126,389			35,126,389	38,192,070
					11,679,636	10,713,230
					1,951,799	2,097,876
<u>104,324,547</u>	<u>1,417,575</u>	<u>35,126,389</u>	<u>45,167,624</u>	<u>0</u>	<u>199,667,570</u>	<u>196,826,543</u>
<u>\$ 143,565,282</u>	<u>\$ 2,513,105</u>	<u>\$ 35,126,389</u>	<u>\$ 45,167,624</u>	<u>\$ 9,155,289</u>	<u>\$250,785,253</u>	<u>\$ 247,319,752</u>

See accompanying notes.



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CITY OF LEESBURG, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	2002	2001
Revenues						
Taxes	\$ 6,345,324			\$ 1,266,879	\$ 7,612,203	\$ 6,604,777
Licenses and Permits	432,905				432,905	379,376
Intergovernmental	1,295,581	\$ 1,267,017	\$ 500,419	2,483,320	5,546,337	5,045,255
Charges for Services	207,956	604,025			811,981	826,919
Fines and Forfeitures	260,586				260,586	283,690
Miscellaneous:						
Interest	212,148	22,469	4,011	197,008	435,636	756,080
Other	5,125,688	6,799		69,244	5,201,731	5,703,098
Total Revenues	<u>13,880,188</u>	<u>1,900,310</u>	<u>504,430</u>	<u>4,016,451</u>	<u>20,301,379</u>	<u>19,599,195</u>
Expenditures						
Current:						
General Government	5,300,534				5,300,534	4,920,929
Public Safety	7,793,941				7,793,941	7,076,688
Physical Environment	806,922	1,185,354			1,992,276	3,122,998
Transportation	1,329,190				1,329,190	1,369,496
Economic Environment	161,011	796,388			957,399	1,740,293
Human Services	46,551				46,551	46,153
Culture and Recreation	3,243,260				3,243,260	2,810,475
Capital Projects				4,719,851	4,719,851	1,520,633
Debt Service:						
Principal			120,000		120,000	55,000
Interest			379,430		379,430	384,255
(Total Expenditures)	<u>(18,681,409)</u>	<u>(1,981,742)</u>	<u>(499,430)</u>	<u>(4,719,851)</u>	<u>(25,882,432)</u>	<u>(23,046,920)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures						
Before Other Financing Sources (Uses)	<u>(4,801,221)</u>	<u>(81,432)</u>	<u>5,000</u>	<u>(703,400)</u>	<u>(5,581,053)</u>	<u>(3,447,725)</u>
Other Financing Sources (Uses)						
Operating Transfers In	5,579,236	86,412		900,227	6,565,875	5,967,417
Operating Transfers Out	(86,413)	(78,080)			(164,493)	0
Proceeds From Issuance of Debt					0	(479,528)
Total Other Financing Sources (Uses)	<u>5,492,823</u>	<u>8,332</u>	<u>0</u>	<u>900,227</u>	<u>6,401,382</u>	<u>5,487,889</u>
Excess (Deficiency) of Revenues and Other Financing Sources						
Over (Under) Expenditures and Other Financing Uses	691,602	(73,100)	5,000	196,827	820,329	2,040,164
Fund Balances, Beginning of Year	<u>5,592,507</u>	<u>870,320</u>	<u>120,000</u>	<u>6,228,279</u>	<u>12,811,106</u>	<u>10,770,942</u>
Fund Balances, End of Year	<u>\$ 6,284,109</u>	<u>\$ 797,220</u>	<u>\$ 125,000</u>	<u>\$ 6,425,106</u>	<u>\$ 13,631,435</u>	<u>\$ 12,811,106</u>

See accompanying notes.

CITY OF LEESBURG, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 6,402,122	\$ 6,345,324	\$ (56,798)
Licenses and Permits	377,000	432,905	55,905
Intergovernmental	1,058,735	1,295,581	236,846
Charges for Services	258,000	207,956	(50,044)
Fines and Forfeitures	286,000	260,586	(25,414)
Miscellaneous:			
Interest	244,262	212,148	(32,114)
Other	5,262,999	5,125,688	(137,311)
Total Revenues	13,889,118	13,880,188	(8,930)
Expenditures			
Current Operating:			
General Government	6,015,499	5,300,534	714,965
Public Safety	7,855,059	7,793,941	61,118
Physical Environment	844,075	806,922	37,153
Transportation	1,107,989	1,329,190	(221,201)
Economic Environment	42,610	161,011	(118,401)
Human Services	47,830	46,551	1,279
Culture/Recreation	3,353,830	3,243,260	110,570
Capital Projects			
Debt Service:			
Principal			
Interest			
(Total Expenditures)	(19,266,892)	(18,681,409)	585,483
Excess (Deficiency) of Revenues (Under) Over Expenditures Before Other Financing Sources (Uses)	(5,377,774)	(4,801,221)	576,553
Other Financing Sources (Uses)			
Operating Transfers In	5,800,946	5,579,236	(221,710)
Operating Transfers Out	(86,413)	(86,413)	
Proceeds From Issuance of Debt			
Total Other Financing Sources (Uses)	5,714,533	5,492,823	(221,710)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	336,759	691,602	354,843
Fund Balances, Beginning of Year	5,592,507	5,592,507	
Fund Balances, End of Year	\$ 5,929,266	\$ 6,284,109	\$ 354,843

See accompanying notes.

Special Revenue			Debt Service			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						\$ 1,096,686	\$ 1,266,879	\$ 170,193
\$ 1,258,220	\$ 1,267,017	\$ 8,797	\$ 500,767	\$ 500,419	\$ (348)	3,164,397	2,483,320	(681,077)
606,000	604,025	(1,975)						
29,341	22,469	(6,872)	3,238	4,011	773	283,485	197,008	(86,477)
	6,799	6,799				50,000	69,244	19,244
<u>1,893,561</u>	<u>1,900,310</u>	<u>6,749</u>	<u>504,005</u>	<u>504,430</u>	<u>425</u>	<u>4,594,568</u>	<u>4,016,451</u>	<u>(578,117)</u>
1,366,819	1,185,354	181,465						
796,441	796,388	53						
						6,104,963	4,719,851	1,385,112
			120,000	120,000				
			379,005	379,430	(425)			
<u>(2,163,260)</u>	<u>(1,981,742)</u>	<u>181,518</u>	<u>(499,005)</u>	<u>(499,430)</u>	<u>(425)</u>	<u>(6,104,963)</u>	<u>(4,719,851)</u>	<u>1,385,112</u>
(269,699)	(81,432)	188,267	5,000	5,000	0	(1,510,395)	(703,400)	806,995
86,413	86,412	(1)				926,594	900,227	(26,367)
(246,709)	(78,080)	168,629						
32,632		(32,632)				554,700		(554,700)
<u>(127,664)</u>	<u>8,332</u>	<u>135,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,481,294</u>	<u>900,227</u>	<u>(581,067)</u>
(397,363)	(73,100)	324,263	5,000	5,000		(29,101)	196,827	225,928
<u>397,363</u>	<u>870,320</u>	<u>472,957</u>	<u>120,000</u>	<u>120,000</u>	<u>0</u>	<u>29,101</u>	<u>6,228,279</u>	<u>6,199,178</u>
<u>\$ 0</u>	<u>\$ 797,220</u>	<u>\$ 797,220</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,425,106</u>	<u>\$ 6,425,106</u>

See accompanying notes.

CITY OF LEESBURG, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
Operating Revenues				
Charges for Services	\$ 52,443,922	\$ 3,823,740	\$ 56,267,662	\$ 58,144,327
Other Operating	791,125		791,125	752,095
Total Operating Revenues	<u>53,235,047</u>	<u>3,823,740</u>	<u>57,058,787</u>	<u>58,896,422</u>
Operating Expenses				
Power Generation and Transmission	1,322,803		1,322,803	1,171,459
Purchased Energy	26,463,837		26,463,837	29,710,316
Operations and Maintenance	11,727,757	1,054,292	12,782,049	10,874,153
General and Administrative	3,885,267	373,903	4,259,170	3,725,739
Depreciation and Amortization	4,977,292	21,014	4,998,306	4,811,417
Claims Expense		1,951,208	1,951,208	2,927,779
Change in Postclosure Estimate	170,011		170,011	(49,787)
(Total Operating Expenses)	<u>(48,546,967)</u>	<u>(3,400,417)</u>	<u>(51,947,384)</u>	<u>(53,171,076)</u>
Operating Income (Loss)	<u>4,688,080</u>	<u>423,323</u>	<u>5,111,403</u>	<u>5,725,346</u>
Nonoperating Revenues (Expenses)				
Investment Income	1,838,521	57,897	1,896,418	3,877,890
Capital Contributions - Impact Fees	475,959		475,959	0
Other Nonoperating Income	450,081		450,081	0
Interest Expense	(1,425,922)		(1,425,922)	(1,516,818)
Other Nonoperating Expenses	(107,447)	(70,313)	(177,760)	686,294
Total Nonoperating Revenues (Expenses)	<u>1,231,192</u>	<u>(12,416)</u>	<u>1,218,776</u>	<u>3,047,366</u>
Income (Loss) Before Operating Transfers	<u>5,919,272</u>	<u>410,907</u>	<u>6,330,179</u>	<u>8,772,712</u>
Other Financing Sources (Uses)				
Operating Transfers In	106,951		106,951	377,996
Operating Transfers (Out)	(6,502,631)	(5,702)	(6,508,333)	(5,865,885)
Total Other Financing Sources (Uses)	<u>(6,395,680)</u>	<u>(5,702)</u>	<u>(6,401,382)</u>	<u>(5,487,889)</u>
Net Income (Loss)	<u>(476,408)</u>	<u>405,205</u>	<u>(71,203)</u>	<u>3,284,823</u>
Retained Earnings, Beginning of Year	<u>80,509,537</u>	<u>1,012,370</u>	<u>81,521,907</u>	<u>78,237,084</u>
Retained Earnings, End of Year	<u>\$ 80,033,129</u>	<u>\$ 1,417,575</u>	<u>\$ 81,450,704</u>	<u>\$ 81,521,907</u>

See accompanying notes.

CITY OF LEESBURG, FLORIDA

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
Net Cash Provided By (Used In) Operating Activities	<u>\$ 10,359,885</u>	<u>\$ 392,017</u>	<u>\$ 10,751,902</u>	<u>\$ 9,846,547</u>
Cash Flows From Noncapital Financing Activities				
Operating Transfers (Out) Other Funds	(6,502,631)	(5,702)	(6,508,333)	(5,865,885)
Operating Transfers In	106,951		106,951	377,996
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(6,395,680)</u>	<u>(5,702)</u>	<u>(6,401,382)</u>	<u>(5,487,889)</u>
Cash Flows From Capital and Related Financing Activities				
Interest Paid on Revenue Bonds and Customer Deposits	(1,425,922)		(1,425,922)	(1,486)
Acquisition and Construction of Capital Assets	(11,323,550)		(11,323,550)	(1,523,791)
Proceeds From Sales of Fixed Assets	307,006	85,422	392,428	(5,675,121)
Principal Paid on Bond Maturities	(485,001)		(485,001)	(4,019,912)
Principal Paid on Note Payable				(410,000)
Capital Contributed	797,036		797,036	695,942
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(12,130,431)</u>	<u>85,422</u>	<u>(12,045,009)</u>	<u>(10,934,368)</u>
Cash Flows From Investing Activities				
Investment Income	1,838,521	57,897	1,896,418	3,910,675
Purchase of Crystal River Decommissioning Investments	(427,588)		(427,588)	(226,535)
Net Cash Provided By (Used In) Investing Activities	<u>1,410,933</u>	<u>57,897</u>	<u>1,468,830</u>	<u>3,684,140</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(6,755,293)</u>	<u>529,634</u>	<u>(6,225,659)</u>	<u>(2,891,570)</u>
Cash and Cash Equivalents, Beginning of Year	<u>54,933,793</u>	<u>1,770,921</u>	<u>56,704,714</u>	<u>59,596,284</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 48,178,500</u></u>	<u><u>\$ 2,300,555</u></u>	<u><u>\$ 50,479,055</u></u>	<u><u>\$ 56,704,714</u></u>

**Reconciliation of Cash and Cash Equivalents
(Above) to Combined Balance Sheet**

Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 38,170,038	\$ 2,300,555	\$ 40,470,593	\$ 46,407,491
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	10,008,462	0	10,008,462	10,297,223
Cash and Cash Equivalents, End of Year	<u><u>\$ 48,178,500</u></u>	<u><u>\$ 2,300,555</u></u>	<u><u>\$ 50,479,055</u></u>	<u><u>\$ 56,704,714</u></u>

See accompanying notes.

CITY OF LEESBURG, FLORIDA

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(Concluded)**

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating Income (Loss)	\$ 4,688,080	\$ 423,323	\$ 5,111,403	\$ 5,725,346
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Loss (Gain) on Sale of Fixed Assets	57,621		57,621	0
Depreciation and Amortization	4,977,292	21,014	4,998,306	4,811,417
Bad Debt Expense	63,656		63,656	144,273
Nonoperating Income	129,004		129,004	803,542
Nonoperating Expense	(107,447)	(70,313)	(177,760)	(108,139)
Change in Postclosure Estimate	170,011		170,011	(49,787)
Decrease (Increase) in Customer Accounts	454,404		454,404	(1,531,753)
Decrease (Increase) in Due From Other Governments	3,145		3,145	1,945
Decrease (Increase) in Due (to) From Other Funds		(57,442)	(57,442)	200,658
Decrease (Increase) in Inventory	(164,093)	57,507	(106,586)	217,887
Decrease (Increase) in Miscellaneous Receivables		69,106	69,106	(132,762)
Increase (Decrease) in Accounts Payable	(122,491)		(122,491)	(130,859)
Increase (Decrease) in Claims Payable		160,204	160,204	264,213
Increase (Decrease) in Accrued Expenses	110,577	(211,382)	(100,805)	(385,935)
Increase (Decrease) in Customer Advances for Construction	17,945		17,945	(19,349)
Increase (Decrease) in Customer Deposits	82,181		82,181	35,850
Net Cash Provided By (Used In) Operating Activities	<u>\$ 10,359,885</u>	<u>\$ 392,017</u>	<u>\$ 10,751,902</u>	<u>\$ 9,846,547</u>

See accompanying notes.

CITY OF LEESBURG, FLORIDA

**COMBINING STATEMENT OF ADDITIONS, DELETIONS AND
CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	Pension Trust Funds			Totals	
	Municipal Police Retirement Trust	Municipal Firemen's Retirement Trust	General Employees' Retirement	2002	2001
Additions					
Contributions:					
Employer		\$ 90,763	\$ 691,830	\$ 782,593	\$ 718,391
Employee	\$ 202,700	90,763		293,463	250,517
State of Florida	137,613	107,295		244,908	214,617
Total Contributions	<u>340,313</u>	<u>288,821</u>	<u>691,830</u>	<u>1,320,964</u>	<u>1,183,525</u>
Investment Income (Loss):					
Net Appreciation (Depreciation) in Fair Value of Investments	(661,150)	(833,826)	(1,567,406)	(3,062,382)	(3,626,200)
Interest and Dividend Income	293,794	250,422	776,834	1,321,050	1,454,356
Other Income (Loss)	25	214	7,784	8,023	4,693
Total Investment Income (Loss)	<u>(367,331)</u>	<u>(583,190)</u>	<u>(782,788)</u>	<u>(1,733,309)</u>	<u>(2,167,151)</u>
Total Additions	<u>(27,018)</u>	<u>(294,369)</u>	<u>(90,958)</u>	<u>(412,345)</u>	<u>(983,626)</u>
Deductions					
Benefit Payments	88,116	67,472	198,014	353,602	1,520,040
Administrative Expenses	<u>371,901</u>	<u>884,520</u>	<u>1,043,313</u>	<u>2,299,734</u>	<u>345,417</u>
(Total Deductions)	<u>(460,017)</u>	<u>(951,992)</u>	<u>(1,241,327)</u>	<u>(2,653,336)</u>	<u>(1,865,457)</u>
Net Increase (Decrease)	<u>(487,035)</u>	<u>(1,246,361)</u>	<u>(1,332,285)</u>	<u>(3,065,681)</u>	<u>(2,849,083)</u>
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	<u>8,496,628</u>	<u>7,073,941</u>	<u>22,621,501</u>	<u>38,192,070</u>	<u>41,041,153</u>
End of Year	<u>\$ 8,009,593</u>	<u>\$ 5,827,580</u>	<u>\$ 21,289,216</u>	<u>\$ 35,126,389</u>	<u>\$ 38,192,070</u>

See accompanying notes.

CITY OF LEESBURG, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The City of Leesburg, Florida (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.

The accounting policies of the City conform to generally accepted accounting principles for governmental entities. The following is a summary of significant accounting policies.

Reporting Entity

The accompanying general purpose financial statements present the financial position, results of operations and cash flows of the applicable fund types and account groups governed by the City Commission of the City in accordance with governmental accounting standards. The reporting entity for the City (the primary government) contains one separate legal entity (component unit) for which the City Commission has financial accountability. Financial accountability is present if the City Commission appoints a voting majority of a component unit's governing body and has the ability to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

The City established the Greater Leesburg Community Redevelopment Agency as a component unit of the City. The Greater Leesburg Community Redevelopment Agency's Governing Board is composed of the City Council plus two members appointed by the City Council, and is accounted for as a blended special revenue fund in the accompanying general purpose financial statements. Separate financial statements are not issued for the Greater Leesburg Community Redevelopment Agency.

Basis of Presentation

The City and its component units maintain their accounting records in accordance with the principles and policies applicable to governmental units set forth by the Governmental Accounting Standards Board (GASB), as well as generally accepted accounting principles (GAAP) as promulgated by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board (FASB). The proprietary funds do not apply FASB statements and interpretations issued after November 30, 1989.

Fund Accounting

The accounting system and financial reports of the City are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Concluded)

recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund and Account Group Categories

The categories of funds and account groups of the City are summarized as follows:

Governmental fund types are those through which most government functions typically are financed. The acquisition, use, and balances of expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental type funds. Governmental funds used by the City are as follows:

- **General Fund** - The general fund is used to account for all revenues and expenses of the City which are not properly accounted for in other funds.
- **Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- **Debt Service Fund** - The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- **Capital Projects Funds** - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary fund types are used to account for the City's ongoing activities which are similar to those found in the private sector.

- **Enterprise Funds** - Enterprise funds are used to account for operations that are similar to private business enterprises with the intent to recover costs to provide goods through user charges.
- **Internal Service Funds** - Internal service funds are used to account for the financing of goods and services provided by one department to other departments of the governmental unit on a cost-reimbursement basis.

Fiduciary fund types are used to account for assets held in a trustee capacity for others.

- **Pension Trust Funds** - Pension trust funds are used to account for assets held by the City in a trustee capacity for public employee retirement systems.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund and Account Group Categories (Concluded)

Account groups record and control the City's general fixed assets and general long-term debt. The account groups are not funds and do not reflect available financial resources and related liabilities. The following account groups are maintained by the City:

- **General Fixed Assets** - The general fixed assets account group is used to maintain control and cost information on City-owned property, plant and equipment, including construction in progress.
- **General Long-Term Debt** - The general long-term debt account group is used to account for all long-term debt (principal balances of debt, capital lease obligations, and obligations for compensated absences), which is backed by the full faith and credit of the City and other long-term debt for which special revenues are pledged.

Measurement Focus

Governmental fund types (general, special revenue, debt service and capital projects funds) are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. Reported fund balance (net current assets) is considered a measure of "available, spendable, or appropriable resources." Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary and pension trust fund types are accounted for on a "cost of services" or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet to provide an indication of the economic net worth of the funds. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund types operating statement presents increases (revenues) and decreases (expenses) in net total assets.

Basis of Accounting

Governmental fund type revenues and expenditures are recognized on the modified accrual basis. This method recognizes revenues in the accounting period in which they become available and measurable. Expenditures are recognized in the period in which the fund liability is incurred (except unmatured interest on general long-term debt, which is recognized when due).

Governmental fund type revenues that are susceptible to accrual include property taxes, franchise fees, federal and state revenue sharing revenues, and reimbursements from grants for authorized expenditures through September 30.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Concluded)

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recorded when earned, and expenses are recorded when incurred.

Fiduciary funds of the City consist of pension trust funds which are accounted for on the accrual basis.

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, debt service and capital projects funds.

Grants—Proprietary Funds

Unrestricted grants, entitlements or shared revenues received are reported as nonoperating revenues. Such resources externally restricted for capital acquisitions or construction are reported as contributed capital.

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. During 1998, the City implemented GASB Statement No. 31, via a prior period adjustment to adjust the carrying value of all investments from amortized cost to fair value.

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

Inventories held by the utility, solid waste and fleet maintenance funds are priced by the weighted average cost method at the lower of cost or market. Inventory shown in the fleet maintenance fund consists of fuel held for consumption, which are valued at cost as determined on the first-in, first-out (FIFO) method. Inventory is accounted for by use of the consumption method.

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

Note 1 - 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 nonrevenue receipts in the receiving fund. The funds and departments that benefit from the services and expenses/expenditures record a cost reimbursement as an increase in expenditures or expenses.

Proprietary Fund Fixed Assets

Proprietary fund fixed assets are recorded at historical cost. Donated fixed assets are recorded at fair market value on the date received. Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Useful Lives</u>
Buildings	10 to 50 Years
Improvements Other Than Buildings	20 to 50 Years
Vehicles and Equipment	5 to 10 Years

General Fixed Assets

General fixed assets purchased are recorded as expenditures in the governmental fund types at the time of purchase. Such assets are capitalized at cost in the general fixed assets account group. The City's policy is not to capitalize public domain fixed assets such as streets, right-of-ways, sidewalks, drainage systems and similar assets. Donated fixed assets are valued at their estimated fair market value at the time of acquisition. Depreciation is not provided on general fixed assets.

Compensated Absences

The City accrues accumulated compensated absences for governmental and proprietary funds. Compensated absences are recorded in the governmental fund types as an expenditure for the amount accrued during the year that would normally be liquidated with expendable available financial resources. The remainder of the liability is reported in the general long-term debt account group. The proprietary funds accrue compensated absences in the period they are earned. Personnel policies allow employees to accumulate a maximum of 90 days vacation leave and unlimited sick leave. Upon termination, employees are paid for their accrued vacation leave and 25% of their accrued sick leave balance up to 200 hours. Upon retirement, employees are paid for their accrued vacation and 50% of their accrued sick leave balance up to 400 hours.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Encumbrances

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

Reserves

Fund balances and retained earnings are reserved as follows:

General Fund

Reserved for Notes Receivable - Employees	\$ 167,312
Reserved for Police Education and Other Expenditures	184,566
Computer Maintenance	53,781
Reserved for Prepaid Expenses	28,026
Reserved for Fire Expenditures	2,797
Reserved for Operating Reserve	4,499,562
Total General Fund	<u><u>\$ 4,936,044</u></u>

Special Revenue Funds

Reserved for Capital Improvements	\$ 25,325
Reserved for Community Redevelopment	168,161
Total Special Revenue Funds	<u><u>\$ 193,486</u></u>

Debt Service

Reserved for Debt Service	<u><u>\$ 125,000</u></u>
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Capital Projects Funds

Reserved for Construction	<u><u>\$ 6,425,106</u></u>
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Enterprise Funds

Retained earnings are reserved as follows:

Current Year Contributed Capital - Impact Fees	\$ 475,959
Operating Reserve	19,904,642
Renewal and Replacement	5,140,475
Total Enterprise Funds	<u><u>\$ 25,521,076</u></u>

Internal Service Funds

Retained earnings are reserved as follows:

Reserved for Self-Insured Employee Health Insurance	\$ 313,745
Reserved for Self-Insured Workers' Compensation Insurance	1,103,830
Total Internal Service Funds	<u><u>\$ 1,417,575</u></u>

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgeting

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 generally accepted accounting principles. 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 general purpose financial statements, is prepared on the same basis of accounting as that prescribed for the fund.

During the year, the City made supplemental budget appropriations which increased or decreased the budgets as indicated below:

	Original Adopted	Final Amended	Increase (Decrease)
General Fund	\$ 19,780,064	\$ 19,180,479	\$ (599,585)
Special Revenue Funds	3,072,687	2,409,969	(662,718)
Debt Service Fund	624,005	499,005	(125,000)
Capital Projects Funds	15,628,047	6,104,963	(9,523,084)
Total Governmental Funds	<u>\$ 39,104,803</u>	<u>\$ 28,194,416</u>	<u>\$ (10,910,387)</u>

Total Columns on Combined Statements

Total columns on the combined statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. The data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

Note 1 - Summary of Significant Accounting Policies (Concluded)

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 statewide. 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.

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.

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.

Note 2 - 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 general purpose financial statements as "Cash and Investments." 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 2 - 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 satisfy the claims of governmental entities if any member financial institution fails. This ability to assess provides protection which is similar to depository insurance. At September 30, 2002, the carrying amount of the City's deposits was \$1,964,539 and the bank balance was \$1,872,119.

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:

	Category of Risk			Fair Value
	1	2	3	
Pooled Investments				
SunTrust Repurchase Agreement	\$ 0	\$ 0	\$ 16,035,000	\$ 16,035,000
U.S. Treasury Bills, Notes and Bonds	0	0	25,450,944	25,450,944
Pension Trust and Agency Fund Investments				
Corporate Stocks	0	0	14,092,745	14,092,745
Corporate Bonds	0	0	11,774,018	11,774,018
U.S. Treasury Notes and Municipal Bonds			7,893,035	7,893,035
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 75,245,742</u>	<u>75,245,742</u>

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

Note 2 - Deposits and Investments (Continued)

Investments (Continued)

	Fair Value
FMPA Crystal River Decommissioning Trust	\$ 2,553,129
State Board of Administration of Florida, Local Government Pooled Investment Account	19,594,608
Mutual Fund Investments - Pension Investment	1,539,315
Total Investments	\$ 98,932,794

	Carrying Amount
Carrying Amount of Deposits	\$ 1,964,539
Carrying Amount of Investments (Above)	98,932,794
Total	\$ 100,897,333

Shown in the Accompanying Combined Balance Sheets as:

Equity in Pooled Cash and Investments	\$ 53,330,829
Cash and Investments at Market Value	35,004,913
Restricted Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	12,561,591
Total	\$ 100,897,333

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 2 - Deposits and Investments (Concluded)

Investments (Concluded)

	<u>Fair Value</u>	<u>Percentage of Plan Net Assets</u>
Municipal Police		
SEI Foreign Investments	\$ 418,082	5.24%
Fiduciary Government Securities	1,608,963	20.18%
Fiduciary Mortgages	978,392	12.27%
Fiduciary Corporate Fixed Income	714,496	8.96%
Fiduciary Corporate Stocks	3,501,004	43.92%
Total Municipal Police	<u>\$ 7,220,937</u>	
Municipal Firemen		
Salem Trust Money Market	\$ 321,313	5.56%
Salem Trust Government Securities	1,105,131	19.11%
Salem Trust Corporate Fixed Income	1,586,149	27.43%
Salem Trust Mortgages	744,474	12.87%
Salem Trust Corporate Stocks	2,025,640	35.03%
Total Municipal Firemen	<u>\$ 5,782,707</u>	
General Employees		
SunTrust Corporate Fixed Income	\$ 2,806,521	13.21%
SunTrust Corporate Stocks	3,369,550	15.86%
SunTrust Government Securities - Loomis	2,941,443	13.85%
SunTrust Corporate Fixed Income - Loomis	6,666,852	31.38%
SunTrust Corporate Stocks - Loomis	4,778,469	22.49%
Total General Employees	<u>\$ 20,562,835</u>	

Note 3 - Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance October 1, 2001</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance September 30, 2002</u>
Land	\$ 4,832,093	\$ 1,523,964		\$ 6,356,057
Buildings	13,452,282	2,055,148	\$ (2,554)	15,504,876
Improvements Other Than Building	8,891,773	157,175		9,048,948
Equipment and Vehicles	9,331,749	1,475,960	(1,452,937)	9,354,772
Construction in Progress	3,486,166	1,851,496	(434,691)	4,902,971
Total	<u>\$ 39,994,063</u>	<u>\$ 7,063,743</u>	<u>\$ (1,890,182)</u>	<u>\$ 45,167,624</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3 - Fixed Assets (Concluded)

A summary of proprietary fund type property, plant and equipment at September 30, 2002, follows:

	Enterprise Funds
Land	\$ 6,929,051
Buildings	10,554,730
Improvements Other Than Buildings	82,302,503
Equipment	30,349,399
Total	\$ 130,135,683

Note 4 - Interfund Account

Individual fund interfund receivable and payable balances at year end are as follows:

	Interfund Receivable	Interfund Payable
Enterprise Funds		
Electric Utility	\$ 1,152,860	
Communication Services		\$ 1,152,860
Total	\$ 1,152,860	\$ 1,152,860

Note 5 - Long-Term Liabilities

The following is a summary of all long-term liabilities of the proprietary funds at September 30, 2002:

Bonds Payable

Utilities System Refunding Revenue Bonds, Series 1999A and 1999B;

Dated June 15, 1999; Issued July 16, 1999; Final Maturity October 1, 2028; Interest Rates From 3.60% to 5.375%

\$26,895,000

(Unamortized Discount and Refunding Loss)

(695,829)

(Current Maturities)

(505,000)

Long-Term Portion

\$25,694,171

The 1999 bonds are fully registered bonds and are collateralized by a pledge of the net revenues of the utilities system. The bond ordinances provide for a current sinking fund, debt service reserve, term bond security purchase agreement, and a renewal and replacement account. The bonds are callable at various dates from 100% to 105% of face value. Bond maturity dates and debt service requirements for the combined 1999 issues are as follows:

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

Note 5 - Long-Term Liabilities (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002	\$ 505,000	\$ 1,356,456	\$ 1,861,456
2003	525,000	1,334,931	1,859,931
2004	550,000	1,311,831	1,861,831
2005	570,000	1,286,894	1,856,894
2006	595,000	1,260,119	1,855,119
Thereafter	24,150,000	15,999,341	40,149,341
Total	\$ 26,895,000	\$ 22,549,572	\$ 49,444,572

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.

A summary of the activity in the postclosure cost liability account is as follows:

Balance, September 30, 2001	\$ 752,341
Adjustment of Estimate	228,675
Total Annual Costs Paid	(58,664)
Balance, September 30, 2002	922,352
(Current Maturities)	(57,647)
Total Long-Term Portion	\$ 864,705

In 1994, the City implemented GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure 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 \$922,352 liability recorded represents the estimated costs of postclosure care for fourteen years after closure as required by state and federal laws and regulations. This amount was calculated by the City's consulting engineer. The actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required to deposit adequate funds into an escrow account before year end to meet postclosure care costs for the following year. During the year ended September 30, 1992, the City established an escrow subaccount within the City's pooled cash system for this purpose. The following is a schedule of the transactions in this account during fiscal year 2002:

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

Note 5 - Long-Term Liabilities (Continued)

Estimated Landfill Closure and Postclosure Care Costs (Concluded)

<u>Transaction Date</u>	<u>Amount</u>
Balance, September 30, 2001	\$ 73,048
Investment Income	2,410
Balance, September 30, 2002	<u>\$ 75,458</u>

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

General Long-Term Debt

A summary of all general long-term debt of the City as of September 30, 2002, follows:

Refunding and Capital Improvement Revenue Bond	
Payable - Series 1999; Dated August 1, 1999;	
Issued September 16, 1999; Final Maturity	
October 1, 2029; Interest From 3.65% to 5.50%	\$ 7,170,000
Employee Compensated Absences Payable	1,385,834
Suit Settlement Payable	390,000
Note Payable; Dated June 3, 1999; Payable in Monthly	
Installments of \$2,004 Through May 2014, Including	
Interest at 5.25%; Uncollateralized	<u>209,455</u>
Total	<u>\$ 9,155,289</u>

The 1999 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.

The following is a summary of changes in general long-term debt for the year ended September 30, 2002:

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

Note 5 - Long-Term Liabilities (Continued)

General Long-Term Debt (Concluded)

	Balance October 1, 2001	Additions	(Deductions)	Balance September 30, 2002
Refunding and Capital Improvement Revenue Bonds - Series 1999	\$ 7,290,000		\$ (120,000)	\$ 7,170,000
Employee Compensated Absences Payable	1,265,521	\$ 120,313		1,385,834
Suit Settlement Payable	450,000		(60,000)	390,000
Note Payable	222,142		(12,687)	209,455
Totals	<u>\$ 9,227,663</u>	<u>\$ 120,313</u>	<u>\$ (192,687)</u>	<u>\$ 9,155,289</u>

Debt service requirements for general long-term debt bonds and note payable are as follows:

Bonds Payable Series 1999			
Fiscal Year	Principal	Interest	Total Debt Service
2003	\$ 125,000	\$ 373,880	\$ 498,880
2004	130,000	368,420	498,420
2005	135,000	362,615	497,615
2006	140,000	356,315	496,315
2007	145,000	349,645	494,645
Thereafter	6,495,000	4,709,301	11,204,301
Total	<u>\$ 7,170,000</u>	<u>\$ 6,520,176</u>	<u>\$ 13,690,176</u>

Note Payable			
Fiscal Year	Principal	Interest	Total Debt Service
2003	\$ 13,370	\$ 10,677	\$ 24,047
2004	14,089	9,958	24,047
2005	14,846	9,201	24,047
2006	15,645	8,402	24,047
2007	16,486	7,561	24,047
Thereafter	135,019	25,296	160,315
Total	<u>\$ 209,455</u>	<u>\$ 71,095</u>	<u>\$ 280,550</u>

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

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 5 - Long-Term Liabilities (Continued)

Suit Settlement Payable (Concluded)

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. The remaining \$390,000 obligation of the City is recorded in the general long-term debt account group.

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. A summary of the activity in the liability account is as follows:

Balance, September 30, 2001	\$ 3,599,950
2001 Accrual	208,200
Balance, September 30, 2002	<u>\$ 3,808,150</u>

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, 2002, the City has a balance in the trust fund of \$2,553,129.

Defeased Debt

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

Utilities Revenue Certificates, Series 1977	<u>\$ 5,790,000</u>
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Note 6 - Operating Leases

The City is lessor on various leases of facilities located at the airport. The leased facilities are included in the \$9,481,132 of airport assets recorded in the City's general fixed assets account group. The following is a schedule of minimum future lease income on noncancelable operating leases:

<u>September 30,</u>	<u>Amount</u>
2003	\$ 196,845
2004	178,391
2005	169,682
2006	150,085
2007	133,471
Thereafter	<u>932,194</u>
Total Minimum Lease	
Payments	<u><u>\$ 1,760,668</u></u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 7 - Electric Power Agreements

Crystal River Unit No. 3 Participation Agreement

The City is a participant in an agreement with Florida Power Corporation. 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.

Florida Power Corporation 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 Florida Power Corporation, 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, 2002, was \$1,327,536.

Florida Municipal Power Agency

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

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

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

■ **All-Requirement Power Supply Agreement**

The City has an agreement with FMPA whereby the City is purchasing 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.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 8 - Segment Information for Enterprise Funds

The City operates six enterprise funds. Segment information as of September 30, 2002, is as follows:

	Electric Utility	Gas Utility	Water Utility	Sanitation Sewer Wastewater Treatment	Sanitation Services	Communi- cation Services	Totals
Operating Revenues	\$36,997,082	\$ 5,575,909	\$ 3,804,857	\$ 3,815,141	\$ 2,725,740	\$ 316,318	\$ 53,235,047
Depreciation and Amortization	2,438,825	294,816	567,662	1,346,504	140,326	189,159	4,977,292
Operating Income (Loss)	4,072,766	777,497	933,136	(938,662)	(111,638)	(45,019)	4,688,080
Operating Transfers (Out)	(4,446,783)	(591,470)	(1,007,067)	(256,846)	(183,275)	(17,190)	(6,502,631)
Operating Transfers In						106,951	106,951
Net Income (Loss)	316,529	282,352	448,678	(1,375,567)	(231,603)	83,203	(476,408)
Capital Contributions:							
Impact Fees			110,141	365,818			475,959
Contribution in Aid of Construction	213,086	2,000	96,869	9,122			321,077
Cash and Cash Equivalents	19,372,136	4,897,724	10,091,039	2,996,397	806,546	6,196	38,170,038
Net Working Capital	21,903,653	4,928,097	10,127,454	3,211,545	828,010	(113,084)	40,885,675
Long-Term Liabili- ties Payable	12,449,664	1,057,930	2,528,175	13,466,552	864,705	1,016,564	31,383,590
Total Fund Equity	52,240,348	11,188,379	18,322,265	20,616,664	1,065,718	891,173	104,324,547
Total Assets	70,198,540	12,649,690	21,453,675	34,975,615	2,230,619	2,057,143	143,565,282
Fixed Asset Additions	3,519,191	869,331	1,550,925	4,007,870	500,390	875,843	11,323,550

Note 9 - Defined Benefit Pension Plan

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. Stand-alone financial reports are not issued.

Membership of each plan consisted of the following:

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9 - Defined Benefit Pension Plan (Continued)

Plan Descriptions and Contribution Information(Concluded)

Date of Actuarial Valuation:	10/01/01 GERP	10/01/01 MPRP	10/01/01 MFRP
Retirees and Beneficiaries Receiving Benefits	115	15	12
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	103	1	1
Active Plan Members	296	57	33
Total	<u>514</u>	<u>73</u>	<u>46</u>

- **Plan Description** - The GERP provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the City Commission. The City Commission has the authority to establish and amend the benefit provisions of the plan.
- **Contributions** - 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. Administrative costs of the GERP are financed through plan contributions and investment earnings.

Municipal Police Retirement Plan (MPRP)

- **Plan Description** - The MPRP provides retirement, disability and death benefits to plan members and their beneficiaries. COLA's are provided at the discretion of the City Commission. The City Commission has the authority to establish and amend the benefit provisions of the plan.
- **Contributions** - Plan members are required to contribute 7.65% of their annual covered salary. The City is required to contribute at actuarially determined rates. Per City Code Section 17.91, the City Commission may amend established contribution requirements. Administrative costs are financed through investment earnings, and city and state contributions.

Municipal Firemen's Retirement Plan (MFRP)

- **Plan Description** - The MFRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided at the discretion of the City Commission. The City Commission has the authority to establish and amend the benefit provisions of the plan.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 9 - Defined Benefit Pension Plan (Continued)

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

- **Contributions** - Plan members are required to contribute 6.5% of their annual covered salary. The City is required to contribute at actuarially determined rates. Per City Code Section 17.71, the City Commission may amend established contribution requirements. Administrative costs are financed through investment earnings, and city and state contributions.

Annual Pension Costs and Net Pension Obligation

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

	GERP	MPRP	MFRP
Annual Required Contribution (ARC)	\$ 717,664	\$ 286,192	\$ 342,711
Interest on Net Pension Obligation	(67,031)	(2,507)	(32,890)
Annual Pension Cost	650,633	283,685	309,821
Contributions Made	(691,830)	(340,313)	(359,397)
Net Pension Obligation, Beginning of Year	(837,885)	(31,338)	(411,128)
Net Pension Obligation, End of Year	<u>\$ (879,082)</u>	<u>\$ (87,966)</u>	<u>\$ (460,704)</u>

Other Pension Plan Information

The annual required contribution for the current year was determined as part of the October 1, 2001, actuarial valuation for the GERP and MPRP using the entry age actuarial cost method. The MFRP annual required contributions were determined using the aggregate actuarial cost method. The actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions include an 8.0% rate of return on investments for all plans. Projected salary increase for the GERP, MPRP and MFRP was 5.50%, 6.50% and 6.00%, respectively. The assumptions did not include postretirement benefit increases.

The actuarial value of assets was determined using market value for all plans. The excess of the actuarial value of assets over the actuarial accrued liabilities is being amortized using the level dollar, closed method for the GERP and MPRP. The remaining amortization period at October 1, 2001, was between 17 and 30 years for both plans. Because the NPO is negative, it has not been recorded in the accompanying financial statements.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GERP			
09/30/00	\$ 439,347	104%	\$ (734,760)
09/30/01	533,119	107%	(837,885)
09/30/02	650,633	106%	(879,082)

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

Note 9 - Defined Benefit Pension Plan (Concluded)

Three-Year Trend Information (Concluded)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
MPRP			
09/30/00	\$ 270,464	106%	\$ (15,686)
09/30/01	278,380	105%	(31,338)
09/30/02	286,192	119%	(87,966)
MFRP			
09/30/00	\$ 185,886	128%	\$ (338,355)
09/30/01	181,730	140%	(411,128)
09/30/02	342,711	105%	(460,704)

Note 10 - 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 \$1,925,000 per employee per year, are paid from a reinsurance policy purchased by the City.

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 \$400,000 per occurrence are paid from the assets of the self-insurance fund with amounts in excess of \$400,000 per occurrence being paid from a reinsurance policy purchased by the City.

Liabilities for known claims incurred but not reported are listed below:

	<u>Balance October 1, 2001</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>(Claims Paid)</u>	<u>Balance September 30, 2002</u>
Employee Health Insurance Fund	\$ 348,733	\$ 1,530,168	\$ (1,511,485)	\$ 367,416
Workers' Compensation Insurance Fund	501,579	421,040	(279,519)	643,100
Total	<u>\$ 850,312</u>	<u>\$ 1,951,208</u>	<u>\$ (1,791,004)</u>	<u>\$ 1,010,516</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 10 - Self-Insurance Fund (Concluded)

	Balance October 1, 2000	Current Year Claims and Changes in Estimates	(Claims Paid)	Balance September 30, 2001
Employee Health Insurance Fund	\$ 299,915	\$ 2,437,752	\$ (2,388,934)	\$ 348,733
Workers' Compensation Insurance Fund	286,184	490,027	(274,632)	501,579
Total	<u>\$ 586,099</u>	<u>\$ 2,927,779</u>	<u>\$ (2,663,566)</u>	<u>\$ 850,312</u>

The liability for the health insurance and workers' compensation claims incurred, but not reported, was calculated based on an actuarial valuation using actual claims history data by month and weighted lives to estimate future projected claims.

Note 11 - Contributed Capital

Contributed capital consists of the following amounts as of September 30, 2002:

	Electric Utility	Gas Utility	Water Utility	Waste- water Utility	Solid Waste	Communi- cation Services	Total
Other Governmental Units	\$ 17,987	\$ 6,512	\$ 77,284	\$ 8,011,471			\$ 8,113,254
Private Sources	3,783,346	524,560	4,488,991	6,718,760			15,515,657
Other Funds				14,450	\$ 440,967	\$ 207,090	662,507
Total	<u>\$3,801,333</u>	<u>\$ 531,072</u>	<u>\$4,566,275</u>	<u>\$14,744,681</u>	<u>\$ 440,967</u>	<u>\$ 207,090</u>	<u>\$ 24,291,418</u>

During the year, the City implemented GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, requiring external capital contributions to be reported as revenues and closed to retained earnings. Impact fees and capital in aid of construction amounts are reported as nonoperating revenues in the City's statement of revenues, expenses, and changes in retained earnings. During the year, contributed amounts were as follows:

	Electric Utility	Gas Utility	Water Utility	Waste- water Utility	Total
Impact Fees			\$ 110,141	\$ 365,818	\$ 475,959
Contribution in Aid of Construction - Private Sources	\$ 213,086	\$ 2,000	96,869	9,122	321,077
Total	<u>\$ 213,086</u>	<u>\$ 2,000</u>	<u>\$ 207,010</u>	<u>\$ 374,940</u>	<u>\$ 797,036</u>

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 12 - 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. During 1997, the City amended its deferred compensation plan to reflect the changes in the Internal Revenue Code and, in the opinion of management, does not retain fiduciary accountability for 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 13 - 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, 2002, 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. In addition, the City is involved in a claim related to the construction of a wastewater plant. The ultimate outcome of this matter should not have a material effect on the accompanying financial statements.

CITY OF LEESBURG, FLORIDA

NOTES TO FINANCIAL STATEMENTS *(Continued)*

Note 14 - 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

The City is self-insured for workers' compensation and employee health as explained in note 10. Amounts of settlements, if any, have not exceeded insurance coverage for each of the past three years.

Note 15 - Postemployment Benefits

In addition to the pension benefits described in note 9, 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 50% 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 \$372,188 were recognized for postretirement health care, which were offset by \$159,961 of retiree premiums paid. Currently, there are 61 retirees that the City continues to pay health insurance premiums for and 46 who are responsible for all or one-half of their premiums as discussed above.

Note 16 - Commitments

As of September 30, 2002, the City had the following commitments related to significant unfinished construction projects:

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

Note 16 - Commitments (Concluded)

	Expended as of September 30, 2002	Remaining Commitment
Aerial Mapping Services	\$ 6,272	\$ 14,711
Hood Avenue Improvements	10,665	59,293
Carson Marine	49,856	48,644
Operating Permit Wastewater - Turnpike	2,608	13,892
Construction Reuse System - Legacy	88,708	21,842
Police Complex - Design	107,391	209,610
SCADA System for Gas, Water and Wastewater	1,058,091	127,720
Relocate Surface Observation System (ASOS)		28,084
Telecommunications Consulting Services	12,097	12,903
Sleepy Hollow Engineering	92,708	27,337
Replace AVGAS Fuel System Airport	94,148	11,537
Install 12,000 Gallon Jet-A Fuel Storage Tank	9,710	68,283
Sectionalizing Devices for Electric Department	20,881	121,055
Engineering for Highland Lakes Water Distributors	12,990	11,432
Mowing at Leesburg Regional Airport	2,206	21,210
Realignment of Echo Drive - Airport	151,077	97,924
Carver Heights Drainage Basin	90,580	212,772
Obtain Wastewater Improvement Funding	3,600	10,400
Kids Corner Parking Lot	26,966	57,813
Additional Sidewalk Construction (Griffin Road)		71,520
Construction of the ESI Building	57,350	106,728
Construction Management Airport Taxiway		69,565
Consulting Services for Taxiway K - Airport		71,095
Design Services for T-Hangars and Other Units	57,305	74,385
Engineering for Airport Taxiways North Side of Airport	31,310	20,250
Design Aircraft Rescue and Fire Fighting Station		257,015
Design Six Hangars and Construction Management	21,140	123,845
Airport Environment Assessment	100,000	50,000

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 year 2001 disclosure. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.



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CITY OF LEESBURG, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS

General Employees' Retirement Plan

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/95	\$ 16,105,000	\$ 17,414,500	\$ 1,309,500	92.4%	\$ 7,901,700	16.5%
10/01/96	17,346,700	18,401,700	1,055,000	94.2%	8,297,100	12.7%
10/01/97	21,395,000	22,249,400	854,400	96.2%	8,466,100	10.1%
10/01/98	21,206,300	21,561,900	355,600	98.4%	9,044,500	3.9%
10/01/99	23,415,100	24,013,600	598,500	97.5%	8,856,500	6.8%
10/01/00	23,866,000	24,190,400	324,400	98.7%	9,140,500	3.5%
10/01/01	24,823,681	22,587,237	(2,236,444)	109.90%	9,556,403	0.0%

Municipal Police Retirement Plan

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/95	\$ 4,706,766	\$ 5,258,740	\$ 551,974	89.5%	\$ 1,512,247	36.5%
10/01/96	5,350,539	5,950,687	600,148	89.9%	1,614,426	37.1%
10/01/97	6,689,503	7,323,316	633,813	91.4%	1,724,558	36.89%
10/01/98	7,239,889	7,843,707	603,818	92.3%	2,012,767	30.0%
10/01/99	8,028,330	9,027,398	999,068	88.9%	2,037,074	49.0%
10/01/00	9,117,437	10,187,231	1,069,794	89.5%	2,140,554	50.0%
10/01/01	9,521,215	9,452,836	(68,379)	100.7%	2,211,172	0.0%

Municipal Firemen's Retirement Plan

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

CITY OF LEESBURG, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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)	
	(1)		(2)		(2)	
	Annual Required Contribution (ARC)	Percentage Contributed	Annual Required Contribution (ARC)	Percentage Contributed	Annual Required Contribution (ARC)	Percentage Contributed
2002	\$ 717,664	96%	\$ 286,192	119%	\$ 342,711	105%
2001	591,900	107%	278,380	105%	208,798	122%
2000	496,700	104%	272,554	103%	208,798	128%
1999	539,300	108%	270,695	103%	163,325	156%
1998	272,760	269%	221,438	136%	123,459	213%
1997	542,806	130%	264,219	93%	169,358	123%
1996	694,163	100%	263,109	100%	197,811	100%
1995	650,146	100%	209,514	100%	188,732	100%

- (1) Includes only required employer contributions.
- (2) Includes required contributions by employer, employees and excise tax on certain insurance policies collected by the State of Florida. The City is required to contribute to the balance of the ARC, not provided by state excise taxes.

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:

Valuation Date	GERP	MPRP	MFRP
	October 1, 2001	October 1, 2001	October 1, 2001
Actuarial Cost Method	Frozen Initial Liability Cost	Frozen Entry Age	Aggregate Actuarial Cost Method
Amortization Method	Level Dollar	Level Dollar, Closed	N/A
Remaining Amortization Period	17 to 30 Years	28 Years	N/A
Asset Valuation Method	Asset Appreciation (Depreciation) Over 5 Years	Market Value	Market Value
Actuarial Assumptions:			
Investment Rate of Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	6.50%	6.00%
Cost-of-Living Adjustments	None	None	None

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

CITY OF LEESBURG, FLORIDA

**ANALYSIS OF SURPLUS - SECTION 8 PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	<u>Unreserved Surplus</u>	<u>Project Account</u>	<u>Operating Reserves</u>	<u>Cumulative HUD Contributions</u>	<u>Cumulative Donations</u>	<u>Total Surplus (Deficit)</u>
<u>Housing Assistance Fund (A3320 E & V)</u>						
Balance (Deficit), September 30, 2001	\$ (10,017,889)	\$ 147,222	\$ 55,983	\$ 9,840,339	\$ 42,006	\$ 67,661
HUD Annual Contributions				619,721		619,721
Provision for Project Account	85,979	(85,979)				0
HUD Recapture From Project Account	(105,624)	105,624				0
Provision for Operating Reserve	19,873		(19,873)			0
Net (Loss)	(639,595)					(639,595)
HUD Prior Year Adjustment			4,998			4,998
Balance (Deficit), September 30, 2002	<u>\$ (10,657,256)</u>	<u>\$ 166,867</u>	<u>\$ 41,108</u>	<u>\$ 10,460,060</u>	<u>\$ 42,006</u>	<u>\$ 52,785</u>



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**COMBINING AND INDIVIDUAL FUND AND
ACCOUNT GROUP STATEMENTS AND SCHEDULES**



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GENERAL FUND

The general fund is used to account for all revenues and expenses of the City which are not more properly accounted for in other funds. It receives a greater variety and number of taxes and other general revenues than any other fund.



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CITY OF LEESBURG, FLORIDA

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	<u>2002</u>	<u>2001</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 6,214,234	\$ 5,280,905
Assessments Receivable	1,113	3,887
Other Accounts Receivable	188,192	158,048
Prepaid Items	28,026	13,655
Due From Other Funds	0	320,528
Due From Other Governments	659,219	344,549
Inventories	58,345	2,730
Notes Receivable - Employees	167,312	155,254
Total Assets	<u>7,316,441</u>	<u>6,279,556</u>
 Liabilities and Fund Balance		
Liabilities		
Accounts Payable	424,773	121,780
Accrued Wages and Payroll Tax	341,807	264,102
Unearned License Revenue	265,752	301,167
Total Liabilities	<u>1,032,332</u>	<u>687,049</u>
 Fund Balance		
Reserved for:		
Notes Receivable - Employees	167,312	155,254
Computer Maintenance	53,781	0
Police Education and Other Expenditures	184,566	152,600
C.U.R.E. Program	0	434
Prepays	28,026	13,655
Fire Expenditures	2,797	2,442
Operating Expenditures	4,499,562	3,956,013
Unreserved	1,348,065	1,312,109
Total Fund Balance	<u>6,284,109</u>	<u>5,592,507</u>
 Total Liabilities and Fund Balance	<u>\$ 7,316,441</u>	<u>\$ 6,279,556</u>

CITY OF LEESBURG, FLORIDA

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR SEPTEMBER 30, 2001**

	2002		2001	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Taxes	\$ 6,402,122	\$ 6,345,324	\$ (56,798)	\$ 5,394,644
Licenses and Permits	377,000	432,905	55,905	379,376
Intergovernmental	1,058,735	1,295,581	236,846	1,086,681
Charges for Services	258,000	207,956	(50,044)	228,978
Fines and Forfeitures	286,000	260,586	(25,414)	283,690
Miscellaneous:				
Interest	244,262	212,148	(32,114)	366,121
Other	5,262,999	5,125,688	(137,311)	4,882,771
Total Revenues	<u>13,889,118</u>	<u>13,880,188</u>	<u>(8,930)</u>	<u>12,622,261</u>
Expenditures				
General Government	6,015,499	5,300,534	714,965	4,920,929
Public Safety	7,855,059	7,793,941	61,118	7,076,688
Physical Environment	844,075	806,922	37,153	575,827
Transportation	1,107,989	1,329,190	(221,201)	1,369,496
Economic Environment	42,610	161,011	(118,401)	114,155
Human Services	47,830	46,551	1,279	46,153
Culture and Recreation	3,353,830	3,243,260	110,570	2,810,475
(Total Expenditures)	<u>(19,266,892)</u>	<u>(18,681,409)</u>	<u>585,483</u>	<u>(16,913,723)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,377,774)</u>	<u>(4,801,221)</u>	<u>576,553</u>	<u>(4,291,462)</u>
Other Financing Sources (Uses)				
Operating Transfers In	5,800,946	5,579,236	(221,710)	5,766,109
Operating Transfers Out	(86,413)	(86,413)		(309,313)
Total Other Financing Sources (Uses)	<u>5,714,533</u>	<u>5,492,823</u>	<u>(221,710)</u>	<u>5,456,796</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>336,759</u>	<u>691,602</u>	<u>354,843</u>	<u>1,165,334</u>
Fund Balance, Beginning of Year	<u>5,592,507</u>	<u>5,592,507</u>	<u>0</u>	<u>4,427,173</u>
Fund Balance, End of Year	<u>\$ 5,929,266</u>	<u>\$ 6,284,109</u>	<u>\$ 354,843</u>	<u>\$ 5,592,507</u>

CITY OF LEESBURG, FLORIDA

SCHEDULE OF REVENUES - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE ACTUAL AMOUNTS FOR SEPTEMBER 30, 2001

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Taxes				
Ad Valorem	\$ 2,859,077	\$ 2,834,532	\$ (24,545)	\$ 2,789,242
Local Option Sales, Use and Fuel Taxes	702,071	702,803	732	668,357
Franchise Fees	21,000	50,007	29,007	123,115
Utility Service Taxes	2,238,400	1,858,623	(379,777)	1,813,930
Communication Service Taxes	581,574	899,359	317,785	0
Total Taxes	6,402,122	6,345,324	(56,798)	5,394,644
Licenses and Permits				
Licenses	150,000	177,101	27,101	182,343
Building Permits	170,000	195,317	25,317	144,814
Other Permits	57,000	60,487	3,487	52,219
Total Licenses and Permits	377,000	432,905	55,905	379,376
Intergovernmental				
Federal Grants	79,500	144,605	65,105	236,858
State Grants	32,775		(32,775)	8,139
Other Grants	110,000	267,370	157,370	98,671
State-Shared Revenues	779,460	753,668	(25,792)	684,627
County-Shared Revenues	37,000	105,931	68,931	37,123
Fuel Rebate	20,000	24,007	4,007	21,263
Total Intergovernmental	1,058,735	1,295,581	236,846	1,086,681
Charges for Services				
General Government Charges	31,000	19,397	(11,603)	29,973
Other Public Safety Charges	41,000	37,701	(3,299)	36,385
Culture and Recreation	186,000	150,858	(35,142)	162,620
Total Charges for Services	258,000	207,956	(50,044)	228,978
Fines and Forfeitures				
Court Fines	262,000	239,898	(22,102)	259,958
Library Fines	18,000	14,621	(3,379)	17,028
Other Fines and Forfeitures	6,000	6,067	67	6,704
Total Fines and Forfeitures	286,000	260,586	(25,414)	283,690
Miscellaneous				
Interest	244,262	212,148	(32,114)	366,121
Rents and Royalties	533,700	603,905	70,205	499,706
Sale of City Property and Insurance Compensation	16,500	15,600	(900)	368,653
Contributions	23,000	18,101	(4,899)	45,608
Other	4,689,799	4,488,082	(201,717)	3,968,804
Total Miscellaneous	5,507,261	5,337,836	(169,425)	5,248,892
Total Revenues	\$ 13,889,118	\$ 13,880,188	\$ (8,930)	\$ 12,622,261

CITY OF LEESBURG, FLORIDA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY DEPARTMENT GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE ACTUAL AMOUNTS FOR SEPTEMBER 30, 2001

	2002		Variance	2001
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures				
General Government				
City Commission	\$ 203,711	\$ 203,562	\$ 149	\$ 217,884
Executive Offices	477,620	474,900	2,720	457,657
City Attorney	153,000	146,231	6,769	155,540
Grants and Aids	1,848	1,059	789	34,684
Nondepartmental	544,640	17,929	526,711	8,005
Finance	2,316,006	2,244,895	71,111	1,937,891
Human Resources	371,782	361,542	10,240	365,082
Management Information Systems	1,145,869	1,076,925	68,944	1,133,754
Public Buildings	386,484	373,672	12,812	365,177
Planning and Zoning	414,539	399,819	14,720	245,255
Total General Government	<u>6,015,499</u>	<u>5,300,534</u>	<u>714,965</u>	<u>4,920,929</u>
Public Safety				
Police Department	5,078,782	5,075,537	3,245	4,625,103
Fire Department	2,457,190	2,437,565	19,625	2,206,253
Protective Inspections	319,087	280,839	38,248	245,332
Total Public Safety	<u>7,855,059</u>	<u>7,793,941</u>	<u>61,118</u>	<u>7,076,688</u>
Physical Environment				
Engineering	583,583	562,320	21,263	384,545
Public Works Administration	260,492	244,602	15,890	191,282
Total Physical Environment	<u>844,075</u>	<u>806,922</u>	<u>37,153</u>	<u>575,827</u>
Transportation				
Road and Street Facilities	1,106,205	1,097,233	8,972	1,119,744
Airport Maintenance	1,784	231,957	(230,173)	249,752
Total Transportation	<u>1,107,989</u>	<u>1,329,190</u>	<u>(221,201)</u>	<u>1,369,496</u>
Economic Environment	<u>42,610</u>	<u>161,011</u>	<u>(118,401)</u>	<u>114,155</u>
Human Services				
Animal Control	30,830	30,527	303	28,190
Public Assistance	17,000	16,024	976	17,963
Total Human Services	<u>47,830</u>	<u>46,551</u>	<u>1,279</u>	<u>46,153</u>
Culture and Recreation				
Library Services	995,835	990,870	4,965	888,336
Recreation	2,357,995	2,252,390	105,605	1,922,139
Total Culture and Recreation	<u>3,353,830</u>	<u>3,243,260</u>	<u>110,570</u>	<u>2,810,475</u>
Total Expenditures	<u>\$ 19,266,892</u>	<u>\$ 18,681,409</u>	<u>\$ 585,483</u>	<u>\$ 16,913,723</u>

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Community Development Fund - Used to account for grants received by the City as a subgrantee under the Small Cities Community Development Block Grant Program, which is administered by the State of Florida Department of Community Affairs. Grant proceeds are being utilized to improve substandard housing in Leesburg.

Housing Assistance Fund - Used to account for grants received by the City under the Section 8 Program, which is administered by the United States Department of Housing and Urban Development. Grant proceeds are designated for housing assistance payments to low-and moderate-income families and related administrative costs.

Stormwater Fund - Used to account for revenues and expenditures related to stormwater management (i.e., the collection, storage and dispersal of rainwater).

Greater Leesburg Community Redevelopment Fund - This fund was created pursuant to Section 163, Florida Statutes, to account for income generated from tax increment revenues generated within the Community Redevelopment District. Revenues generated are divided between the Downtown and the Pine Street areas. Expenditures related to community redevelopment activities must be approved by the Greater Leesburg Community Redevelopment Agency, a component unit of the City, prior to disbursement.

CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001

	<u>Community Development</u>	<u>Housing Assistance</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 25,325	\$ 53,430
Accounts Receivable	12,342	
Due From Other Governments		6,037
Total Assets	<u>37,667</u>	<u>59,467</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts Payable		6,682
Due to Other Governments	12,342	
Due to Other Funds		
Total Liabilities	<u>12,342</u>	<u>6,682</u>
 Fund Balances		
Reserved for:		
Community Redevelopment	25,325	
Capital Improvements		
Unreserved		52,785
Total Fund Balances	<u>25,325</u>	<u>52,785</u>
 Total Liabilities and Fund Balances	<u>\$ 37,667</u>	<u>\$ 59,467</u>

<u>Stormwater</u>	<u>Greater Leesburg Community Redevelopment</u>	<u>Totals</u>	
		<u>2002</u>	<u>2001</u>
\$ 379,734	\$ 168,173	\$ 626,662	\$ 543,951
68,087		80,429	80,052
144,546		150,583	864,249
<u>592,367</u>	<u>168,173</u>	<u>857,674</u>	<u>1,488,252</u>
41,418	12	48,112	544,503
		12,342	24,717
		0	48,712
<u>41,418</u>	<u>12</u>	<u>60,454</u>	<u>617,932</u>
	168,161	168,161	61,050
550,949		25,325	23,503
<u>550,949</u>	<u>168,161</u>	<u>603,734</u>	<u>785,767</u>
<u>592,367</u>	<u>168,173</u>	<u>857,674</u>	<u>1,488,252</u>

CITY OF LEESBURG, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	<u>Community Development</u>	<u>Housing Assistance</u>
Revenues		
Intergovernmental	\$ 9,322	\$ 746,629
Charges for Services		22
Interest		3,089
Miscellaneous		
Total Revenues	<u>9,322</u>	<u>749,740</u>
Expenditures		
Physical Environment		
Economic Environment	7,500	764,616
(Total Expenditures)	<u>(7,500)</u>	<u>(764,616)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,822</u>	<u>(14,876)</u>
Other Financing Sources (Uses)		
Operating Transfers In		
Operating Transfers (Out)		
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,822	(14,876)
Fund Balances, Beginning of Year	<u>23,503</u>	<u>67,661</u>
Fund Balances, End of Year	<u>\$ 25,325</u>	<u>\$ 52,785</u>

Stormwater	Greater Leesburg Community Redevelopment	Totals	
		2002	2001
\$ 393,048	\$ 118,018	\$ 1,267,017	\$ 3,144,804
604,003		604,025	597,941
14,347	5,033	22,469	62,396
6,799		6,799	0
<u>1,018,197</u>	<u>123,051</u>	<u>1,900,310</u>	<u>3,805,141</u>
1,185,354		1,185,354	2,547,171
	24,272	796,388	1,626,138
<u>(1,185,354)</u>	<u>(24,272)</u>	<u>(1,981,742)</u>	<u>(4,173,309)</u>
<u>(167,157)</u>	<u>98,779</u>	<u>(81,432)</u>	<u>(368,168)</u>
	86,412	86,412	161,818
	<u>(78,080)</u>	<u>(78,080)</u>	<u>(170,215)</u>
<u>0</u>	<u>8,332</u>	<u>8,332</u>	<u>(8,397)</u>
(167,157)	107,111	(73,100)	(376,565)
<u>718,106</u>	<u>61,050</u>	<u>870,320</u>	<u>1,246,885</u>
<u>\$ 550,949</u>	<u>\$ 168,161</u>	<u>\$ 797,220</u>	<u>\$ 870,320</u>

CITY OF LEESBURG, FLORIDA

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

COMMUNITY DEVELOPMENT FUND

**FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR SEPTEMBER 30, 2001**

	<u>2002</u>			<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues				
Intergovernmental	\$ 7,500	\$ 9,322	\$ 1,822	\$ 736,597
Expenditures				
Economic Environment	(7,500)	(7,500)	0	(873,433)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>1,822</u>	<u>1,822</u>	<u>(136,836)</u>
Other Financing Sources (Uses)				
Operating Transfers In				75,000
Operating Transfers (Out)				(10,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	1,822	1,822	(71,836)
Fund Balance, Beginning of Year	<u>0</u>	<u>23,503</u>	<u>23,503</u>	<u>95,339</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 25,325</u>	<u>\$ 25,325</u>	<u>\$ 23,503</u>

CITY OF LEESBURG, FLORIDA

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

HOUSING ASSISTANCE FUND

**FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR SEPTEMBER 30, 2001**

	<u>2002</u>		<u>2001</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues				
Intergovernmental:				
HUD Contributions	\$ 757,788	\$ 746,629	\$ (11,159)	\$ 719,547
Charges for Services		22	22	171
Interest	3,888	3,089	(799)	6,418
Total Revenues	<u>761,676</u>	<u>749,740</u>	<u>(11,936)</u>	<u>726,136</u>
 Expenditures				
Economic Environment:				
Housing Assistance:				
Personal Services	129,400	129,400		108,927
Operating Expenditures	635,217	635,216	1	619,535
(Total Expenditures)	<u>(764,617)</u>	<u>(764,616)</u>	<u>1</u>	<u>(728,462)</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (2,941)	 (14,876)	 (11,935)	 (2,326)
 Fund Balance, Beginning of Year	 <u>2,941</u>	 <u>67,661</u>	 <u>64,720</u>	 <u>69,987</u>
 Fund Balance, End of Year	 <u>\$ 0</u>	 <u>\$ 52,785</u>	 <u>\$ 52,785</u>	 <u>\$ 67,661</u>

CITY OF LEESBURG, FLORIDA

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR SEPTEMBER 30, 2001**

	<u>2002</u>		<u>2001</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues				
Intergovernmental	\$ 374,760	\$ 393,048	\$ 18,288	\$1,569,681
Charges for Services:				
Utility Fees	606,000	604,003	(1,997)	597,770
Interest	19,849	14,347	(5,502)	51,394
Miscellaneous		6,799	6,799	0
Total Revenues	<u>1,000,609</u>	<u>1,018,197</u>	<u>17,588</u>	<u>2,218,845</u>
Expenditures				
Physical Environment:				
Stormwater:				
Personal Services	200,158	152,075	48,083	159,013
Operating Expenditures	429,629	346,710	82,919	382,021
Capital Outlay	737,032	686,569	50,463	2,006,137
(Total Expenditures)	<u>(1,366,819)</u>	<u>(1,185,354)</u>	<u>181,465</u>	<u>(2,547,171)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(366,210)	(167,157)	199,053	(328,326)
Other Financing Sources				
Proceeds From Issuance of Debt	<u>32,632</u>	<u>0</u>	<u>(32,632)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(333,578)	(167,157)	166,421	(328,326)
Fund Balance, Beginning of Year	<u>333,578</u>	<u>718,106</u>	<u>384,528</u>	<u>1,046,432</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 550,949</u>	<u>\$ 550,949</u>	<u>\$ 718,106</u>

CITY OF LEESBURG, FLORIDA

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

**GREATER LEESBURG COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH COMPARATIVE
ACTUAL AMOUNTS FOR SEPTEMBER 30, 2001**

	<u>2002</u>		<u>2001</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues				
Intergovernmental	\$ 118,172	\$ 118,018	\$ (154)	\$ 118,979
Interest	5,604	5,033	(571)	4,584
Total Revenues	<u>123,776</u>	<u>123,051</u>	<u>(725)</u>	<u>123,563</u>
Expenditures				
Economic Environment:				
Operating Expenditures	276	225	51	196
Debt Service	24,048	24,047	1	24,047
(Total Expenditures)	<u>(24,324)</u>	<u>(24,272)</u>	<u>52</u>	<u>(24,243)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>99,452</u>	<u>98,779</u>	<u>(673)</u>	<u>99,320</u>
Other Financing Sources (Uses)				
Operating Transfers In	86,413	86,412	(1)	86,818
Operating Transfers (Out)	(246,709)	(78,080)	168,629	(160,215)
Total Other Financing Sources (Uses)	<u>(160,296)</u>	<u>8,332</u>	<u>168,628</u>	<u>(73,397)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(60,844)</u>	<u>107,111</u>	<u>167,955</u>	<u>25,923</u>
Fund Balance, Beginning of Year	<u>60,844</u>	<u>61,050</u>	<u>206</u>	<u>35,127</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 168,161</u>	<u>\$ 168,161</u>	<u>\$ 61,050</u>



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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are similar to private business enterprises with the intent to recover costs to provide goods through user charges. Revenues are derived primarily from user charges imposed on residential and commercial customers. Expenses include, but are not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Electric Utility Fund - Used to account for the purchase and distribution of electric services within the City's service area.

Gas Utility Fund - Used to account for the purchase and distribution of gas services within the City's service area.

Water Utility Fund - Used to account for costs for collection, treatment and distribution of water services within the City's service area.

Wastewater Utility Fund - Used to account for costs to provide wastewater and sanitary sewer services within the City's service area.

Solid Waste Fund - Used to account for the collection, transportation, and disposal of solid waste within the City limits of Leesburg.

Communication Services Fund - Used to account for the provision of communication services; such as, internet, fiber optic connections and cellular tower rental.

CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>
Assets			
Current Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 19,372,136	\$ 4,897,724	\$ 10,091,039
Due From Other Funds			
Current Portion of Interfund Advance	136,296		
Due From Other Governments			
Receivables:			
Customer Accounts - Unbilled	1,398,673	237,602	253,184
Customer Accounts - Billed	2,932,017	80,262	188,346
(Allowance for Doubtful Accounts)	(401,878)	(54,320)	(45,787)
Inventory	1,703,117		
Total Current Assets	<u>25,140,361</u>	<u>5,161,268</u>	<u>10,486,782</u>
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents:			
Bond Construction			
Debt Service Account	477,383	58,443	139,664
Renewal and Replacement Account	3,174,692	353,046	941,397
Impact Fees Account			892,820
Depository Trust Account		300,000	
Customer Deposits Account	1,794,436	111,767	104,243
Investments:			
Crystal River Decommissioning Trust Account	2,553,129		
Total Restricted Assets	<u>7,999,640</u>	<u>823,256</u>	<u>2,078,124</u>
Property, Plant and Equipment			
Property, Plant and Equipment	60,462,715	9,458,423	16,317,145
(Accumulated Depreciation and Amortization)	(25,384,469)	(3,394,896)	(8,662,438)
Construction in Progress	828,346	585,062	1,194,454
Total Property, Plant and Equipment - Cost Less Depreciation and Amortization	<u>35,906,592</u>	<u>6,648,589</u>	<u>8,849,161</u>
Other Assets			
Unamortized Bond Issue Costs	135,383	16,577	39,608
Long-Term Portion of Interfund Advance	1,016,564		
Total Other Assets	<u>1,151,947</u>	<u>16,577</u>	<u>39,608</u>
Total Assets	<u>\$ 70,198,540</u>	<u>\$ 12,649,690</u>	<u>\$ 21,453,675</u>

Wastewater Utility	Total Combined Utility	Other Enterprise Funds		Totals	
		Solid Waste	Communication Services	2002	2001
\$ 2,996,397	\$ 37,357,296	\$ 806,546	\$ 6,196	\$ 38,170,038	\$ 44,636,570
				0	468,239
	136,296			136,296	0
3,704	3,704	1,508		5,212	949
237,741	2,127,200	193,738	17,443	2,338,381	2,437,315
358,538	3,559,163	174,885	8,811	3,742,859	4,105,737
(56,538)	(558,523)	(49,586)		(608,109)	(544,453)
4,137	1,707,254			1,707,254	1,543,161
<u>3,543,979</u>	<u>44,332,390</u>	<u>1,127,091</u>	<u>32,450</u>	<u>45,491,931</u>	<u>52,647,518</u>
				0	852,726
518,090	1,193,580			1,193,580	1,183,280
671,340	5,140,475			5,140,475	5,140,475
424,279	1,317,099			1,317,099	1,145,615
	300,000			300,000	0
41,875	2,052,321	1,115	3,872	2,057,308	1,975,127
	2,553,129			2,553,129	2,140,798
<u>1,655,584</u>	<u>12,556,604</u>	<u>1,115</u>	<u>3,872</u>	<u>12,561,591</u>	<u>12,438,021</u>
39,040,531	125,278,814	2,858,882	1,997,987	130,135,683	121,715,900
(12,343,572)	(49,785,375)	(1,756,469)	(523,237)	(52,065,081)	(48,584,414)
2,810,440	5,418,302		546,071	5,964,373	4,599,953
<u>29,507,399</u>	<u>80,911,741</u>	<u>1,102,413</u>	<u>2,020,821</u>	<u>84,034,975</u>	<u>77,731,439</u>
268,653	460,221			460,221	489,026
	1,016,564			1,016,564	0
<u>268,653</u>	<u>1,476,785</u>	<u>0</u>	<u>0</u>	<u>1,476,785</u>	<u>489,026</u>
<u>\$ 34,975,615</u>	<u>\$ 139,277,520</u>	<u>\$ 2,230,619</u>	<u>\$ 2,057,143</u>	<u>\$ 143,565,282</u>	<u>\$ 143,306,004</u>

(Continued)

CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001
(Concluded)

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>
Liabilities and Fund Equity			
Current Liabilities			
Accounts and Retainage Payable	\$ 2,569,783	\$ 119,296	\$ 241,449
Accrued Expenses	645,935	113,875	117,879
Customer Advances for Construction	20,990		
Due to Other Funds			
Current Portion of Interfund Advance			
Estimated Landfill Closure Cost Payable			
Total Current Liabilities	<u>3,236,708</u>	<u>233,171</u>	<u>359,328</u>
Current Liabilities Payable From Restricted Assets			
Customer Deposits	1,794,436	111,767	104,243
Accrued Interest on Revenue Bonds	230,860	28,263	67,541
Current Portion of Bonds Payable	246,524	30,180	72,123
Total Current Liabilities Payable From Restricted Assets	<u>2,271,820</u>	<u>170,210</u>	<u>243,907</u>
Long-Term Liabilities			
Refunding Revenue Bonds Payable	8,967,282	1,097,812	2,623,481
(Unamortized Discount and Loss on Refunding)	(325,768)	(39,882)	(95,306)
Long-Term Portion of Interfund Advance			
Landfill Postclosure Costs Payable			
Decommissioning Costs Payable	3,808,150		
Total Long-Term Liabilities	<u>12,449,664</u>	<u>1,057,930</u>	<u>2,528,175</u>
Total Liabilities	<u>17,958,192</u>	<u>1,461,311</u>	<u>3,131,410</u>
Fund Equity			
Contributed Capital:			
Other Governments	17,987	6,512	77,284
Customers and Developers	3,783,346	524,560	4,488,991
Other Funds			
Total Contributed Capital	<u>3,801,333</u>	<u>531,072</u>	<u>4,566,275</u>
Retained Earnings:			
Reserved:			
Current Year Contributed Capital - Impact Fees			110,141
Renewal and Replacement	3,174,692	353,046	941,397
Operating Reserve	11,911,282	1,648,139	2,004,776
Unreserved	33,353,041	8,656,122	10,699,676
Total Retained Earnings	<u>48,439,015</u>	<u>10,657,307</u>	<u>13,755,990</u>
Total Fund Equity	<u>52,240,348</u>	<u>11,188,379</u>	<u>18,322,265</u>
Total Liabilities and Fund Equity	<u>\$ 70,198,540</u>	<u>\$ 12,649,690</u>	<u>\$ 21,453,675</u>

Wastewater Utility	Total Combined Utility	Other Enterprise Funds		Totals	
		Solid Waste	Communication Services	2002	2001
\$ 182,049	\$ 3,112,577	\$ 162,083	\$ 8,876	\$ 3,283,536	\$ 3,406,027
141,485	1,019,174	79,351	362	1,098,887	978,609
8,900	29,890			29,890	11,945
				0	468,239
			136,296	136,296	0
		57,647		57,647	49,787
<u>332,434</u>	<u>4,161,641</u>	<u>299,081</u>	<u>145,534</u>	<u>4,606,256</u>	<u>4,914,607</u>
41,875	2,052,321	1,115	3,872	2,057,308	1,975,127
361,917	688,581			688,581	698,282
156,173	505,000			505,000	485,000
<u>559,965</u>	<u>3,245,902</u>	<u>1,115</u>	<u>3,872</u>	<u>3,250,889</u>	<u>3,158,409</u>
13,701,425	26,390,000			26,390,000	26,895,000
(234,873)	(695,829)			(695,829)	(765,471)
			1,016,564	1,016,564	0
		864,705		864,705	702,554
	3,808,150			3,808,150	3,599,950
<u>13,466,552</u>	<u>29,502,321</u>	<u>864,705</u>	<u>1,016,564</u>	<u>31,383,590</u>	<u>30,432,033</u>
<u>14,358,951</u>	<u>36,909,864</u>	<u>1,164,901</u>	<u>1,165,970</u>	<u>39,240,735</u>	<u>38,505,049</u>
8,011,471	8,113,254			8,113,254	8,113,254
6,718,760	15,515,657			15,515,657	15,515,657
14,450	14,450	440,967	207,090	662,507	662,507
<u>14,744,661</u>	<u>23,643,361</u>	<u>440,967</u>	<u>207,090</u>	<u>24,291,418</u>	<u>24,291,418</u>
365,818	475,959			475,959	0
671,340	5,140,475			5,140,475	5,140,475
3,211,403	18,775,600	797,021	332,021	19,904,642	20,530,140
1,623,422	54,332,261	(172,270)	352,062	54,512,053	54,838,922
<u>5,871,983</u>	<u>78,724,295</u>	<u>624,751</u>	<u>684,083</u>	<u>80,033,129</u>	<u>80,509,537</u>
20,616,664	102,367,656	1,065,718	891,173	104,324,547	104,800,955
<u>\$ 34,975,615</u>	<u>\$ 139,277,520</u>	<u>\$ 2,230,619</u>	<u>\$ 2,057,143</u>	<u>\$ 143,565,282</u>	<u>\$ 143,306,004</u>

CITY OF LEESBURG, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

ENTERPRISE FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>
Operating Revenues			
User Charges	\$ 36,442,513	\$ 5,510,062	\$ 3,759,878
Other Operating Revenue	554,569	65,847	44,979
Total Operating Revenues	<u>36,997,082</u>	<u>5,575,909</u>	<u>3,804,857</u>
Operating Expenses			
Power Generation and Transmission	1,322,803		
Purchased Energy	23,599,737	2,864,100	
Supply and Pumping			
Treatment			783,564
Distribution and Collection	2,775,782	508,056	407,262
Customer Accounts	972,198	397,572	546,569
General and Administrative	1,814,971	733,868	566,664
Operating Expenses			
Depreciation and Amortization	2,438,825	294,816	567,662
Change in Postclosure Estimate			
(Total Operating Expenses)	<u>(32,924,316)</u>	<u>(4,798,412)</u>	<u>(2,871,721)</u>
Operating Income (Loss)	<u>4,072,766</u>	<u>777,497</u>	<u>933,136</u>
Nonoperating Revenues (Expenses)			
Investment Income	1,042,306	177,349	400,920
Capital Contributions - Impact Fees			110,141
Other Nonoperating Income	257,865	(21,600)	149,496
Interest Expenses	(503,704)	(59,218)	(137,456)
Other Nonoperating Expense	(105,921)	(206)	(492)
Total Nonoperating Revenues (Expenses)	<u>690,546</u>	<u>96,325</u>	<u>522,609</u>
Income (Loss) Before Operating Transfers	<u>4,763,312</u>	<u>873,822</u>	<u>1,455,745</u>
Other Financing Sources (Uses)			
Operating Transfers In			
Operating Transfers Out	(4,446,783)	(591,470)	(1,007,067)
Total Other Financing Sources (Uses)	<u>(4,446,783)</u>	<u>(591,470)</u>	<u>(1,007,067)</u>
Net Income (Loss)	316,529	282,352	448,678
Retained Earnings, Beginning of Year	<u>48,122,486</u>	<u>10,374,955</u>	<u>13,307,312</u>
Retained Earnings, End of Year	<u>\$ 48,439,015</u>	<u>\$10,657,307</u>	<u>\$ 13,755,990</u>

Wastewater Utility	Total Combined Utility	Other Enterprise Funds		Totals	
		Solid Waste	Communication Services	2002	2001
\$ 3,744,954	\$ 49,457,407	\$ 2,671,698	\$ 314,817	\$ 52,443,922	\$ 54,944,483
70,187	735,582	54,042	1,501	791,125	752,095
<u>3,815,141</u>	<u>50,192,989</u>	<u>2,725,740</u>	<u>316,318</u>	<u>53,235,047</u>	<u>55,696,578</u>
	1,322,803			1,322,803	1,171,459
	26,463,837			26,463,837	29,710,316
284,091	284,091			284,091	199,305
1,315,475	2,099,039			2,099,039	1,782,794
715,220	4,406,320			4,406,320	3,365,454
494,927	2,411,266			2,411,266	2,233,173
597,586	3,713,089		172,178	3,885,267	3,517,258
		2,527,041		2,527,041	2,385,198
1,346,504	4,647,807	140,326	189,159	4,977,292	4,795,279
		170,011		170,011	(49,787)
<u>(4,753,803)</u>	<u>(45,348,252)</u>	<u>(2,837,378)</u>	<u>(361,337)</u>	<u>(48,546,967)</u>	<u>(49,110,449)</u>
<u>(938,662)</u>	<u>4,844,737</u>	<u>(111,638)</u>	<u>(45,019)</u>	<u>4,688,080</u>	<u>6,586,129</u>
197,858	1,818,433	37,989	(17,901)	1,838,521	3,754,972
365,818	475,959			475,959	0
(18,100)	367,661	25,341	57,079	450,081	401,467
(724,807)	(1,425,185)	(20)	(717)	(1,425,922)	(1,516,818)
(828)	(107,447)			(107,447)	(108,139)
<u>(180,059)</u>	<u>1,129,421</u>	<u>63,310</u>	<u>38,461</u>	<u>1,231,192</u>	<u>2,531,482</u>
<u>(1,118,721)</u>	<u>5,974,158</u>	<u>(48,328)</u>	<u>(6,558)</u>	<u>5,919,272</u>	<u>9,117,611</u>
			106,951	106,951	377,996
(256,846)	(6,302,166)	(183,275)	(17,190)	(6,502,631)	(5,865,885)
<u>(256,846)</u>	<u>(6,302,166)</u>	<u>(183,275)</u>	<u>89,761</u>	<u>(6,395,680)</u>	<u>(5,487,889)</u>
(1,375,567)	(328,008)	(231,603)	83,203	(476,408)	3,629,722
<u>7,247,550</u>	<u>79,052,303</u>	<u>856,354</u>	<u>600,880</u>	<u>80,509,537</u>	<u>76,879,815</u>
<u>\$ 5,871,983</u>	<u>\$ 78,724,295</u>	<u>\$ 624,751</u>	<u>\$ 684,083</u>	<u>\$ 80,033,129</u>	<u>\$ 80,509,537</u>

CITY OF LEESBURG, FLORIDA

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 6,397,696</u>	<u>\$ 1,237,238</u>	<u>\$ 1,655,269</u>
Cash Flows From Noncapital Financing Activities			
Operating Transfers (Out) to Other Funds	(4,446,783)	(591,470)	(1,007,067)
Operating Transfers In			
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(4,446,783)</u>	<u>(591,470)</u>	<u>(1,007,067)</u>
Cash Flows From Capital and Related Financing Activities			
Interest Paid on Capital Leases and Note Payable			
Interest Paid on Revenue Bonds and Customer Deposits	(503,704)	(59,218)	(137,456)
Acquisition and Construction of Capital Assets	(3,519,191)	(869,331)	(1,550,925)
Proceeds From Sales of Fixed Assets	2,904	57,755	48,875
Principal Paid on Bond Maturities	(237,278)	(29,049)	(69,420)
Principal Paid on Note Payable			
Capital Contributions	<u>213,086</u>	<u>2,000</u>	<u>207,010</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(4,044,183)</u>	<u>(897,843)</u>	<u>(1,501,916)</u>
Cash Flows From Investing Activities			
Investment Income	1,042,306	177,349	400,920
Purchase of Crystal River Decommissioning Investments	<u>(427,588)</u>		
Net Cash Provided By (Used In) Investing Activities	<u>614,718</u>	<u>177,349</u>	<u>400,920</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,478,552)	(74,726)	(452,794)
Cash and Cash Equivalents, Beginning of Year	<u>26,297,199</u>	<u>5,795,706</u>	<u>12,621,957</u>
Cash and Cash Equivalents, End of Year	<u><u>\$24,818,647</u></u>	<u><u>\$ 5,720,980</u></u>	<u><u>\$12,169,163</u></u>
<u>Reconciliation of Cash and Cash Equivalents</u>			
<u>(Above) to Combined Balance Sheet</u>			
Current Assets			
Equity in Pooled Cash and Cash Equivalents	\$19,372,136	\$ 4,897,724	\$10,091,039
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	<u>5,446,511</u>	<u>823,256</u>	<u>2,078,124</u>
Total Cash and Cash Equivalents, End of Year	<u><u>\$24,818,647</u></u>	<u><u>\$ 5,720,980</u></u>	<u><u>\$12,169,163</u></u>

Wastewater Utility	Total Combined Utility	Other Enterprise Funds		Totals	
		Solid Waste	Communication Services	2002	2001
\$ (18,441)	\$ 9,271,762	\$ 279,939	\$ 808,184	\$ 10,359,885	\$ 10,134,637
(256,846)	(6,302,166)	(183,275)	(17,190)	(6,502,631)	(5,865,885)
			106,951	106,951	377,996
(256,846)	(6,302,166)	(183,275)	89,761	(6,395,680)	(5,487,889)
				0	(1,486)
(724,807)	(1,425,185)	(20)	(717)	(1,425,922)	(1,523,791)
(4,007,870)	(9,947,317)	(500,390)	(875,843)	(11,323,550)	(5,647,236)
197,472	307,006			307,006	0
(149,254)	(485,001)			(485,001)	(4,019,912)
				0	(410,000)
374,940	797,036			797,036	695,942
(4,309,519)	(10,753,461)	(500,410)	(876,560)	(12,130,431)	(10,906,483)
197,858	1,818,433	37,989	(17,901)	1,838,521	3,796,866
	(427,588)			(427,588)	(226,535)
197,858	1,390,845	37,989	(17,901)	1,410,933	3,570,331
(4,386,948)	(6,393,020)	(365,757)	3,484	(6,755,293)	(2,689,404)
9,038,929	53,753,791	1,173,418	6,584	54,933,793	57,623,197
\$ 4,651,981	\$ 47,360,771	\$ 807,661	\$ 10,068	\$ 48,178,500	\$ 54,933,793
2,996,397	37,357,296	806,546	6,196	38,170,038	44,636,570
1,655,584	10,003,475	1,115	3,872	10,008,462	10,297,223
\$ 4,651,981	\$ 47,360,771	\$ 807,661	\$ 10,068	\$ 48,178,500	\$ 54,933,793

(Continued)

CITY OF LEESBURG, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001
(Concluded)

	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</u>			
Operating Income (Loss)	\$ 4,072,766	\$ 777,497	\$ 933,136
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:			
Loss (Gain) on Sale of Fixed Assets	28,958	35,565	(39,898)
Depreciation and Amortization	2,438,825	294,816	567,662
Bad Debt Expense	50,756	4,834	(511)
Nonoperating Income	44,779	(23,600)	52,627
Nonoperating Expense	(105,921)	(206)	(492)
Change in Postclosure Estimate			
Decrease (Increase) in Customer Accounts	317,698	146,387	178
Decrease (Increase) in Due From Other Governments			
Decrease (Increase) in Due To/From Other Funds	468,239		
Decrease (Increase) in Advances To/From Other Funds	(1,152,860)		
Decrease (Increase) in Inventory	(161,632)		
Increase (Decrease) in Accounts Payable	253,870	(8,737)	116,784
Increase (Decrease) in Accrued Expenses	52,834	10,161	18,512
Increase (Decrease) in Customer Advances for Construction	17,945		
Increase (Decrease) in Customer Deposits	71,439	521	7,271
Net Cash Provided By (Used In) Operating Activities	<u>\$ 6,397,696</u>	<u>\$ 1,237,238</u>	<u>\$ 1,655,269</u>

Wastewater Utility	Total Combined Utility	Other Enterprise Funds		Totals	
		Solid Waste	Communication Services	2002	2001
\$ (938,662)	\$ 4,844,737	\$ (111,638)	\$ (45,019)	\$ 4,688,080	\$ 6,586,129
32,996	57,621			57,621	0
1,346,504	4,647,807	140,326	189,159	4,977,292	4,795,279
489	55,568	8,088		63,656	144,273
(27,222)	46,584	25,341	57,079	129,004	401,467
(828)	(107,447)			(107,447)	(108,139)
		170,011		170,011	(49,787)
23,410	487,673	(20,914)	(12,355)	454,404	(1,531,753)
3,704	3,704	(559)		3,145	1,945
	468,239		(468,239)	0	0
	(1,152,860)		1,152,860	0	0
(2,461)	(164,093)			(164,093)	236,129
(480,744)	(118,827)	61,162	(64,826)	(122,491)	(130,859)
22,003	103,510	7,722	(655)	110,577	(226,548)
	17,945			17,945	(19,349)
2,370	81,601	400	180	82,181	35,850
<u>\$ (18,441)</u>	<u>\$ 9,271,762</u>	<u>\$ 279,939</u>	<u>\$ 808,184</u>	<u>\$ 10,359,885</u>	<u>\$ 10,134,637</u>



INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the governmental unit on a cost-reimbursement basis.

Fleet Maintenance Fund - Used to account for the costs to operate a fleet maintenance facility for automotive equipment used by City departments.

Health Insurance Fund - Used to account for the costs of providing major medical coverage to all eligible City employees.

Workers' Compensation Insurance Fund - Used to account for the costs of providing workers' compensation coverage to all eligible City employees.



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CITY OF LEESBURG, FLORIDA

**COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	<u>Fleet Main- tenance</u>	<u>General Employees' Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Totals</u>	
				<u>2002</u>	<u>2001</u>
Assets					
Current Assets					
Equity in Pooled Cash and Cash Equivalents		\$ 553,218	\$ 1,747,337	\$ 2,300,555	\$ 1,770,921
Miscellaneous Receivable		200,936	11,614	212,550	281,656
Inventory				0	57,507
Total Current Assets	<u>\$ 0</u>	<u>754,154</u>	<u>1,758,951</u>	<u>2,513,105</u>	<u>2,110,084</u>
Property, Plant and Equipment					
Buildings				0	67,802
Machinery and Equipment				0	179,979
(Accumulated Depreciation)				0	(150,827)
Construction in Progress				0	25,461
Total Property, Plant and Equipment - Cost Less Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>122,415</u>
Total Assets	<u>0</u>	<u>754,154</u>	<u>1,758,951</u>	<u>2,513,105</u>	<u>2,232,499</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable		72,993	12,021	85,014	41,443
Accrued Expenses				0	40,579
Due to Other Funds				0	271,816
Claims Payable		367,416	643,100	1,010,516	850,312
Total Liabilities	<u>0</u>	<u>440,409</u>	<u>655,121</u>	<u>1,095,530</u>	<u>1,204,150</u>
Fund Equity					
Contributed Capital - General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,979</u>
Retained Earnings:					
Reserved for Insurance		313,745	1,103,830	1,417,575	987,165
Unreserved					25,205
Total Retained Earnings	<u>0</u>	<u>313,745</u>	<u>1,103,830</u>	<u>1,417,575</u>	<u>1,012,370</u>
Total Fund Equity	<u>0</u>	<u>313,745</u>	<u>1,103,830</u>	<u>1,417,575</u>	<u>1,028,349</u>
Total Liabilities and Fund Equity	<u>\$ 0</u>	<u>\$ 754,154</u>	<u>\$ 1,758,951</u>	<u>\$ 2,513,105</u>	<u>\$ 2,232,499</u>

CITY OF LEESBURG, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

INTERNAL SERVICE FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	Fleet Main- tenance	General Employees' Health Insurance	Workers' Compensation Insurance	Totals	
				2002	2001
Operating Revenues					
Charges for Services	\$ 591,698	\$ 3,011,969	\$ 220,073	\$ 3,823,740	\$ 3,199,844
Operating Expenses					
Personal Services	240,586			240,586	236,845
Other Services and Charges	38,578			38,578	25,775
Materials and Supplies	226,004			226,004	165,457
Depreciation	21,014			21,014	16,138
Claims Expense		1,530,168	421,040	1,951,208	2,927,779
Administrative Expenses		349,196	24,707	373,903	208,481
Insurance Premiums		483,642	65,482	549,124	480,152
(Total Operating Expenses)	(526,182)	(2,363,006)	(511,229)	(3,400,417)	(4,060,627)
Operating Income (Loss)	65,516	648,963	(291,156)	423,323	(860,783)
Nonoperating Income (Loss)					
Investment Income (Loss)	(1,186)	1,025	58,058	57,897	113,809
Other Nonoperating Income (Loss)	(83,833)	(33,414)	46,934	(70,313)	402,075
Total Nonoperating Income (Loss)	(85,019)	(32,389)	104,992	(12,416)	515,884
Income (Loss) Before Operating Transfers	(19,503)	616,574	(186,164)	410,907	(344,899)
Operating Transfers (Out)	(5,702)	0	0	(5,702)	0
Net Income (Loss)	(25,205)	616,574	(186,164)	405,205	(344,899)
Retained Earnings, Beginning of Year	25,205	(302,829)	1,289,994	1,012,370	1,357,269
Retained Earnings, End of Year	\$ 0	\$ 313,745	\$ 1,103,830	\$ 1,417,575	\$ 1,012,370

CITY OF LEESBURG, FLORIDA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001**

	<u>Fleet Main- tenance</u>	<u>General Employees' Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Totals</u>	
				<u>2002</u>	<u>2001</u>
Net Cash Provided By (Used In)					
Operating Activities	\$ (78,534)	\$ 552,193	\$ (81,642)	\$ 392,017	\$ (288,090)
Cash Flows From Noncapital and Related Financing Activities					
Operating Transfers (to) Other Funds	(5,702)	0	0	(5,702)	0
Cash Flows From Capital and Related Financing Activities					
Acquisition and Construction of Capital Assets	85,422	0	0	85,422	(27,885)
Cash Flows From Investing Activities					
Investment Income	(1,186)	1,025	58,058	57,897	113,809
Net Increase (Decrease) in Cash and Cash Equivalents	0	553,218	(23,584)	529,634	(202,166)
Cash and Cash Equivalents, Beginning of Year	0	0	1,770,921	1,770,921	1,973,087
Cash and Cash Equivalents, End of Year	<u>\$ 0</u>	<u>\$ 553,218</u>	<u>\$ 1,747,337</u>	<u>\$ 2,300,555</u>	<u>\$ 1,770,921</u>
<u>Reconciliation of Operating Income</u>					
<u>(Loss) to Net Cash Provided By</u>					
<u>(Used In) Operating Activities</u>					
Operating Income (Loss)	\$ 65,516	\$ 648,963	\$ (291,156)	\$ 423,323	\$ (860,783)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Depreciation	21,014			21,014	16,138
Nonoperating Income (Loss)	(83,833)	(33,414)	46,934	(70,313)	402,075
Decrease (Increase) in Miscellaneous Receivables		60,068	9,038	69,106	(132,762)
Decrease (Increase) in Inventory	57,507			57,507	(18,242)
Increase (Decrease) in Claims Payable		18,683	141,521	160,204	264,213
Increase (Decrease) in Accounts Payable and Accrued Expenses	(81,296)	(142,107)	12,021	(211,382)	(159,387)
Increase (Decrease) in Interfund Payables	(57,442)			(57,442)	200,658
Net Cash Provided By (Used In) Operating Activities	<u>\$ (78,534)</u>	<u>\$ 552,193</u>	<u>\$ (81,642)</u>	<u>392,017</u>	<u>\$ (288,090)</u>



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FIDUCIARY FUND TYPES

Pension trust funds are used to account for assets held by the City in a trustee capacity for public employee retirement systems.

Municipal Police Retirement Plan - Used to account for activities related to the Municipal Police Pension Trust, which provides pension benefits to eligible municipal police officers. The defined pension plan was created pursuant to the provisions of Chapter 185, Florida Statutes. Resources are contributed by the participating employees and the State of Florida. Members of the Municipal Police Pension Trust are also members of the General Employees Pension Trust.

Municipal Firemen's Retirement Plan - Used to account for activities related to the Municipal Firemen's Retirement Trust, which provides pension benefits to eligible fire fighters. The defined benefit plan was created pursuant to the provisions of Chapter 175, Florida Statutes. Resources are contributed by the City, participating employees and the State of Florida.

General Employees' Retirement Plan - Used to account for activities related to the City of Leesburg General Employees' Pension Plan, which provides pension benefits to eligible full-time employees, except commissioners and fire fighters. Resources are contributed by the City to this defined benefit plan.



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CITY OF LEESBURG, FLORIDA
COMBINING BALANCE SHEET
FIDUCIARY FUND TYPES
SEPTEMBER 30, 2002, WITH
COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001

	Pension Trust Funds			Totals	
	Municipal Police Retirement Plan	Municipal Firemen's Retirement Plan	General Employees' Retirement Plan	2002	2001
Assets					
Cash and Investments					
With Trustees	\$ 7,971,880	\$ 5,788,507	\$ 21,244,526	\$ 35,004,913	\$ 38,059,588
Accrued Interest Receivable	37,713	39,073	44,690	121,476	132,482
Total Assets	<u>8,009,593</u>	<u>5,827,580</u>	<u>21,289,216</u>	<u>35,126,389</u>	<u>38,192,070</u>
Liabilities and Fund Equity					
Liabilities					
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity					
Fund Balances Reserved for Employee Benefits	<u>8,009,593</u>	<u>5,827,580</u>	<u>21,289,216</u>	<u>35,126,389</u>	<u>38,192,070</u>
Total Liabilities and Fund Equity	<u>\$ 8,009,593</u>	<u>\$ 5,827,580</u>	<u>\$ 21,289,216</u>	<u>\$ 35,126,389</u>	<u>\$ 38,192,070</u>



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ACCOUNT GROUPS

Account groups are used to maintain accounting control and accountability for the City's general fixed assets and for all long-term debt (principal balances of debt, capital lease obligations, and obligations for compensated absences). These account groups are not funds; they reflect measurement of financial position and not measurement of results of operations.



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CITY OF LEESBURG, FLORIDA

**SCHEDULES OF GENERAL FIXED ASSETS BY SOURCE
SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
General Fixed Assets		
Land	\$ 6,356,057	\$ 4,832,093
Buildings	15,504,876	13,452,282
Improvement Other Than Buildings	9,048,948	8,891,773
Equipment and Vehicles	9,354,772	9,331,749
Construction Work in Progress	4,902,971	3,486,166
Total General Fixed Assets	<u>45,167,624</u>	<u>39,994,063</u>
 Investments in General Fixed Assets		
General Obligation Bonds and Revenue Certificates	5,367,421	4,949,737
Capital Projects Funds:		
Economic Development Administration		
Grants	430,079	430,079
Hospital Construction Fund	1,893,857	1,893,857
Federal, State and Local Grants	9,808,021	7,338,038
General Fund Revenues	20,696,955	19,783,809
Special Revenue Fund Revenues	4,845,483	4,345,005
Utility Revenue Fund Revenues	1,179,192	338,439
Gifts and Other	946,616	915,099
Total Investment in General Fixed Assets	<u>\$ 45,167,624</u>	<u>\$ 39,994,063</u>

CITY OF LEESBURG, FLORIDA

**SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2002**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Equipment and Vehicles	Total
General and Government					
Legislative	\$ 113,095	\$ 1,977,071	\$ 63,158	\$ 41,236	\$ 2,194,560
Executive		55,209		40,700	95,909
Financial and Administrative		444,675	176,247	1,615,975	2,236,897
Legal Counsel	15,000	149,203	19,874	18,762	202,839
Other General Government		67,144	3,660	235,939	306,743
Total General and Government	<u>128,095</u>	<u>2,693,302</u>	<u>262,939</u>	<u>1,952,612</u>	<u>5,036,948</u>
Public Safety					
Law Enforcement	371,208	785,240	151,188	2,005,393	3,313,029
Fire Control	64,325	506,532	81,398	1,399,618	2,051,873
Protective Inspection				99,394	99,394
Total Public Safety	<u>435,533</u>	<u>1,291,772</u>	<u>232,586</u>	<u>3,504,405</u>	<u>5,464,296</u>
Physical Environment	<u>491,136</u>	<u>164,319</u>	<u>900,388</u>	<u>910,893</u>	<u>2,466,736</u>
Transportation					
Roads and Streets	57,238	74,764	1,303,622	95,431	1,531,055
Airport	3,190,113	2,649,707	3,599,985	41,327	9,481,132
Parking Facilities	297,341				297,341
Total Transportation	<u>3,544,692</u>	<u>2,724,471</u>	<u>4,903,607</u>	<u>136,758</u>	<u>11,309,528</u>
Economic Environment					
Housing and Urban Development				23,737	23,737
Other Economic Environment	415,397	1,192,184	45,530	4,353	1,657,464
Total Economic Environment	<u>415,397</u>	<u>1,192,184</u>	<u>45,530</u>	<u>28,090</u>	<u>1,681,201</u>
Human Services	<u>31,430</u>	<u>1,862,427</u>	<u>0</u>	<u>0</u>	<u>1,893,857</u>
Culture and Recreation					
Libraries	331,183	1,157,180	220,245	1,598,603	3,307,211
Parks and Recreation	868,023	1,078,976	1,394,125	988,075	4,329,199
Cultural Services		343,382	25,826	0	369,208
Special Recreational Facilities		452,179	6,015	5,817	464,011
Mote-Morris House	110,568	592,174	110,974	10,000	823,716
Other Culture and Recreation		1,952,510	946,713	219,519	3,118,742
Total Culture and Recreation	<u>1,309,774</u>	<u>5,576,401</u>	<u>2,703,898</u>	<u>2,822,014</u>	<u>12,412,087</u>
Total By Function and Activity	<u>\$ 6,356,057</u>	<u>\$ 15,504,876</u>	<u>\$ 9,048,948</u>	<u>\$ 9,354,772</u>	<u>40,264,653</u>
Construction Work in Progress					4,902,971
Total General Fixed Assets					<u>\$ 45,167,624</u>

CITY OF LEESBURG, FLORIDA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY FOR THE YEAR ENDED SEPTEMBER 30, 2002

Function and Activity	Balance October 1, 2001	Additions	(Deductions)	Balance September 30, 2002
General Government				
Legislative	\$ 2,288,953	\$ 44,517	\$ (138,910)	\$ 2,194,560
Executive	87,753	13,412	(5,256)	95,909
Financial and Administrative	2,219,962	271,554	(254,619)	2,236,897
Legal Counsel	223,289	0	(20,450)	202,839
Other General Government		306,743		306,743
Total General Government	<u>4,819,957</u>	<u>636,226</u>	<u>(419,235)</u>	<u>5,036,948</u>
Public Safety				
Law Enforcement	2,765,161	649,885	(102,017)	3,313,029
Fire Control	1,988,813	126,510	(63,450)	2,051,873
Protective Inspection	78,445	21,587	(638)	99,394
Total Public Safety	<u>4,832,419</u>	<u>797,982</u>	<u>(166,105)</u>	<u>5,464,296</u>
Physical Environment	<u>2,305,756</u>	<u>366,334</u>	<u>(205,354)</u>	<u>2,466,736</u>
Transportation				
Roads and Streets	2,068,552	23,351	(560,848)	1,531,055
Airport	6,583,432	2,917,790	(20,090)	9,481,132
Parking Facilities	297,341			297,341
Total Transportation	<u>8,949,325</u>	<u>2,941,141</u>	<u>(580,938)</u>	<u>11,309,528</u>
Economic Environment				
Housing and Urban Development	25,575		(1,838)	23,737
Other Economic Environment	1,656,222	1,242		1,657,464
Total Economic Environment	<u>1,681,797</u>	<u>1,242</u>	<u>(1,838)</u>	<u>1,681,201</u>
Human Services	<u>1,893,857</u>	<u>0</u>	<u>0</u>	<u>1,893,857</u>
Culture and Recreation				
Libraries	3,179,408	137,650	(9,847)	3,307,211
Parks and Recreation	4,055,133	328,495	(54,429)	4,329,199
Cultural Services	369,208			369,208
Special Recreational Facilities	460,834	3,177		464,011
Mote-Morris House	824,215		(499)	823,716
Other Culture and Recreation	3,135,988		(17,246)	3,118,742
Total Culture and Recreation	<u>12,024,786</u>	<u>469,322</u>	<u>(82,021)</u>	<u>12,412,087</u>
Total By Function and Activity	<u>36,507,897</u>	<u>5,212,247</u>	<u>(1,455,491)</u>	<u>40,264,653</u>
Construction Work in Progress	<u>3,486,166</u>	<u>1,851,496</u>	<u>(434,691)</u>	<u>4,902,971</u>
Total General Fixed Assets	<u>\$ 39,994,063</u>	<u>\$ 7,063,743</u>	<u>\$ (1,890,182)</u>	<u>\$ 45,167,624</u>

CITY OF LEESBURG, FLORIDA

**SCHEDULES OF GENERAL LONG-TERM DEBT
SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Amount Available and to Be Provided for the Payment of General Long-Term Debt		
Serial and Term Bonds - Public Improvement		
Revenue Bonds and Certificates:		
Amount Available in Debt Service Fund	\$ 125,000	\$ 120,000
Amount to Be Provided	<u>7,045,000</u>	<u>7,170,000</u>
Total Serial and Term Bonds	<u>7,170,000</u>	<u>7,290,000</u>
Other Long-Term Liabilities:		
Amount to Be Provided	1,385,834	1,265,521
Suit Settlement Payable	390,000	450,000
Mortgages Payable	209,455	222,142
Total Other Long-Term Liabilities	<u>1,985,289</u>	<u>1,937,663</u>
Total Amount Available and to Be Provided for the Payment of General Long-Term Debt	<u>9,155,289</u>	<u>9,227,663</u>
 General Long-Term Debt Payable		
Refunding and Capital Improvement Revenue		
Bonds, Series 1987	7,170,000	7,290,000
Employee Compensation Absences Payable	1,385,834	1,265,521
Lawsuit	390,000	450,000
Mortgages Payable	<u>209,455</u>	<u>222,142</u>
Total General Long-Term Debt Payable	<u>\$9,155,289</u>	<u>\$9,227,663</u>

STATISTICAL SECTION

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

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.

STATISTICAL SECTION

(Unaudited)

Statistical data are presented to provide greater detailed 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 City has had no general obligation debt outstanding during the past ten years.

CITY OF LEESBURG, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Transportation</u>
1993	\$ 2,960,278	\$ 4,314,965	\$ 857,912	\$ 1,023,302
Percent of Total	23.60%	34.41%	6.84%	8.16%
1994	\$ 3,131,964	\$ 4,587,398	\$ 869,583	\$ 804,917
Percent of Total	23.17%	33.94%	6.43%	5.95%
1995	\$ 3,439,974	\$ 4,883,377	\$ 1,064,938	\$ 801,839
Percent of Total	21.23%	30.14%	6.57%	4.95%
1996	\$ 3,581,053	\$ 5,200,748	\$ 1,037,479	\$ 968,573
Percent of Total	22.69%	32.95%	6.57%	6.14%
1997	\$ 3,677,040	\$ 5,772,211	\$ 946,842	\$ 628,878
Percent of Total	21.73%	34.11%	5.59%	3.72%
1998	\$ 4,446,495	\$ 6,096,292	\$ 883,875	\$ 595,606
Percent of Total	23.52%	32.25%	4.68%	3.15%
1999	\$ 3,844,042	\$ 6,093,036	\$ 1,113,690	\$ 1,510,205
Percent of Total	18.23%	28.89%	5.28%	7.16%
2000	\$ 3,852,844	\$ 6,336,134	\$ 1,358,276	\$ 1,710,323
Percent of Total	20.00%	32.88%	7.05%	8.88%
2001	\$ 4,920,929	\$ 7,076,688	\$ 3,122,998	\$ 1,369,496
Percent of Total	21.35%	30.71%	13.55%	5.94%
2002	\$ 5,300,534	\$ 7,793,941	\$ 1,992,276	\$ 1,329,190
Percent of Total	20.48%	30.11%	7.70%	5.14%

Notes: (1) Includes general, special revenue, debt service and capital projects funds.

Table 1

<u>Economic Environment</u>	<u>Human Services</u>	<u>Culture/ Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ 666,844 5.32%	\$ 27,944 0.22%	\$ 1,947,503 15.53%	\$ 216,057 1.72%	\$ 527,060 4.20%	\$ 12,541,865 100.00%
\$ 770,362 5.70%	\$ 30,466 0.23%	\$ 2,085,129 15.43%	\$ 714,251 5.28%	\$ 523,380 3.87%	\$ 13,517,450 100.00%
\$ 1,175,585 7.26%	\$ 30,803 0.19%	\$ 2,225,365 13.73%	\$ 2,059,078 12.71%	\$ 522,000 3.22%	\$ 16,202,959 100.00%
\$ 1,134,200 7.19%	\$ 31,379 0.20%	\$ 2,459,103 15.58%	\$ 848,387 5.38%	\$ 520,980 3.30%	\$ 15,781,902 100.00%
\$ 768,703 4.54%	\$ 49,723 0.29%	\$ 2,758,648 16.30%	\$ 1,800,650 10.64%	\$ 522,082 3.08%	\$ 16,924,777 100.00%
\$ 1,335,247 7.06%	\$ 47,999 0.26%	\$ 2,807,600 14.85%	\$ 2,172,578 11.49%	\$ 515,960 2.74%	\$ 18,901,652 100.00%
\$ 1,638,637 7.77%	\$ 32,578 0.15%	\$ 2,567,542 12.18%	\$ 2,985,420 14.16%	\$ 1,302,531 6.18%	\$ 21,087,681 100.00%
\$ 1,718,148 8.92%	\$ 41,085 0.21%	\$ 2,685,487 13.94%	\$ 1,179,181 6.12%	\$ 386,303 2.00%	\$ 19,267,781 100.00%
\$ 1,740,293 7.55%	\$ 46,153 0.20%	\$ 2,810,475 12.19%	\$ 1,520,633 6.60%	\$ 439,255 1.91%	\$ 23,046,920 100.00%
\$ 957,399 3.70%	\$ 46,551 0.18%	\$ 3,243,260 12.53%	\$ 4,719,851 18.23%	\$ 499,430 1.93%	\$ 25,882,432 100%

CITY OF LEESBURG, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes (2)</u>	<u>Licenses and Permits</u>	<u>Intergovernmental</u>
1993	\$ 2,924,033	\$ 197,013	\$ 2,142,918
Percent of Total	32.81%	2.21%	24.05%
1994	\$ 3,112,968	\$ 218,210	\$ 2,328,189
Percent of Total	34.07%	2.39%	25.48%
1995	\$ 3,286,834	\$ 250,570	\$ 2,751,793
Percent of Total	31.53%	2.40%	26.40%
1996	\$ 3,380,526	\$ 264,121	\$ 2,861,874
Percent of Total	30.70%	2.40%	25.99%
1997	\$ 4,019,315	\$ 278,600	\$ 2,217,082
Percent of Total	35.87%	2.49%	19.79%
1998	\$ 4,138,872	\$ 273,436	\$ 3,192,427
Percent of Total	33.33%	2.20%	25.71%
1999	\$ 4,560,397	\$ 296,298	\$ 4,195,239
Percent of Total	32.71%	2.13%	30.09%
2000	\$ 5,572,966	\$ 323,608	\$ 3,651,192
Percent of Total	37.56%	2.18%	24.61%
2001	\$ 6,604,777	\$ 379,376	\$ 5,045,255
Percent of Total	33.70%	1.94%	25.74%
2002	\$ 7,612,203	\$ 432,905	\$ 5,546,337
Percent of Total	37.50%	2.13%	27.32%

Notes: (1) Includes general, special revenue, debt service and capital projects funds.
(2) Includes ad valorem, franchise, local option sales and gas taxes.
(3) Includes interest income and reimbursements received from the enterprise funds for services provided by general fund departments.

Table 2

<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous Revenues (3)</u>	<u>Total</u>
\$ 486,197 5.45%	\$ 146,107 1.64%	\$ 3,015,583 33.84%	\$ 8,911,851 100.00%
\$ 453,311 4.96%	\$ 172,733 1.89%	\$ 2,851,526 31.21%	\$ 9,136,937 100.00%
\$ 571,151 5.48%	\$ 211,141 2.02%	\$ 3,353,670 32.17%	\$ 10,425,159 100.00%
\$ 912,675 8.29%	\$ 242,709 2.20%	\$ 3,349,482 30.42%	\$ 11,011,387 100.00%
\$ 949,880 8.48%	\$ 283,447 2.53%	\$ 3,455,912 30.84%	\$ 11,204,235 100.00%
\$ 987,987 7.96%	\$ 298,233 2.40%	\$ 3,525,549 28.40%	\$ 12,416,504 100.00%
\$ 824,451 5.91%	\$ 303,902 2.18%	\$ 3,760,922 26.98%	\$ 13,941,209 100.00%
\$ 807,146 5.44%	\$ 294,762 1.99%	\$ 4,188,804 28.22%	\$ 14,838,478 100.00%
\$ 826,919 4.22%	\$ 283,690 1.45%	\$ 6,459,178 32.95%	\$ 19,599,195 100.00%
\$ 811,981 4.00%	\$ 260,586 1.28%	\$ 5,637,367 27.77%	\$ 20,301,379 100.00%

CITY OF LEESBURG, FLORIDA

Table 3

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
1993	\$ 2,176,503	\$ 2,077,060	95.43%	\$ 56,464	\$ 2,133,524	98.03%
1994	\$ 2,292,151	\$ 2,149,997	93.80%	\$ 65,087	\$ 2,215,084	96.64%
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%

Notes: (1) Source: Lake County Property Appraiser

CITY OF LEESBURG, FLORIDA**Table 4****PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS (1)(2)****LAST TEN FISCAL YEARS**

Fiscal Year	City	School District	County	Ambulance District	Northwest Hospital District	Water Conservation Authority	Water Management District	Total
1993	4.500	9.005	4.864	0.222	1.000	0.740	0.358	20.689
1994	4.500	8.938	5.135	0.222	1.000	0.517	0.470	20.782
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

Notes: (1) Source: Lake County Property Appraiser.

(2) Rates are stated as an amount per \$1,000 of assessed value.

CITY OF LEESBURG, FLORIDA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Centrally Assessed Property (2)	
	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value
1993	\$ 352,537,183	\$ 359,731,819	\$ 130,832,240	\$ 133,502,286	\$ 297,964	\$ 304,045
1994	\$ 358,897,370	\$ 384,258,426	\$ 150,270,237	\$ 160,888,905	\$ 199,314	\$ 213,398
1995	\$ 370,400,030	\$ 370,400,030	\$ 155,590,025	\$ 155,590,025	\$ 251,544	\$ 251,544
1996	\$ 383,701,275	\$ 383,701,275	\$ 154,389,802	\$ 154,389,802	\$ 284,266	\$ 284,266
1997	\$ 399,491,127	\$ 405,163,415	\$ 152,676,397	\$ 154,844,216	\$ 452,036	\$ 458,454
1998	\$ 412,304,589	\$ 417,312,337	\$ 152,562,892	\$ 154,415,883	\$ 418,085	\$ 423,163
1999	\$ 425,773,469	\$ 425,773,469	\$ 164,333,794	\$ 164,333,794	\$ 417,391	\$ 417,391
2000	\$ 444,148,201	\$ 444,148,201	\$ 155,005,102	\$ 155,005,102	\$ 321,959	\$ 321,959
2001	\$ 484,548,724	\$ 466,809,946	\$ 156,992,080	\$ 151,244,778	\$ 332,879	\$ 320,693
2002	\$ 508,568,311	\$ 508,568,311	\$ 159,860,605	\$ 159,860,605	\$ 369,119	\$ 369,119

Notes: (1) Source: Lake County Property Appraiser.

(2) Centrally assessed property consists of railroad and telegraph systems which are assessed by the State of Florida.

(3) Source: State of Florida, Department of Revenue, Division of Ad Valorem Tax, (<http://sun6.dms.state.fl.us/dor/property>) Florida Property Valuations and Tax Data Book.

Table 5

Exempt		Total		Ratio of Total Assessed Value to Total Estimated Actual Value (3)
Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	
\$ 171,340,305	\$ 174,837,046	\$ 655,007,692	\$ 668,375,196	98.00
\$ 175,186,234	\$ 187,565,561	\$ 684,553,155	\$ 732,926,290	93.40
\$ 181,821,009	\$ 181,821,009	\$ 708,062,608	\$ 708,062,608	100.00
\$ 202,938,364	\$ 202,938,364	\$ 741,313,707	\$ 741,313,707	100.00
\$ 249,811,011	\$ 253,358,023	\$ 802,430,571	\$ 813,824,108	98.60
\$ 282,714,883	\$ 286,148,667	\$ 848,000,449	\$ 858,300,050	98.80
\$ 234,178,498	\$ 234,178,498	\$ 824,703,152	\$ 824,703,152	100.00
\$ 284,449,960	\$ 284,449,960	\$ 883,925,222	\$ 883,925,222	100.00
\$ 279,831,681	\$ 269,587,361	\$ 921,705,364	\$ 887,962,778	103.80
\$ 278,372,434	\$ 278,372,434	\$ 947,170,469	\$ 947,170,469	100.00

CITY OF LEESBURG, FLORIDA
COMPUTATION OF OVERLAPPING
GENERAL OBLIGATION DEBT

Table 6

SEPTEMBER 30, 2002

Neither the City of Leesburg, Florida, nor any of its overlapping governments had any general obligation debt outstanding as of September 30, 2002.

CITY OF LEESBURG, FLORIDA

Table 7

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION AND SPECIAL REVENUE BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)**

LAST TEN FISCAL YEARS

Fiscal Year	Debt Service (2)				Total General Governmental Expenditures (3)	Ratio of Debt Service to Total General Governmental Expenditures
	Principal	Interest	Other	Total		
1993	\$ 160,000	\$ 360,060	\$ 7,010	\$ 527,070	\$ 12,541,865	4.20
1994	\$ 170,000	\$ 350,880	\$ 2,500	\$ 523,380	\$ 13,517,450	3.87
1995	\$ 180,000	\$ 340,880	\$ 1,120	\$ 522,000	\$ 16,202,959	3.22
1996	\$ 190,000	\$ 329,780	\$ 1,200	\$ 520,980	\$ 15,781,902	3.30
1997	\$ 200,000	\$ 317,780	\$ 4,302	\$ 522,082	\$ 16,924,777	3.08
1998	\$ 210,000	\$ 304,760	\$ 1,200	\$ 515,960	\$ 18,901,652	2.73
1999	\$ 225,000	\$ 161,368	\$ -	\$ 386,368	\$ 21,087,681	1.83
2000	\$ -	\$ 385,813	\$ 490	\$ 440,813	\$ 19,267,781	2.29
2001	\$ 55,000	\$ 383,805	\$ 450	\$ 438,805	\$ 23,046,920	1.90
2002	\$ 120,000	\$ 379,005	\$ 425	\$ 499,005	\$ 25,882,431	1.93

Notes: (1) Includes Refunding and Capital Improvement Revenue Bonds, Series 1987, which are special obligation bonds.

(2) Source: City of Leesburg, Finance Department, Accounting Division.

(3) Includes general, special revenue, debt service, and capital projects funds. Excludes operating transfers out.

CITY OF LEESBURG, FLORIDA

**PUBLIC IMPROVEMENT REVENUE BONDS
SERIES 1987 AND SERIES 1999 (REFUNDING)
REVENUE BOND COVERAGE**

LAST TEN FISCAL YEARS

Fiscal Year	Gross Sales Tax Revenues (1)	Guaranteed Portion-State Revenue Sharing (2)	Miscellaneous Revenues (3)	Total Available Revenues	Direct Operating Expenses
1993	\$ 495,787	\$ 309,234	\$ 16,353	\$ 821,374	\$ -
1994	\$ 527,512	\$ 309,234	\$ 18,959	\$ 855,705	\$ -
1995	\$ 544,695	\$ 309,234	\$ 29,236	\$ 883,165	\$ -
1996	\$ 568,196	\$ 309,234	\$ 28,926	\$ 906,356	\$ -
1997	\$ 586,849	\$ 309,234	\$ 34,508	\$ 930,591	\$ -
1998	\$ 634,020	\$ 309,234	\$ 41,931	\$ 985,185	\$ -
1999	\$ 687,104	\$ 309,234	\$ 32,759	\$ 1,029,097	\$ -
2000	\$ 728,963	\$ 309,234	\$ 7,979	\$ 1,046,176	\$ -
2001	\$ 737,543	\$ 309,234	\$ 7,547	\$ 1,054,324	\$ -
2002	\$ 797,754	\$ 309,234	\$ 4,011	\$ 1,110,999	\$ -

- Notes:** (1) Gross sales tax revenues are defined pursuant to Resolution 5729 as the proceeds of the local government half-cent sales tax as described in Part VI, Chapter 218, Florida Statutes.
- (2) 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 of Chapter 218, Florida Statutes.
- (3) Includes interest earnings and other miscellaneous revenues in the debt service fund.

Table 8

Net Revenue Available for Debt Service	Debt Service Requirements				Debt Coverage
	Principal	Interest	Other Debt Service	Total	
\$ 821,374	\$ 160,000	\$ 360,060	\$ 7,010	\$ 527,070	1.56
\$ 855,705	\$ 170,000	\$ 350,880	\$ 2,500	\$ 523,380	1.63
\$ 883,165	\$ 180,000	\$ 340,880	\$ 1,120	\$ 522,000	1.69
\$ 906,356	\$ 190,000	\$ 329,780	\$ 1,200	\$ 520,980	1.74
\$ 930,591	\$ 200,000	\$ 317,780	\$ 4,302	\$ 522,082	1.78
\$ 985,185	\$ 210,000	\$ 304,760	\$ 1,200	\$ 515,960	1.91
\$ 1,029,097	\$ 225,000	\$ 161,368	\$ -	\$ 386,368	2.66
\$ 1,046,176	\$ -	\$ 385,813	\$ 490	\$ 386,303	2.37
\$ 1,054,324	\$ 55,000	\$ 383,805	\$ 450	\$ 439,255	2.40
\$ 1,110,999	\$ 120,000	\$ 379,005	\$ 425	\$ 499,430	2.22

CITY OF LEESBURG, FLORIDA
COMBINED UTILITY FUNDS
SERIES 1984 AND 1999 (REFUNDING)
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Less: Operation and Maintenance Expenses (2)	Net Pledged Revenues Available for Debt Service (3)
1993	\$ 38,817,205	\$ 26,635,527	\$ 12,181,678
1994	\$ 39,727,736	\$ 27,399,337	\$ 12,328,399
1995	\$ 44,364,812	\$ 29,331,332	\$ 15,033,480
1996	\$ 47,215,501	\$ 30,950,655	\$ 16,264,846
1997	\$ 47,672,195	\$ 33,418,639	\$ 14,253,556
1998	\$ 49,884,307	\$ 34,950,378	\$ 14,933,929
1999	\$ 47,858,976	\$ 31,621,046	\$ 16,237,930
2000	\$ 49,259,516	\$ 33,179,030	\$ 16,080,486
2001	\$ 56,841,768	\$ 41,905,296	\$ 14,936,472
2002	\$ 52,747,595	\$ 40,670,598	\$ 12,076,997

- Notes:** (1) Gross revenues are defined pursuant to Ordinance 99-28, which authorized the issuance of the bonds as all income and earnings (excluding contributed capital) derived by the City from the ownership, operation, leasing or use of the system, and investment income, excluding capital expansion and system improvements.
- (2) Operation and maintenance expenses are defined as the cost of operation and maintenance as defined pursuant to Ordinance 99-28, authorizing issuance of the bonds as current expenses, paid or accrued, less depreciation expense.
- (3) Pledged revenues are defined as gross revenues less operating expenses.

Table 9

Debt Service Requirements				Debt Coverage
Principal	Interest	Sinking Fund	Total	
\$ 220,000	\$ 1,516,507	\$ -	\$ 1,736,507	7.02
\$ 235,000	\$ 1,502,427	\$ -	\$ 1,737,427	7.10
\$ 955,000	\$ 1,487,152	\$ -	\$ 2,442,152	6.16
\$ 1,020,000	\$ 1,424,122	\$ -	\$ 2,444,122	6.65
\$ 1,090,000	\$ 1,355,272	\$ -	\$ 2,445,272	5.83
\$ 1,160,000	\$ 1,280,062	\$ -	\$ 2,440,062	6.12
\$ 1,245,000	\$ 1,198,862	\$ -	\$ 2,443,862	6.64
\$ 1,079,999	\$ 4,353,397	\$ (3,805,000)	\$ 1,628,396	9.88
\$ 485,000	\$ 1,396,561	\$ -	\$ 1,881,561	7.94
\$ 505,000	\$ 1,377,161	\$ -	\$ 1,882,161	6.42

CITY OF LEESBURG, FLORIDA

Table 10

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)		
				Lake County	Florida	United States
1993	14,963	\$ 18,717	4,975	9.9%	7.0%	6.9%
1994	15,005	\$ 19,189	4,997	6.0%	6.6%	6.1%
1995	15,014	\$ 19,974	5,157	7.1%	5.5%	5.6%
1996	15,352	\$ 20,801	5,403	4.4%	5.1%	5.4%
1997	15,409	\$ 21,652	5,427	3.9%	4.8%	4.9%
1998	15,658	\$ 22,344	5,439	3.2%	4.3%	4.5%
1999	15,624	\$ 23,289	5,588	2.5%	3.9%	4.2%
2000	15,956	\$ 23,976	4,845	2.5%	3.6%	4.0%
2001	16,033	N/A (5)	4,366	3.4%	3.4%	4.8%
2002	16,104	N/A (5)	4,880	4.7%	5.5%	5.4%

- Notes:**
- (1) Source: University of Florida, Bureau of Economic and Business Research.
 - (2) Source: Lake County information from Florida Statistical Abstract, Table 5.10 - Personal Income.
 - (3) Source: Lake County School Board, Board of Education. Figures represent actual membership in grades pre-kindergarten through 12 on the 180th day of the 180-day school year which ended during the fiscal year.
 - (4) Source: State of Florida, Department of Labor and Employment Security, Bureau of Labor Market Information (<http://lmi.floridajobs.org/laus/laus.htm>), United States Bureau of Labor Statistics (<http://www.bls.gov/cps/home.htm>)
 - (5) Information is not available.

CITY OF LEESBURG, FLORIDA

Table 11

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property Value (1)</u>	<u>Construction (1)</u>	<u>Bank Deposits (2)</u>
1993	\$ 655,007,692	\$ 3,416,633	\$ 1,632,882,000
1994	\$ 684,553,155	\$ 13,696,939	\$ 1,701,038,000
1995	\$ 708,062,608	\$ 5,298,985	\$ 1,735,416,000
1996	\$ 741,313,707	\$ 34,419,242	\$ 1,776,670,000
1997	\$ 802,430,571	\$ 13,692,566	\$ 2,032,242,000
1998	\$ 848,000,449	\$ 8,891,404	\$ 2,493,189,000
1999	\$ 824,703,152	\$ 14,319,390	\$ 2,578,694,000
2000	\$ 883,925,222	\$ 19,164,956	\$ 2,740,272,000
2001	\$ 921,705,364	\$ 17,114,388	\$ 3,018,316,000
2002	\$ 947,170,469	\$ 23,480,364	\$ 3,123,279,000

Notes: (1) Source: Lake County Property Appraiser. Real property values represent just values of real property, including subsurface rights.

(2) Source: Florida Bankers Association. Figures shown represent total bank deposits in Lake County at September 30 of each year.

CITY OF LEESBURG, FLORIDA
CORPORATE LIMITS AND ANNEXATIONS
LAST TEN FISCAL YEARS

Table 12

<u>Fiscal Year</u>	<u>Annexation Acres</u>	<u>Corporate Limits</u>	
		<u>Acres</u>	<u>Square Miles</u>
1993	658.21	12,560.38	19.63
1994	13.86	12,574.24	19.65
1995	157.68	12,731.92	19.89
1996	42.74	12,774.66	19.96
1997	1,547.18	14,321.84	22.38
1998	158.96	14,480.80	22.63
1999	496.19	14,976.99	23.40
2000	193.30	15,170.29	23.70
2001	3,720.96	18,891.25	29.52
2002	126.22	19,017.47	29.71

Notes: (1) Source: City of Leesburg, Planning and Zoning Department, based annexations approved.

CITY OF LEESBURG, FLORIDA

Table 13

PRINCIPAL TAXPAYERS (1)

SEPTEMBER 30, 2002

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2001 Assessed Valuation (2)</u>	<u>Percentage of Total Assessed Valuation</u>
Sprint	Telecommunications	\$ 45,428,482	6.79%
Cutrale Citrus Juices, U.S.A., Inc.	Citrus Processing	36,482,498	5.46%
Lake Port Properties	Retirement Community	26,024,836	3.89%
Wal-Mart Stores, Inc.	Department Store	8,557,440	1.28%
Huntington Banks	Banking	7,759,416	1.16%
Lowe's Home Centers, Inc.	Home Improvement Center	7,450,471	1.11%
Publix Super Markets, Inc.	Grocery Store	6,175,913	0.92%
Bulldog Investments	Real Estate Development	4,912,398	0.74%
Rodgers Brothers Land Company	Real Estate Development	4,487,588	0.67%
SunTrust Banks of Central Florida	Banking	4,205,389	0.63%
First Federal Savings Bank of Lake County	Banking	4,152,862	0.62%
Horne Properties, Inc.	Shopping Center	4,007,326	0.60%
Universal Beverages Holdings Corporation	Beverage Bottling	3,974,990	0.59%
Subtotal		163,619,609	24.46%
All Others		505,178,426	75.54%
Total		<u>\$ 668,798,035</u>	<u>100.00%</u>

Notes: (1) Source: Lake County Property Appraiser.

(2) Taxable Values (Florida Statutes Section 193.011) are as of January 1, 2001, and represent total property values (including real property, personal property, and centrally assessed property) after exemptions.



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CITY OF LEESBURG, FLORIDA

Table 14

**PRINCIPAL EMPLOYERS (1)
(100 OR MORE EMPLOYEES)**
SEPTEMBER 30, 2002

<u>Name of Employer</u>	<u>Number of Employees</u>	<u>Type of Business</u>
Leesburg Regional Medical Center	1,902	Hospital
Sprint-Florida Incorporated	719	Telecommunications
Lake County School Board	524	Educational institution
Wal-Mart Stores, Inc.	465	Retail sales
City of Leesburg	461	City governmental services
Lifestream Behavioral Center	400	Mental health services provider
Lake Port Properties	400	Retirement community
Dura-Stress, Inc.	384	Concrete fabrication
Cutrale Citrus Juices, U.S.A., Inc.	275	Citrus processing
Hewitt Contracting	250	General contractor
Avante Group, Inc.	190	Nursing rehabilitation
Lake Sumter EMS, Inc.	182	Emergency medical transport
Lake Sumter Community College	151	Two-year state community college
Leware Construction Company	150	General contractor
Home Depot USA, Inc.	140	Retail sales
First Baptist Church of Leesburg	120	Church ministry services
Sears, Roebuck and Company, Inc.	118	Retail sales
Pringle Development, Inc.	106	Residential communities builder
Leesburg Daily Commercial, Inc.	105	Newspaper

Notes: (1) Source: Economic Development Commission of Mid Florida, Inc.

CITY OF LEESBURG, FLORIDA

Table 15

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2002

Date Created	July 12, 1875
Form of Government	Commission/Manager
Area of Government	29.71 square miles
Miles of Streets (City Maintained):	
Paved	80.87 miles
Unpaved	3.23 miles
Electric System:	
Primary Electric Lines Within the City	371 miles
Daily Average Consumption	5.1 kwh
Number of Residential Customers	15,809
Gas System:	
Gas Mains	211 miles
Gate Stations	2 miles
Daily Average Consumption	0.2 therms
Number of Residential Customers	8,346
Water System:	
Water Mains	332 miles
Daily Average Consumption	37 gallons
Number of Residential Customers	10,798
Maximum Plant Capacity Per Day	7,940,000 gallons
Deep Wells	15
Sewer System:	
Sewer Force Mains	103 miles
Sewer Gravity Lines	70 miles
Lift Stations	100
Disposal Plants	2
Number of Residential Customers	9,439
Maximum Plant Capacity Per Day	6,500,000 gallons
Building Permits:	
Permits Issued Within the City	311
Construction Value of Permits Issued	\$43,973,062
Recreation and Culture:	
Parks Managed	10
Total Recreation Acreage	226 acres
Libraries Maintained	1
Volumes Maintained	170,427 volumes

CITY OF LEESBURG, FLORIDA

Table 15 (Concluded)

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2002

Fire Protection:

Stations

2

Employees

38

Police Protection:

Stations

1

Employees - Sworn

64



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OTHER REPORTS SECTION

CITY OF LEESBURG, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

<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	\$ 788,936	\$ 741,631
Indirect Programs:				
Passed Through Florida Department of Community Affairs:				
Community Development Block Grant	00-DB-6B-06-45-02-H09	14.228	750,000	7,500
Community Development Block Grant	00-DB-6M-06-45-02-G11	14.228	2,169,000	333,600
Total Department of Housing and Urban Development				<u>1,082,731</u>
U.S. Department of Justice				
Direct Programs:				
Community-Oriented Policing Services (COPS FAST)	95-CF-WX-0121	16.710	373,163	38,402
COPS MORE	00-CM-WX-0063	16.710	25,907	11,769
Indirect Programs:				
Passed Through Florida Department of Law Enforcement:				
DARE/SRO	02-C3-2H-06-45-02-031	16.579	32,775	32,775
Local Law Enforcement Block Grant	99-LB-VX-7145	16.592	50,778	12,816
Local Law Enforcement Block Grant	00-LB-BX-1315	16.592	58,616	27,524
Local Law Enforcement Block Grant	01-LB-BX-3831	16.592	67,183	19,021
Total Department of Justice				<u>142,307</u>
U.S. Department of Transportation Federal Aviation Administration				
Airport Improvement Program - Taxiway Extension	407621-1-94-01	20.106	55,305	<u>13,094</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,238,132</u></u>

Note to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the 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*. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.



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CITY OF LEESBURG, FLORIDA

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

<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:				
Carver Heights Park	FO2359	37.017	\$ 50,000	\$ 50,000
Carver Heights Park	FO260	37.017	134,050	16,524
Lakeshore Drive	SOO34	37.017	62,099	939
Total Florida Department of Environmental Protection				<u>67,463</u>
Florida Department of Transportation				
Aviation Development Grants:				
Land Acquisition	404917-1-44-01	55.004	2,625,000	2,166,897
Taxilane Construction	407609-1-94-01	55.004	160,000	35,906
T-Hangar Construction	247506-1-84-01	55.004	39,223	39,223
Air Traffic Control Tower Construction	247556-1-84-01	55.004	400,000	18,000
Fuel Farm	413012-1-94-01	55.004	480,000	130,499
County Road 470/Turnpike Interchange Lighting	404214-1-52-01	55.009	634,250	0
Total Florida Department of Transportation				<u>2,242,026</u>
Total Expenditures of State Awards				<u>\$ 2,309,489</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*. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.



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

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the general purpose financial statements of the City of Leesburg, Florida (the City), as of and for the year ended September 30, 2002, and have issued our report thereon dated January 24, 2003. 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 general purpose 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 general purpose 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 general purpose 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 January 24, 2003.

Certified Public Accountants

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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
GENERAL PURPOSE 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.

January 24, 2003
Ocala, Florida

Purnis, Gray and Company



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**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, 2002. 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, 2002.

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.

Certified Public Accountants

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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.

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.

January 24, 2003
Ocala, Florida

Purvis, Gray and Company



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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 General Purpose 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 General Purpose 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 Housing and Urban Development:
Section 8 Rental Voucher (14.857)

State Project

Florida Department of Transportation:
Aviation Development Grants (55.004)



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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

\$300,000

IX. Auditee Qualification as Low-Risk Auditee

The auditee qualifies as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133.

2. Findings Related to the General Purpose 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.



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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.



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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.



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**INDEPENDENT AUDITORS' REPORT ON EXAMINATION
OF MANAGEMENT'S ASSERTION ABOUT COMPLIANCE
WITH SPECIFIED REQUIREMENTS**

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have examined management's assertion included in its representation letter dated January 24, 2003, that the City of Leesburg, Florida (the City) complied with the allowable cost requirements of the grants and aids appropriations identified in the schedule of expenditures of federal awards and state financial assistance for the year ended September 30, 2002. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City complied with the allowable cost requirements of the grants and aids appropriations identified in the schedule of expenditures of federal awards and state financial assistance during the fiscal year ended September 30, 2002, is fairly stated, in all material respects.

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.

January 24, 2003
Ocala, Florida

Purvis, Gray and Company

Certified Public Accountants

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MANAGEMENT LETTER

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the financial statements of the City of Leesburg, Florida, as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated January 24, 2003.

We have issued our independent auditors' report on compliance and on internal control dated January 24, 2003. 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 of Leesburg, Florida.

The *Rules of the Auditor General* [Section 10.554(1)(g)2.] require that we determine whether the City of Leesburg, Florida 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 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

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Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER
(Concluded)

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. Our audit disclosed the following matter required to be disclosed by *Rules of the Auditor General* [Sections 10.554(1)(g)3. and 4.].

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 general purpose 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 of Leesburg, Florida, 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, 2002, 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, 2002.

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.

January 24, 2003
Ocala, Florida

Perrins, Gray and Company



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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:

Prior Year Recommendation

Governmental Accounting Standards Board (GASB) Statement No. 34

The GASB has issued Statement No. 34, which becomes effective for the 2003 fiscal year end and will radically change the financial reporting process previously followed by the City of Leesburg, Florida (the City). The City has anticipated implementation and has addressed a number of critical issues; however, the most significant task remaining to be completed is the inventory and valuation of the previously unrecorded infrastructure of the City. We anticipate this will be a joint process involving the City's Engineering Department and an external consulting engineer. With the effective date of implementation fast approaching, we recommend that the City review its current timetable to ensure this important task is completed within the time frame necessary to ensure a smooth implementation of the new standard.

Current Year Recommendations

Bulk Power Cost Adjustment

The City's electric fund will be experiencing higher than normal purchased power costs during 2003, as a result of higher natural gas and oil prices being experienced by the electric generation plants that supply the City's power. As a result, the City will have to monitor its Bulk Power Cost Adjustment closely to ensure that all purchased power costs incurred are properly passed on to the City's customers. Because of unusual volatility of expected fuel costs, failure to recover all power costs incurred could have a severely negative impact on the working capital of the electric fund. We recommend that the City work closely with its purchased power supplier (FMPA) to forecast upcoming costs and adjust the monthly Bulk Power Cost Adjustment factor accordingly.

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Honorable City Commission
City of Leesburg
Leesburg, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

Current Year Recommendations (Concluded)

Pension Plans

All three of the City's employee retirement plans have experienced significant depreciation in the fair value of their investment portfolio's over the past couple of years as a result of the poor performance of the financial markets. Because the funded status of all three plans was good prior to the decline, the plans remain relatively strong, with plan assets exceeding the actuarial accrued liability of each plan. However, continued investment deterioration could reverse this relationship and require significant increases in future City contributions to the plans. Accordingly, we recommend that the City consult with an independent investment manager to determine if a more defensive investment posture is prudent under current market conditions.

Travel Reimbursement Rates

A recent Attorney General Opinion (AGO) reversed a previously issued AGO that allowed municipalities, through the use of the Municipal Home Rule Powers Act, to enact travel and per diem rates separate from those found in Section 112.016, Florida Statutes, which regulates travel for other state public agencies. The apparent effect of this new AGO is to require municipalities to follow the rates found in the statute, which may require amendment of existing travel policies. Accordingly, we recommend that the City consult with its legal counsel to determine the effect of the new AGO on the City's current travel policies.

Grants Administrator

The City is the recipient of many different federal and state grants that have been of great benefit. To ensure the continued high level of compliance with grant requirements that the City has established to-date, we recommend that the City consider creation of a grants administrator position within the Finance and Accounting Department.

These management letter comments are 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.

We would like to take this opportunity to express our appreciation for the courtesies which have been extended to our staff. If you have any questions or comments about the contents of this letter, or the information accompanying this letter, please do not hesitate to contact us.

January 24, 2003
Ocala, Florida

Perrin, Gray and Company



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March 17, 2003

Mr. William O. Monroe, CPA
Auditor General
State of Florida
Post Office Box 1735
Tallahassee, Florida 32302

Dear Mr. Monroe:

Thank you for the opportunity to respond to the recommendations made by our independent auditors, Purvis Gray & Company, in connection with their audit of the City of Leesburg, Florida for the fiscal year ending September 30, 2002.

Current Year Recommendations

1. Bulk Power Cost Adjustment (BPCA)

As of September 30, 2002, the balance available in the deferred revenue account grew to \$1,134,101. Florida Municipal Power Agency (FMPA) has passed on to us projected rate increases for April and August 2003, which will be used to consider the BPCA rate in the coming months. This rate will be adjusted monthly as necessary and will continue to be monitored throughout the year by staff.

2. Pension Plans

During the upcoming fiscal year, the City will consider improvements in the general employees pension plan to protect current investments. The Police and Fire Pension plans have their own boards, but will be advised of this comment.

3. Travel Reimbursement Rates

The City will contact the City Attorney to determine the effect of the AGO opinion on our current policy, established by Code of Ordinances Section 2-227, and any future amendments to that ordinance.

4. Grants Administrator

This position would only enhance the quality of reporting to grant agencies to ensure compliance and will be considered in the fiscal year 2003-04 budget process. It is unlikely, however, that the City will be able to add any additional positions in the near future in light of the general economy, the limitation on state and local revenues caused by reduced tourism, and the tight budget conditions currently being experienced.



LEESBURG
The Lakefront City

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- AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER -



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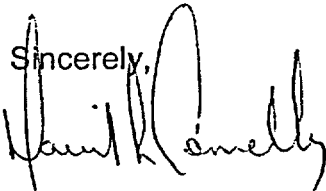
Prior Year Recommendations

1. Governmental Accounting Standards Board (GASB) Statement No. 34

As noted by our auditors, the City agrees that the implementation of Governmental Accounting Standards Board (GASB) Statement Number 34, effective September 30, 2003 will dramatically affect the presentation of financial information, including, but not limited to, basic financial statements, both government-wide financial statements and fund financial statements, notes to the financial statements, the required supplementary information, and management's discussion and analysis.

The critical issue, "inventory and valuation of previously unrecorded infrastructure assets (i.e., roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems), is on schedule for completion by September 30, 2003. The bid was let and the committee consisting of engineering and accounting met to select the consultant. Once the Commission approves the contract, the project should take 12 weeks to complete. The City will schedule the auditors to participate in the first strategy meeting with the consultant to determine the approach to this requirement.

As always, should you have any questions or require any additional information, please contact me.

Sincerely,

David L. Connelly, Mayor
City of Leesburg, Florida



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