

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CITY OF BELLEVIEW
BELLEVIEW, FLORIDA**

SEPTEMBER 30, 2007

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CITY OF BELLEVIEW
BELLEVIEW, FLORIDA**

SEPTEMBER 30, 2007

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-14
Basic Financial Statements	
Statement of Net Assets.....	15
Statement of Activities.....	16
Balance Sheet - All Governmental Funds.....	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Net Assets - Proprietary Fund.....	21-22
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund.....	23
Statement of Cash Flows - Proprietary Fund.....	24-25
Statement of Fiduciary Net Assets - Pension Trust Funds.....	26
Statement of Changes in Fiduciary Net Assets - Pension Trust Funds.....	27
Notes to Financial Statements.....	28-46
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Fund - General Fund.....	47-50
Schedule of Contributions from Employer and Others.....	51
Additional Elements of Report Prepared in Accordance with Government Auditing Standards, Issued by the Comptroller General of the United States; OMB Circular A-133, and the Rules of the Auditor General of the State of Florida	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards.....	52-53

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CITY OF BELLEVIEW
BELLEVIEW, FLORIDA**

SEPTEMBER 30, 2007

**TABLE OF CONTENTS
(Concluded)**

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

Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Department of Financial Services, and <i>State Projects Compliance Supplement</i>	54-55
Schedule of Expenditures of Federal Awards and State Financial Assistance	56-57
Schedule of Findings and Questioned Costs - Federal Award Programs and State Financial Assistance Projects.....	58-59
Management Letter	60-61
Management Letter Comments	62-63
Management's Response.....	64
Impact Fee Affidavit.....	65

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Belleview, Florida (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered 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
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

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

Purvis, Gray and Company, LLP

March 14, 2008
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Bellevue (the City)'s financial performance provides an overview of the City's financial activities for the year ended September 30, 2007. Please read it in conjunction with the basic financial statements, which begin on page 15.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 15 and 16 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of others.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins on page 15. One of the most important questions asked is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including general administration, police, streets, and parks. Taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business-type activities – The City charges a fee to customers to cover the cost of the services it provides. The City's water and sewer fund is reported here.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Reporting the City's Most Significant Funds

Fund Financial Statements.

The analysis of the City's major funds begins on page 17. The fund financial statements provide detailed information about the most significant fund, General Fund – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission has established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental fund – Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Pension Trust Funds. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Changes in Net Assets on page 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

THE CITY AS A WHOLE

For the years ending September 30, 2007, and September 30, 2006, the City's net assets for the governmental and business-type activities are detailed as follows:

	September 30, 2007			September 30, 2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:	\$ 6,703,257	\$ 14,719,986	\$ 21,423,243	\$ 4,632,496	\$ 9,677,106	\$ 14,309,602
Liabilities:	1,773,680	5,631,614	7,405,294	494,469	2,960,030	3,454,499
Sub-total	4,929,577	9,088,372	14,017,949	4,138,027	6,717,076	10,855,103
Net Assets:						
Net of Related Debt	2,665,714	4,133,669	6,799,383	2,000,371	2,715,689	4,716,060
Restricted for:						
Debt Service	-	139,873	139,873	-	139,963	139,963
Cap Projects	-	2,839,561	2,839,561	-	2,321,663	2,321,663
Community Ctr	16,222	-	16,222	15,131	-	15,131
Ceme Perp Care	66,087	-	66,087	58,667	-	58,667
Parks-Impact Fees	5,608	-	5,608	-	-	-
Law Enforcement	35,222	-	35,222	19,216	-	19,216
Sub-total Restricted	123,139	2,979,434	3,102,573	93,014	2,461,626	2,554,640
Unrestricted	2,140,724	1,975,269	4,115,993	2,044,642	1,539,761	3,584,403
Net Assets	\$ 4,929,577	\$ 9,088,372	\$ 14,017,949	\$ 4,138,027	\$ 6,717,076	\$ 10,855,103

Total assets for the City, including cash and cash equivalents, receivables, prepaid expenses, capital assets including those depreciated and not depreciated, and debt issue costs for both Governmental and Business type activities increased over last fiscal year. The Governmental activities increased due to a purchase of 27 acres of land for future expansion using short term debt. The Business type accounts increased in large part due to the sewer treatment plant expansion project. Liabilities increased largely due to construction projects in process in Business type activities.

	September 30, 2007			September 30, 2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Beginning Net Assets	\$ 4,138,027	\$ 6,717,076	\$ 10,855,103	\$ 3,918,111	\$ 5,330,292	\$ 9,248,403
Increase in Net Assets	791,550	2,371,296	3,162,846	219,916	1,386,784	1,606,700
Ending Net Assets	\$ 4,929,577	\$ 9,088,372	\$ 14,017,949	\$ 4,138,027	\$ 6,717,076	\$ 10,855,103

The City of Belleview's overall financial condition improved for the year ending September 30, 2007 with an overall increase of approximately \$3.2 million dollars. The Governmental activities showed an increase of approximately \$792 thousand due to sidewalk projects funded by grants as well as a capital purchase of 27 acres of land. The Business type activities showed an increase of \$2.4, which was largely due to impact fees, grant work for the expansion project and the rate increase in anticipation of the debt service requirements of the sewer expansion.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Activities

To aid in the understanding of the Statement of Activities some additional information is given. The format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Now the expenses are listed in the first column with the revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government – Building permits, occupational licenses, development fees, miscellaneous charges for services

Public Safety – Fines and forfeitures, COPS & More grants are categorized as operating grants

Physical Environment – Garbage collection fees

Transportation – FEMA grants for hurricane relief

Culture & Recreation – Park usage fees, recreation grants

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue even if restricted for a specific use.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Activities (Concluded)

Function/Program	September 30, 2007				September 30, 2006			
	Expenses	Revenues		Net Expense Revenue	Expenses	Revenues		Net Expense Revenue
		Charges for Services	Grants and Contributions			Charges for Services	Grants and Contributions	
Govt Activities								
General Government	\$ 802,898	\$ 337,737	\$ -	\$ (465,161)	\$ 699,185	\$ 315,735	\$ -	\$ (383,450)
Public Safety	1,132,758	186,703	18,659	(927,396)	1,047,010	155,304	27,306	(864,400)
Physical Environment	308,268	170,049	620,202	481,983	242,533	254,859	31,896	44,222
Transportation	817,262	-	-	(817,262)	909,730	-	40,184	(869,546)
Culture/Recreation	180,804	40,729	48,416	(91,659)	166,043	54,049	-	(111,994)
Totals	3,241,990	735,218	687,277	(1,819,495)	3,064,501	779,947	99,386	(2,185,168)
General Revenues								
Taxes								
Property Taxes				764,463				663,548
Franchise Taxes				430,451				437,707
Public Service Taxes				366,466				344,188
Other Taxes				417,960				400,729
State Shared Rev				469,771				486,091
Investment Income				108,299				116,015
Miscellaneous Rev				49,217				54,377
Gain on Sale of Capital Asset				4,418				-
Transfers				-				(97,571)
Sub-total Gen Rev				2,611,045				2,405,084
Net Rev/Exp				\$ 791,550				\$ 219,916

The General Fund had a gain of \$792 thousand. Contributing to this increased amount was a note payable for \$1.246 million and Grant proceeds of over \$600,000. On the revenue side, most of the general fund revenues increased over last fiscal year. There were increases in charges for services, which resulted in less of a tax burden for the general fund departments. The category known as “franchise fees” appears to be less than last year and the City has requested a detailed analysis from the service provider. While there was not one large grant offset this year, there was more of a variety of grants throughout the general fund this year, including grants for police overtime and equipment, sidewalk installation and highway median improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Business-type Activities

Function/Program	September 30, 2007				September 30, 2006			
	Expenses	Revenues		Net	Expenses	Revenues		Net
		Charges for	Grants and	Expense		Charges for	Grants and	Expense
Business Activities		Services	Contributions	Revenue		Services	Contributions	Revenue
Business Activities	\$ 1,789,616	\$ 1,820,330	\$ 2,062,938	\$ 2,093,652	\$ 1,536,247	\$ 1,729,927	\$ 866,353	\$ 1,060,033
Totals	<u>1,789,616</u>	<u>1,820,330</u>	<u>2,062,938</u>	<u>2,093,652</u>	<u>1,536,247</u>	<u>1,729,927</u>	<u>866,353</u>	<u>1,060,033</u>
General Revenues								
Investment Income				214,634				195,645
Miscellaneous Rev				63,010				33,535
Transfers				-				97,571
Sub-total				<u>277,644</u>				<u>326,751</u>
Net Rev/Exp				<u>\$ 2,371,296</u>				<u>\$ 1,386,784</u>

The Water and Sewer fund had a total overall increase of \$2.371 million for the current fiscal year. However, close to \$2.063 million of that figure were grants and contributions for the current fiscal year. The impact fees received, which is an item under the "Grants and Contributions" has decreased from prior year by approximately \$152 thousand as a result of a decrease in new construction. The remainder \$1,696 million is grants, which has increased due to the continuing sewer treatment plant expansion project. Expenses were greater this year as a result of the construction in progress.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

THE CITY'S FUNDS

G/F FUND BALANCE:	September 30,	
	2007	2006
Reserved:		
Capital Improvements	\$ 103,565	\$ 103,565
Police Education	7,286	6,887
Police Automation	27,936	12,329
Cemetery Perpetual Care	66,087	58,667
Prepayments	25,687	16,428
Lake Lillian	2,782	2,611
Retention Pond Fencing	1,373	1,373
Parks-Impact Fees	5,608	-
Community Center	16,222	15,131
Unreserved:		
Designated/Commission	291,669	136,646
Undesignated	1,887,015	1,954,288
Total Fund Balance	\$ 2,435,230	\$ 2,307,925

Reserved accounts in the fund balance are those accounts which have statutory or other legal restrictions for use. The unreserved, designated are those accounts which the Commission has indicated specific future use. Those designations are placed and can be changed by a vote of the Commission. The undesignated fund balance is monies available for general use.

The reserved accounts have not varied much from year to year, however this year a new reserve category for impact fees for parks has been added. The designated for improvements line item is the ½ cent surtax money received from Marion County. The balance of the accounts designated by the Commission for future use include money for the Sports Complex obtained through the “per player” and concession stand fees, as well as designations for capital outlay and technology purchases. The undesignated fund balance decrease is largely the result of the completion of the paving project which was funded in part by a loan from fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GOVERNMENTAL FUND

The following schedules present governmental fund revenues and expenditures as well as their percentage of the budget for the fiscal years ending September 30, 2007 and September 30, 2006.

Charges for Services/Grants						
Charges for Services	\$	735,218	13.65	\$	779,947	23.75
Operating/Capital Grants		687,277	12.77		99,386	3.03
Sub-Total		<u>1,422,495</u>	<u>26.42</u>		<u>879,333</u>	<u>26.77</u>
General Revenues						
Taxes		1,979,340	36.76		1,846,172	56.21
State Shared Revenues		469,771	8.73		486,091	14.80
Investment Income		108,299	2.01		116,015	3.53
Miscellaneous		49,217	0.91		54,377	1.66
Proceeds from sale of Capital Asset		6,737	0.13		-	0.00
Other Financing Sources		1,348,044	25.04		-	0.00
Transfers		-	0.00		(97,571)	-2.97
Sub-Total		<u>3,961,408</u>	<u>73.58</u>		<u>2,405,084</u>	<u>73.23</u>
Grand Total G/F Revenues		<u>5,383,903</u>	<u>100.00</u>		<u>3,284,417</u>	<u>100.00</u>
EXPENDITURES:						
		September 30, 2007	% OF TOTAL		September 30, 2006	% OF TOTAL
General Government		2,068,602	39.35		699,185	22.82
Public Safety		1,248,901	23.76		1,047,010	34.17
Physical Environment		310,446	5.91		242,533	7.91
Transportation		1,452,098	27.62		909,730	29.69
Culture & Recreation		176,551	3.36		166,043	5.42
Total Expenditures	\$	<u>5,256,598</u>	<u>100.00</u>	\$	<u>3,064,501</u>	<u>100.00</u>

The City receives the majority of its revenues from taxes including property, franchise, public service, and gas taxes. Charges for services are the next highest source of income for the City of Bellevue governmental revenues. These revenues include licenses and permits, fines and forfeitures, solid waste fees, and recreational fees. Investment income has decreased slightly due to market conditions. The City received several grants this fiscal year for various expenditures such as the installation of sidewalks, Police overtime and equipment and the median improvements along Hwy 441/301/27. The other financing sources represent the funds for the land purchase and for upgrading the police department radios to the 800 MHZ system.

Public Safety still makes up the majority of the General Fund budget; however, it has only slightly increased its percentage of overall budget dollars. Most expenditure categories remained constant, with Transportation showing a decrease as a result of the completion of a paving project which bridged two fiscal years. The Physical Environment category contains the City's contract for residential solid waste. This contract was placed out to bid this year, and the rates were adjusted to accommodate that contract.

The smallest area of expenditures is the Culture and Recreation category, which shows a slight increase. A small field crew maintains the City's park areas.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

In reviewing the overall budget to actual, the City received positive variances in both the revenue and expenditure categories. The residential solid waste contract was re-bid and awarded in December of 2006, with a corresponding adjustment to the rates. The incoming revenues were offset by the increased costs of the contract. On the revenue side, the Commission also reviewed and adjusted several of the charges for services to more accurately reflect actual costs. The city received a number of grants for law enforcement, park development, and installation of sidewalks.

While most of the expenditures remained constant, the Commission approved increasing the current finance clerk and recreation coordinator from part time to full time positions. Additionally, a planner was approved to fill the newly created Land Development Coordinator position. Capital outlay for the year included the replacing the telephone system, holiday decorations for the street light poles and upgrading the police department radios to the 800 MHZ system.

PROPRIETARY FUND

BUSINESS-TYPE ACTIVITY	% OF		% OF			
	REVENUES:	September 30, 2007	TOTAL	September 30, 2006	TOTAL	
Charges for Services/Grants						
Charges for Services	\$	1,820,330	43.75	\$	1,729,927	59.18
Grants/Contributions		2,062,938	49.58		866,353	29.64
Sub-Total		<u>3,883,268</u>	93.33		<u>2,596,280</u>	88.82
General Revenues						
Investment Income		214,634	5.16		195,645	6.69
Miscellaneous		63,010	1.51		33,535	1.15
Transfers		-	0.00		97,571	3.34
Sub-Total		<u>277,644</u>	6.67		<u>326,751</u>	11.18
Grand Total Revenues		<u>4,160,912</u>	100.00		<u>2,923,031</u>	100.00
EXPENDITURES:						
		September 30, 2007	% OF	September 30, 2006	% OF	TOTAL
Water & Sewer Utility		<u>1,789,616</u>	100.00	<u>1,536,247</u>	100.00	
Total Expenditures	\$	<u>1,789,616</u>	100.00	\$	<u>1,536,247</u>	100.00

The charges for services reflect the stair step increases scheduled to accommodate the payment schedule needed for the sewer treatment plant renovation and expansion. The City is setting aside money to meet the first payment, as well as reserves for scheduled repairs and maintenance, equipment and depreciation. Grants and contributions were larger this year as a result of the successful Community Budget Issue Request applications granted from the state for the construction of the wastewater treatment plant. This category also includes the impact fee revenues, which have decreased from the previous year as a result of the decrease in building activity.

The water and sewer budget included increasing a part-time cashier position to full time. It also included routine capital outlay requests for equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	2007			2006		
	BUSINESS			BUSINESS		
	GOVERNMENT ACTIVITIES	TYPE ACTIVITIES	TOTAL	GOVERNMENT ACTIVITIES	TYPE ACTIVITIES	TOTAL
Land and Improvements	\$ 1,593,820	\$ 192,115	\$ 1,785,935	\$ 96,363	\$ 192,115	\$ 288,478
Buildings	1,430,322	45,339	1,475,661	1,430,322	45,339	1,475,661
Imprv other than Bldgs	707,819	8,530,868	9,238,687	811,488	8,530,868	9,342,356
Vehicles/Accessories	345,002	-	345,002	353,532	-	353,532
Furniture and Equipment	911,783	563,376	1,475,159	738,279	396,804	1,135,083
Construction in Progress	540,530	4,632,624	5,173,154	-	658,296	658,296
Total Capital Assets	\$ 5,529,276	\$ 13,964,322	\$ 19,493,598	\$ 3,429,984	\$ 9,823,422	\$ 13,253,406

The majority of the capital assets booked for the Government activities were as a result of the grant activities for sidewalk installation, median improvements along Hwy 441/301/27 and parks enhancements. The land purchase for future expansion of City facilities is also recognized. The City also continued to update its technology department with replacements and enhancements to the computer system; therefore the dollar amount reflects the net of the new purchases and the deletion of the old items in both the Government as well as the Business Type activities. Assets booked for the Business Type Activities included a transfer in for water main relocations as a result of scheduled paving projects in the Governmental fund. The construction work in progress is for the sewer treatment plant renovation and expansion.

Debt

General Fund:

On March 7, 2007 the City entered into a Land Acquisition Note, Series 2007 with SunTrust Bank for \$1,246,000 at an interest rate of 4.02%. The funds from this loan were used to purchase approximately 27 acres of land on Highway 484 for future governmental use. The City has pledged the Non-AdValorem Revenues to secure payment of the note. This note is due on March 7, 2008. This note has been extended for another year for 3.02%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Debt *(Continued)*

Proprietary Fund

		2007	2006
Revenue Bonds:	1977	\$ 137,000	\$ 149,000
	1986A	262,900	280,500
	1986B	345,200	355,200
	1988	765,000	785,000
	Sub-total bonds	1,510,100	1,569,700
State Revolving Loan	2002	280,334	293,902
	2003	2,821,755	745,307
	Sub-total loans	3,102,089	1,039,209
Total Debt	\$ 4,612,189	\$ 2,608,909	

The only long term debt that the City has incurred is in the Water and Sewer fund. There are four revenue bonds outstanding for previous water and sewer expansions which total \$1,510,100. The City paid \$59,600 in principal for the 2007 year. The City also has two low interest state revolving loans through the Department of Environmental Protection. The loan issued in 2002 is for the sludge dewatering system and the current loan is for the current sewer upgrades and expansion. The current state revolving loan is drawn down as needed, and therefore will be increasing as the project progresses. The total due to date has increased to \$3,102,089. All of the loans are secured with water and sewer system user revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Concluded)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND NOTES

As a result of increased activity, the Commission increased the hours of the part-time finance clerk, the part-time recreation coordinator, and the part-time cashier to full-time. Several staff members were involved in monitoring and overseeing a number of construction projects including the wastewater treatment plant project, several sidewalk projects, park development projects, and law enforcement projects.

The Commission also approved hiring a planner to fill the Land Development Coordinator position. The newly hired planner was kept busy with several projects including developing concurrency ordinances and procedures as well as several changes to the land development codes. Additionally, the City's Comprehensive Plan was updated to add several land use categories, change the level of service standards for roads, and update the maps accordingly all in preparation of future growth and development. Several requests for comprehensive plan amendments from developers were also considered including large residential tracts off Baseline Road, SE 36th Avenue and C-25. Annexation projects included property along the major corridors of Highways 484 and 441. While much of the property along Highway 484 is maintaining the agricultural zoning, it was interspersed with commercial zoning. The property along Highway 441 is mostly commercial in nature. The City is also processing plans for a hotel to be located along Highway 441, which should be ready to permit in the upcoming fiscal year.

In planning for future needs, the City finalized the purchase of 27 acres on Highway 484. This property will house the Public Works Complex, taking it out of the Lake Lillian area, as well as the Police Department. The Marion County Fire Department also plans on re-locating its Belleview station there, and the Marion County Tax Collector's Office has indicated an interest in also locating an office on the site. The Commission has also set aside ten acres of the property for a future passive recreation park to include walking trails on the site.

The state legislature adopted tax reforms this past year which forced an additional roll-back of ad valorem taxes over and above the normal roll-back rate. While there were provisions for maintaining the previous levy by a super-majority vote, the Commission chose to comply with the state's request to roll back as much as possible. Amendment 1 has since been placed on the ballot and approved by the citizens for implementation in the upcoming fiscal year. While this will further decrease incoming ad valorem revenues, the City is proactively looking for ways to effectively operate and provide the highest level of service with the least financial impact to the citizens. In spite of the cuts to revenues, the City is maintaining a healthy Fund Balance in both the General Fund and the Water and Sewer Fund,

FINANCIAL CONTACT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and show accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Manager at 5343 SE Abshier Blvd, Belleview, Florida 34420 or call 352-245-7021, ext 2117.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Assets	Governmental Activities	Business- Type Activities	Total
Cash and Cash Equivalents	\$ 2,146,826	\$ 4,071,002	\$ 6,217,828
Accounts Receivable	135,263	248,058	383,321
Due from Other Governments	381,723	1,856,614	2,238,337
Inventories	-	38,448	38,448
Prepaid Expenses	25,687	8,174	33,861
Capital Assets Not Being Depreciated	2,134,350	4,824,739	6,959,089
Capital Assets Being Depreciated, Net	1,879,408	3,528,288	5,407,696
Debt Issue Costs, Net	-	144,663	144,663
Total Assets	6,703,257	14,719,986	21,423,243
Liabilities			
Accounts Payable	170,403	760,181	930,584
Other Accrued Liabilities	32,069	10,507	42,576
Unearned Revenue	51,797	-	51,797
Customer Deposits	-	197,344	197,344
Accrued Interest Payable	-	10,776	10,776
Noncurrent Liabilities:			
Due Within One Year	1,316,045	226,854	1,542,899
Due in More Than One Year	203,366	4,425,952	4,629,318
Total Liabilities	1,773,680	5,631,614	7,405,294
Net Assets			
Investment in Capital Assets, Net of Related Debt	2,665,714	4,133,669	6,799,383
Restricted for:			
Debt Service	-	139,873	139,873
Capital Projects	109,173	2,839,561	2,948,734
Law Enforcement	35,222	-	35,222
Community Center	16,222	-	16,222
Cemetery Perpetual Care	66,087	-	66,087
Unrestricted	2,037,159	1,975,269	4,012,428
Total Net Assets	\$ 4,929,577	\$ 9,088,372	\$ 14,017,949

See accompanying notes.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges	Operating	Capital	Primary Government		Total
		for	Grants and	Grants and	Governmental	Business-Type	
	Services	Contributions	Contributions	Activities	Activities		
Governmental Activities							
General Government	\$ 802,898	\$ 337,737	\$ -	\$ -	\$ (465,161)	\$ -	\$ (465,161)
Public Safety	1,132,758	186,703	6,409	12,250	(927,396)	-	(927,396)
Physical Environment	308,268	170,049	-	620,202	481,983	-	481,983
Transportation	817,262	-	-	-	(817,262)	-	(817,262)
Culture and Recreation	180,804	40,729	-	48,416	(91,659)	-	(91,659)
Total Governmental Activities	<u>3,241,990</u>	<u>735,218</u>	<u>6,409</u>	<u>680,868</u>	<u>(1,819,495)</u>	<u>-</u>	<u>(1,819,495)</u>
Business-type Activities							
Water and Sewer Utility	1,789,616	1,820,330	-	2,062,938	-	2,093,652	2,093,652
Total Business-type Activities	<u>1,789,616</u>	<u>1,820,330</u>	<u>-</u>	<u>2,062,938</u>	<u>-</u>	<u>2,093,652</u>	<u>2,093,652</u>
Total Primary Government	<u>\$ 5,031,606</u>	<u>\$ 2,555,548</u>	<u>\$ 6,409</u>	<u>\$ 2,743,806</u>	<u>(1,819,495)</u>	<u>2,093,652</u>	<u>274,157</u>
General Revenues							
Taxes:							
				764,463	-		764,463
				430,451	-		430,451
				366,466	-		366,466
				417,960	-		417,960
				469,771	-		469,771
				108,299	214,634		322,933
				49,217	63,010		112,227
				4,418	-		4,418
				<u>2,611,045</u>	<u>277,644</u>		<u>2,888,689</u>
				791,550	2,371,296		3,162,846
				<u>4,138,027</u>	<u>6,717,076</u>		<u>10,855,103</u>
				<u>\$ 4,929,577</u>	<u>\$ 9,088,372</u>		<u>\$ 14,017,949</u>

See accompanying notes.

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

	General Fund
Assets	
Cash and Cash Equivalents	\$ 2,146,826
Accounts Receivable	135,263
Due from Other Governments	381,723
Prepaid Expenses	25,687
Total Assets	2,689,499
 Liabilities and Fund Balances	
Liabilities	
Accounts Payable	170,403
Other Accrued Liabilities	32,069
Unearned Revenue	51,797
Total Liabilities	254,269
 Fund Balances	
Reserved for:	
Capital Improvements	103,565
Police Education	7,286
Police Automation	27,936
Cemetery Perpetual Care	66,087
Prepayments	25,687
Lake Lillian	2,782
Retention Pond Fencing	1,373
Parks - Impact Fees	5,608
Community Center	16,222
Unreserved:	
Designated by Commission	291,669
Undesignated	1,887,015
Total Fund Balances	2,435,230
 Total Liabilities and Fund Balances	 \$ 2,689,499

See accompanying notes.

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

Total Fund Balances of Governmental Funds	\$ 2,435,230
 Amounts Reported for Governmental Activities in the Statement of Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$5,529,276 and the accumulated depreciation is \$1,515,518.	4,013,758
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Long-term liabilities at year-end consist of:	
Note Payable	(1,246,000)
Lease Payable	(102,044)
Compensated Absences	(171,367)
	(273,411)
Total Net Assets of Governmental Activities	\$ 4,929,577

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General Fund
Revenues	
Taxes	\$ 1,979,340
Licenses and Permits	136,861
Intergovernmental Revenue	469,771
Charges for Service	389,545
Fines and Forfeitures	186,704
Grant Revenue	687,277
Miscellaneous Revenue	186,361
Total Revenues	4,035,859
Expenditures	
Current:	
General Government	761,846
Public Safety	1,099,268
Physical Environment	307,182
Transportation	778,411
Culture and Recreation	145,135
Capital Outlay	2,164,756
(Total Expenditures)	(5,256,598)
(Deficiency) of Revenues (Under)	
Expenditures	(1,220,739)
Other Financing Sources (Uses)	
Capital Leases	102,044
Note Payable	1,246,000
Total Other Financing Sources (Uses)	1,348,044
Net Change in Fund Balances	127,305
Fund Balances, Beginning of Year	2,307,925
Fund Balances, End of Year	\$ 2,435,230

See accompanying notes.

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

Net Change in Fund Balances - Total Governmental Funds \$ 127,305

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

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$2,164,756 exceeded depreciation expense of \$149,050. 2,015,706

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (2,319)

Some expenses reported in the statement of activities such as compensated absences do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Note Payable	(1,246,000)
Lease Payable	(102,044)
Compensated Absences	<u>(1,098)</u>

Change in Net Assets of Governmental Activities \$ 791,550

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2007

	Business-Type Activities
	Water and Sewer Utility Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 634,868
Receivables:	
Customers (Net of Allowance for Uncollectible Accounts of \$10,826)	191,322
Other Receivables	56,736
Due from Other Governments	1,856,614
Inventories	38,448
Prepaid Expense	8,174
Total Current Assets	2,786,162
Noncurrent Assets	
Restricted Cash:	
Customer Deposits	205,822
Water Development	476,708
Sewer Development	2,362,853
Revenue Bond Reserve	139,232
Revenue Bond Sinking	11,417
State Revolving Loan Funds	240,102
Total Restricted Assets	3,436,134
Capital Assets:	
Land	192,115
Building and Improvements	8,576,207
Machinery and Equipment	563,376
(Accumulated Depreciation)	(5,611,295)
Construction in Progress	4,632,624
Total Capital Assets - Cost Less Depreciation	8,353,027
Other Assets:	
Debt Issue Costs (Net of Amortization)	144,663
Total Noncurrent Assets	11,933,824
Total Assets	\$ 14,719,986

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2007
(Concluded)

	Business-Type Activities
	Water and Sewer Utility Fund
Liabilities	
Current Liabilities	
Accounts Payable	\$ 760,181
Accrued Expenses	10,507
Current Portion of Compensated Absences	9,737
Total Current Liabilities	780,425
 Current Liabilities (Payable from Restricted Assets)	
Customer Deposits	197,344
Current Portion of Revenue Bonds Payable	61,500
Current Portion of State Revolving Loans	155,617
Accrued Interest on Long-term Liabilities	10,776
Total Current Liabilities (Payable from Restricted Assets)	425,237
 Long-term Liabilities	
Revenue Bonds Payable (Net of Discount)	1,440,534
State Revolving Loans Payable	2,946,472
Compensated Absences	38,946
Total Long-term Liabilities	4,425,952
 Total Liabilities	\$ 5,631,614
 Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 4,133,669
Restricted for Debt Service	139,873
Restricted for Capital Projects	2,839,561
Unrestricted	1,975,269
Total Net Assets	\$ 9,088,372

See accompanying notes.

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

	<u>Business-Type Activities Water and Sewer Utility Fund</u>
Operating Revenues	
Charges for Services	\$ 1,820,330
Operating Expenses	
Personal Expenses	579,266
Operating Expenses	685,682
Depreciation and Amortization	323,196
(Total Operating Expenses)	<u>(1,588,144)</u>
Operating Income	<u>232,186</u>
Nonoperating Revenues (Expenses)	
Interest Income	214,634
Interest Expense	(88,037)
Other Income	63,010
Treatment Plan Grant Expenditures	(113,435)
Treatment Plant Grant Revenue	1,696,005
Total Nonoperating Revenues	<u>1,772,177</u>
Income Before Contributions	<u>2,004,363</u>
Contributions	
Capital Contributions - Impact Fees	366,933
Total Contributions	<u>366,933</u>
Change in Net Assets	2,371,296
Net Assets, Beginning of Year	<u>6,717,076</u>
Net Assets, End of Year	<u><u>\$ 9,088,372</u></u>

See accompanying notes.

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

	Business-Type Activities
	Water and Sewer Utility Fund
Cash Flows from Operating Activities	
Cash Received from Customers, Including	
Cash Deposits	\$ 1,531,830
Cash Paid to Suppliers	(1,329,767)
Cash Paid to Employees for Services	(580,241)
Net Cash (Used in) Operating Activities	(378,178)
 Cash Flows from Noncapital Financing Activities	
State of Florida DEP Grant	2,076,448
Net Cash Provided by Noncapital Financing Activities	2,076,448
 Cash Flows from Capital and Related Financing Activities	
Capital Contributions from Customers	366,933
Capital Grant Revenues	1,696,005
Capital Grant Expenses	(113,435)
Capital Asset Acquisitions	(4,141,255)
Other Nonoperating Income	63,010
Principal Payments on Debt	(72,813)
Interest Paid on Debt	(88,037)
Net Cash (Used by) Capital and Related Financing Activities	(2,289,592)
 Cash Flows from Investing Activities	
Interest Income	214,634
Net Cash Provided by Investing Activities	214,634
 Net Decrease in Cash and Cash Equivalents	(376,688)
 Cash and Cash Equivalents, Beginning of Year	4,447,690
 Cash and Cash Equivalents, End of Year	\$ 4,071,002

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(Concluded)

	Business-Type Activities
<u>Shown in the Financial Statements as</u>	Water and Sewer Utility Fund
Cash and Cash Equivalents	\$ 634,868
Restricted Cash and Cash Equivalents	3,436,134
Total	\$ 4,071,002
<u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income	\$ 232,186
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation and Amortization	323,196
Bad Debt Expense	5,008
Changes in Assets Decrease (Increase) and Liabilities Increase (Decrease):	
Accounts Receivable, Net	(1,601,622)
Inventory	(4,375)
Prepaid Expense	(519)
Accounts Payable	645,532
Accrued Expenses	1,384
Customer Deposits	17,995
Compensated Absences	3,037
Total Adjustments	(610,364)
Net Cash (Used in) Operating Activities	\$ (378,178)

See accompanying notes.

**CITY OF BELLEVIEW, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Pension Trust Funds
Assets	
Investments	\$ 2,578,279
Accrued Interest Receivable	3,266
Contributions Receivable	5,005
Total Assets	2,586,550
 Net Assets	
Reserved for:	
Employees' Pension Benefits	\$ 2,586,550

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 121,000
State	57,739
Employee	6,045
Total Contributions	<u>184,784</u>
Investment Earnings	273,173
(Investment Management Fees)	<u>(3,746)</u>
Total Investment Income, Net	<u>269,427</u>
Total Additions	<u>454,211</u>
Deductions	
Pension Benefit Payments and Refunds	61,168
General and Administrative	<u>19,926</u>
(Total Deductions)	<u>(81,094)</u>
Net Increase	<u>373,117</u>
Net Assets Reserved for Employees' Pension Benefits	
Beginning of Year	<u>2,213,433</u>
End of Year	<u><u>\$ 2,586,550</u></u>

See accompanying notes.

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

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

The financial statements of the City of Belleview, Florida (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City is a political subdivision of the State of Florida located in Marion County, Florida. The City was established in 1885, Laws of Florida 3638. The legislative branch of the City is composed of a five-member elected City Commission. 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 City Commission's appointed City Clerk.

The City's major operations include water and sewer utilities, as well as public safety (police), road and street maintenance, recreation and general administration services.

The accompanying 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) contained no separate legal entities (component units) 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated automatically and certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds are excluded from the government-wide financial statements. Governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

■ **Government Fund**

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

■ **Proprietary Fund**

Proprietary funds are used to account for a government's ongoing activities, which are similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

The City reports the following major proprietary fund:

- The **Water and Sewer Utility Fund** accounts for the fiscal activity of providing water and wastewater services to residential and commercial customers.

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

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

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

Fund Financial Statements *(Concluded)*

■ **Proprietary Fund** *(Concluded)*

Additionally, the City reports the following fiduciary fund types:

- The **Pension Trust Funds** account for the activities of the City's General Employees' and Police Officers' Retirement Funds, which accumulate resources for pension benefit payments for qualified retiring employees. They are excluded from the government-wide financial statements because they are fiduciary in nature and do not represent resources available to the government for operations.

Summary of Significant Accounting Policies

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

Proprietary Funds

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to generally use restricted resources first, and then unrestricted resources, as they are needed for their intended purposes, however, this decision is frequently made on a case-by-case basis based upon facts and circumstances. Revenues of the enterprise funds are recognized on the basis of services rendered. Billing cycles of the enterprise funds that overlap September 30 are prorated based upon meter reading dates.

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

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

Summary of Significant Accounting Policies *(Continued)*

Budgets and Budgetary Accounting

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

- The City Commission is responsible for preparing a proposed operating budget 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 Clerk 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 all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles. Total budgeted fund expenditures within governmental type funds may not be exceeded legally. Appropriations lapse at the end of the year. Encumbrance accounting is not used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the water and sewer fund considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, to be cash equivalents.

Investments

The City accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Under this provision, investments are recorded at fair value on the balance sheets. Investment income, including changes in the fair value of investments, is reported as income (loss) in the statements of revenues, expenses, and changes in fund balances. In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the investments within the pension trust funds are stated at market value.

Capital Grants and Contributions

Accounts receivable from other governments include amounts due from grantors. Program and capital grants for general fixed assets are recorded as receivables and revenues at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are deferred. Capital grants and other contributions for capital asset additions to the proprietary funds are recorded as nonoperating revenues.

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

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

Summary of Significant Accounting Policies *(Continued)*

Due from Other Governments

Due from other governments represents amounts due from the federal, state, or local government, Florida or Marion County for shared revenues or costs. The amount is considered collectible within sixty days of fiscal year-end.

Inventory

Inventories of supplies held by the business-type activities are priced at cost using the first-in, first-out (FIFO) method of accounting.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30 are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are also capitalized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During 2007, \$16,091 of interest was capitalized.

Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Machinery, Equipment and Vehicles	3 - 10 Years
Water Distribution System	40 Years
Pumping Station	10 - 40 Years
Water Tank	10 - 40 Years
Sewer System	20 - 40 Years
Infrastructure	40 Years

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

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

Summary of Significant Accounting Policies *(Concluded)*

Capital Assets *(Concluded)*

Proprietary fund expenditures for repairs and maintenance are expenses when incurred. Additions, major renewals and replacements, which increase the useful lives of the assets, are capitalized.

Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures represent the amounts paid during the year plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of the compensated absences liability that would normally be liquidated with current expendable available resources in the next fiscal year is recorded in the fund financial statements of the governmental fund. In the government-wide financial statements the governmental fund compensated absences are recorded and split between the current and noncurrent portions.

In proprietary funds, the amount of compensated absences associated with employee vacations that are recorded as expenses represent the amounts paid during the year and accrued at year-end. The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portion.

In February 1996, the City adopted a new compensated absence policy for all general employees. Personnel policies allow general employees to accumulate a maximum of 240 hours of vacation leave and 1,040 hours of sick leave. Upon termination, employees are paid for their accrued vacation leave and 30% of their accrued sick leave after five years of service, or 50% after ten years of service. Police officers have the same accrual policy as general employees.

In 1991, the City implemented a compensatory time policy under which nonexempt employees accrue compensatory time at a rate of one and one-half times the amount of overtime worked, up to a maximum of 40 hours within a six-month period. Special detail work by police officers is excluded from compensatory time.

Reserves and Designations of Fund Balance

Governmental Fund Types

Reservation of fund balance are used to indicate the portion not currently available for expenditure or segregated for a specific future use. Designations of fund balances represent plans for financial resource utilization in a future period that can be internally changed.

Proprietary and Fiduciary Fund Types

Reserves of the proprietary fund and pension trust funds are used to indicate a segregation of a portion of net assets equal to the current assets that are restricted for meeting various covenants as may be specified and defined in the revenue bond indenture and City Ordinance. Usage of the reserves includes the following:

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

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

Reserves and Designations of Fund Balance (Concluded)

Proprietary and Fiduciary Fund Types (Concluded)

■ **Water and Sewer Development Charges**

By ordinance, the City has established user development charges for all new connections to the City's water or sewer system. The use of these proceeds is restricted by the ordinance to system expansion and construction of new facilities and other similar needs. Water and sewer development charges are recorded as contributed capital when received.

■ **Revenue Bond Sinking and Reserve**

As more fully described in note 3, City bond issues require that certain debt service and debt service reserve accounts be set aside for the payment of bond interest and principal.

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 assessments 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 City levied a rate of 3.8188 mills in the 2006 tax roll.

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

All property is reassessed according to its fair market value 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 the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year, or as soon thereafter, as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. 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 at 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 the property or by the five-year statute of limitations.

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

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

Note 2 - Cash and Cash Equivalents and Investments

Cash Deposits

All of the City's deposits (excluding investments) are maintained in banks and financial institutions which are covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "authorized depositories." Therefore, all cash deposits held by banks can be classified as fully insured and total \$6,217,828.

Investments

Investments for the City as of September 30, 2007, are as follows:

<u>Investment</u>	<u>Fair Value</u>
Pension Funds:	
Florida Municipal Pension Trust Fund -	
General Employees (FMIVT)	\$ 705,877
Police Officers' Retirement Fund:	
Money Market Funds	21,894
Mutual Funds - Fixed Income	754,307
Mutual Funds - Equities	<u>1,096,201</u>
Total Investments	<u>2,578,279</u>
Cash Deposits	<u>6,217,828</u>
Total Cash and Investments	<u>\$ 8,796,107</u>

As shown in the accompanying financial statements:

Cash and Cash Equivalents - Entity-wide	\$ 6,217,829
Investments - Fiduciary Funds	<u>2,578,278</u>
Total Cash and Investments	<u>\$ 8,796,107</u>

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Credit risks for the City's investments are as follows:

Florida Municipal Pension Trust - FMIVT Funds

<i>Fixed Income Funds:</i>	<u>Fitch Rating</u>
Smith Barney MM Cash Portfolio	Not Rated
SSGA Par Stable Value	Not Rated
American Fund American Balanced A	Not Rated
American Funds Intermediate Bond Fund A	Not Rated
PIMCO Long-term U.S. Government A	Not Rated
PIMCO Total Return A	Not Rated
<i>Lifestyle Funds:</i>	
Vanguard Target Retirement Income	Not Rated
Vanguard Target Retirement 2015	Not Rated
Vanguard Target Retirement 2025	Not Rated
Vanguard Target Retirement 2035	Not Rated
Vanguard Target Retirement 2045	Not Rated

Police Officers' Retirement Fund

<u>Mutual Funds:</u>	<u>S & P Rating</u>
Vanguard Total Bond Index Fund	Aaa
Money Market Funds	AAA

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

Note 2 - Cash and Investments (Concluded)

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Interest rate risk for the City's investments is as follows:

Florida Municipal Pension Trust - FMIvT Funds

Fixed Income Funds:

	WAM
Smith Barney MM Cash Portfolio	59 Days
SSGA Par Stable Value	3.62 Years
American Fund American Balanced A	6.74 Years
American Funds Intermediate Bond Fund A	3.53 Years
PIMCO Long-term U.S. Government A	18.76 Years
PIMCO Total Return A	6.58 Years

Lifestyle Funds:

Vanguard Target Retirement Income	7.48 Years
Vanguard Target Retirement 2015	7.30 Years
Vanguard Target Retirement 2025	7.30 Years
Vanguard Target Retirement 2035	N/A
Vanguard Target Retirement 2045	N/A

Police Officers' Retirement Fund

Mutual Funds:

Vanguard Total Bond Index Fund	4.4
--------------------------------	-----

Foreign Currency Risk

The City's investments are not exposed to this risk.

The investment policies covering the City's exposure to these risks are not specifically detailed.

Note 3 - Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 170,269	\$ 96,533	\$ (95,435)	\$ 171,367	\$ 34,273
Note Payable	-	1,246,000	-	1,246,000	1,246,000
Capital lease	-	102,044	-	102,044	35,772
Total Governmental Activities	\$ 170,269	\$ 1,444,577	\$ (95,435)	\$ 1,519,411	\$ 1,316,045
Business-type Activities					
Bonds Payable:					
Revenue Bonds	1,569,700	-	(59,600)	1,510,100	61,500
(Less Bond Discount)	(8,421)	-	355	(8,066)	-
Net Revenue Bonds	1,561,279	-	(59,245)	1,502,034	61,500
Notes Payable:					
State Revolving Loan - Sludge Dewatering	293,902	-	(13,568)	280,334	13,626
State Revolving Loan - Waste Water Treatment Plant	745,307	2,076,448	-	2,821,755	141,991
Total Notes Payable	1,039,209	2,076,448	(13,568)	3,102,089	155,617
Other Liabilities:					
Compensated Absences	45,646	26,590	(23,553)	48,683	9,737
Total Business-type Activities	\$ 2,646,134	\$ 2,103,038	\$ (96,366)	\$ 4,652,806	\$ 226,854

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

Note 3 - Long-term Liabilities (Continued)

■ **Revenue Bond Sinking**

In accordance with terms of the bond resolutions, the City deposits cash monthly into separate accounts to fund upcoming principal and interest payments on the bonds. Such cash and investments are reflected in the financial statements as restricted assets.

■ **Revenue Bond Reserve**

In addition to debt service deposit requirements above, the bond resolutions require reserve accounts to be used only to pay principal and interest in the event the monies in the sinking account are insufficient. The reserve is fully funded at \$139,232.

■ **Notes Payable**

The State of Florida Department of Environmental Protection issued a state revolving loan from 2002 to 2020, including interest at 3.33% and 3.07%, collateralized by net revenues of the sewer utility system. A reserve was fully funded at \$10,340. A second state revolving loan for pre-construction costs was issued in 2003 for \$906,513, including interest at 1.81%. This loan was amended in 2006 for an additional \$5,352,059 for construction costs, including interest at 1.86%. Both of these loans are also collateralized by net revenues of the sewer utility system. A reserve is not required until 2008, when repayment begins. The City drew down \$2,076,448 in the current year, with a total draw down of \$2,821,755.

The City is in compliance with all significant bond and note covenants.

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

<u>Description of Bonds</u>	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Rates</u>
Business-type Activities				
Revenue Bonds and				
Revenue Notes:				
Utility Revenue Bonds:				
Series 1977	Revenue	\$ 325,000	\$ 137,000	5%
Series 1986A	Revenue	491,600	262,900	5%
Series 1988	Revenue	1,000,000	345,200	5%
Series 1986B	Revenue	450,200	765,000	5%
State Revolving Loan	Revenue	333,597	280,334	3.33/3.07%
State Revolving Loan	Revenue	6,258,572	2,821,755	1.81/1.86%

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

<u>Due September</u>	<u>Principal</u>				<u>Interest</u>	<u>Total Requirements</u>
	<u>1977 Series</u>	<u>1986A Series</u>	<u>1986B Series</u>	<u>1988 Series</u>	<u>Total All Series</u>	
2008	\$ 13,000	\$ 18,500	\$ 10,000	\$ 20,000	\$ 75,505	\$ 137,005
2009	13,000	19,400	10,000	20,000	72,430	134,830
2010	14,000	20,400	10,000	20,000	69,310	133,710
2011	14,000	21,400	10,000	25,000	66,090	136,490
2012	15,000	22,500	10,000	25,000	62,570	135,070
2013-2017	68,000	130,500	60,000	140,000	255,465	653,965
2018-2022	-	30,200	80,000	175,000	165,060	450,260
2023-2027	-	-	105,000	230,000	92,050	427,050
2028-2029	-	-	50,200	110,000	12,020	172,220
Totals	<u>\$ 137,000</u>	<u>\$ 262,900</u>	<u>\$ 345,200</u>	<u>\$ 765,000</u>	<u>\$ 870,500</u>	<u>\$ 2,380,600</u>

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

Note 3 - Long-term Liabilities (Concluded)

The bonds are collateralized by all the net revenues of the water and sewer system and all other revenues not restricted for other purposes, excluding ad valorem taxes.

Interest costs incurred for the water and sewer revenue bonds amounted to \$88,037, all of which was expensed.

State Revolving Loan Fund has maturity dates and debt service requirements as follows:

	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2008	\$ 13,626	\$ 9,494	23,120
	2009	14,644	8,476	23,120
	2010	15,121	7,999	23,120
	2011	15,613	7,507	23,120
	2012-2016	86,032	29,618	115,650
	2017-2021	100,985	14,616	115,601
	2022-2023	34,313	535	34,848
State Revolving Loan 2002	Total	<u>280,334</u>	<u>78,245</u>	<u>358,579</u>
State Revolving Loan 2003**	Total	<u>2,821,755</u>	<u>-</u>	<u>2,821,755</u>
Total State Revolving Loans		<u>\$ 3,102,089</u>	<u>\$ 78,245</u>	<u>\$ 3,180,334</u>

**The State Revolving Loan Fund issued in 2003 and amended in 2006, has not entered into payback period and, therefore, will not be amortized until 2008.

Notes Payable – General Fund

On March 7, 2007, the City entered into a Land Acquisition Note, Series 2007 with SunTrust Bank for \$1,246,000 at an interest rate of 4.02%. The money was used to purchase approximately 27 acres of land on Highway 484 for future governmental use. The City has pledged the Non-AdValorem Revenues to secure payment of the note. This note is due on March 7, 2008. This note has been extended for another year for 3.02% interest.

There are no outstanding defeased bonds.

Note 4 - Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 96,363	\$ 1,497,457	\$ -	\$ 1,593,820
Construction in Progress	-	540,530	-	540,530
Total Capital Assets Not Being Depreciated	<u>96,363</u>	<u>2,037,987</u>	<u>-</u>	<u>2,134,350</u>
Capital Assets Being Depreciated:				
Buildings	1,430,322	-	-	1,430,322
Improvements Other Than Buildings	792,444	26,456	(358,544)	460,356
Infrastructure	19,044	228,419	-	247,463
Vehicles and Accessories	353,532	38,255	(46,785)	345,002
Furniture and Equipment	738,279	192,183	(18,679)	911,783
Total Capital Assets Being Depreciated	<u>3,333,621</u>	<u>485,313</u>	<u>(424,008)</u>	<u>3,394,926</u>

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

Note 4 - Capital Assets (Concluded)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities (Concluded)				
Less Accumulated Depreciation:				
Buildings	\$ (419,155)	\$ (28,925)	\$ -	\$ (448,080)
Improvements Other Than Buildings	(414,207)	(31,451)	9,990	(435,668)
Infrastructure	(1,904)	(3,362)	-	(5,266)
Vehicles and Accessories	(183,185)	(29,943)	44,466	(168,662)
Furniture and Fixtures	<u>(411,162)</u>	<u>(55,369)</u>	<u>8,689</u>	<u>(457,842)</u>
Total Accumulated Depreciation	<u>(1,429,613)</u>	<u>(149,050)</u>	<u>63,145</u>	<u>(1,515,518)</u>
Total Capital Assets Being Depreciated, Net	<u>1,904,008</u>	<u>336,263</u>	<u>(360,863)</u>	<u>1,879,408</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,000,371</u>	<u>\$ 2,374,250</u>	<u>\$ (360,863)</u>	<u>\$ 4,013,758</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 192,115	\$ -	\$ -	\$ 192,115
Construction in Progress	<u>658,296</u>	<u>3,974,328</u>	<u>-</u>	<u>4,632,624</u>
Total Capital Assets Not Being Depreciated	<u>850,411</u>	<u>3,974,328</u>	<u>-</u>	<u>4,824,739</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	8,576,207	-	-	8,576,207
Machinery and Equipment	<u>396,804</u>	<u>166,572</u>	<u>-</u>	<u>563,376</u>
Total Capital Assets Being Depreciated	<u>8,973,011</u>	<u>166,572</u>	<u>-</u>	<u>9,139,583</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,013,695)	(301,381)	-	(5,315,076)
Equipment	<u>(275,684)</u>	<u>(20,535)</u>	<u>-</u>	<u>(296,219)</u>
Total Accumulated Depreciation	<u>(5,289,379)</u>	<u>(321,916)</u>	<u>-</u>	<u>(5,611,295)</u>
Total Capital Assets Being Depreciated, Net	<u>3,683,632</u>	<u>(155,344)</u>	<u>-</u>	<u>3,528,288</u>
Total Business-type Activities, Net	<u>\$ 4,534,043</u>	<u>\$ 3,818,984</u>	<u>\$ -</u>	<u>\$ 8,353,027</u>
Depreciation Expense -				
Governmental Activities				
General Government and Administration				\$ 34,651
Public Safety				40,034
Physical Environment				597
Transportation				40,210
Culture and Recreation				<u>33,558</u>
Total Depreciation Expense - Governmental Activities				<u>\$ 149,050</u>
Depreciation Expense - Business-type Activities				
Water and Sewer System				<u>\$ 321,916</u>

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

Note 5 - Leases

Operating Lease - The City entered into cancelable operating lease agreements for police vehicles. The terms of the agreement include annual payments for five years for nine vehicles. During the fiscal year, operating lease expenditures were \$43,893.

Capital Lease - The City entered into a lease agreement for financing the acquisition of police communications equipment in the amount of \$102,044. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Furniture and Equipment	\$ 102,044
(Accumulated Depreciation)	(13,363)
Total	\$88,681

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, were as follows:

Year Ending September 30,	Governmental Activities
2008	\$ 35,772
2009	35,772
2010	35,772
Total Minimum Lease Payments	107,316
Less: Amount Representing Interest	(5,272)
Present Value of Minimum Lease Payments	\$ 102,044

Note 6 - Receivables

Business-type activities receivables are composed entirely of amounts due from customers.

Note 7 - Payables

Payables in the governmental activities are composed entirely of amounts due to vendors, with the exception of \$6,500 in deposits. Business-type activities payables are composed entirely of amounts due to vendors.

Note 8 - Segment Information for Water and Sewer Proprietary Fund

The City operates only one proprietary fund for water and sewer operations. Segment information is available in the basic financial statements and notes to the financial statements.

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

Note 9 - Concentration of Credit Risk

Customer receivables are comprised of uncollateralized utility billings from residential and commercial customers in and around the Belleview, Florida area.

Note 10 - Other Disclosures

Reclassifications

Reclassifications not affecting fund balances or net assets have been made in the notes to the financial statements to conform to the current year reporting format.

Note 11 - Pension Plans

Plan Descriptions

The City contributes on behalf of general employees to a single-employer defined contribution plan administered by the Florida League of Cities. The City also contributes, on behalf of police officers of the City, a single-employer defined benefit plan administered by the Regions Bank. These plans are maintained as a separate pension trust fund and are included as part of the City's reporting entity. City ordinance and state law requires contributions to be determined by actuarial study at least every three years for the Police Officers' Defined Benefit Plan. Stand-alone financial reports are not issued.

General Employees' Defined Contribution Plan

After terminating its previous defined benefit plan effective October 1, 1995, the City created a new defined contribution plan covering all eligible general employees of the City. In terminating the previous defined benefit plan, the City's actuary calculated the present value of vested accrued benefits which were transferred to the new defined contribution plan with the remaining unearned plan assets returned to the City.

The new defined contribution plan for all general employees covers all full-time employees with ninety days of service. The City pays 7.5% of each participant's compensation for a plan year. Forfeitures are used to offset current contributions by the City. The normal retirement date is the first day of the month coinciding with the participant's sixty-fifth birthday.

The vesting schedule, based on the number of years of service, is as follows:

Less Than 5 Years	0%
5 Years	50%
6 Years	60%
7 Years	70%
8 Years	80%
9 Years	90%
10 Years or More	100%

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

Note 11 - Pension Plans (Continued)

General Employees' Defined Contribution Plan (Concluded)

At termination, participants may choose the anniversary date or immediate distributions based on the balance of the participant's account as of the prior year's valuation. Transfers or rollovers from qualified plans are allowed and hardship distributions are permitted.

At September 30, 2007, there were twenty-nine active members of the plan.

For the year ended September 30, 2007, the City contributed \$77,007 to the plan. There were unused forfeitures with a rolling balance of \$10,321 which will be applied during the next fiscal year.

Police Officers' Defined Benefit Plan

■ **Plan Description**

The police officers' pension plan covers all full-time police officers. Members of the police officers' pension plan do not vest in their pension benefits until they have completed ten years of service. Police officers that retire at the age of sixty, regardless of years of service or, age fifty-five and have completed ten years of service, or age fifty-two and twenty-five years of credited service are entitled to a monthly retirement benefit, payable for life or a minimum of ten years, in an amount equal to 2% of their average monthly compensation; multiplied by years of credited service. The plan also provides for death and disability benefits.

■ **Contributions**

Police officers were required to contribute 5% of their annual salary to the plan until the year ended September 30, 1993. The plan was amended in 1994 to require only 1% employee contributions. The City is required to contribute the remaining amounts necessary to fund the plan, using the actuarial determined amounts. Insurance excise taxes remitted by the state to the police officers' pension plan are available to offset City contributions up to the 1997 base amount. The increment above the base amount is to provide extra benefits to the police officers.

As of the most recent actuarial reports, the plan had the following number of participants:

Active	15
Retired, Disabled, Vested Terminations and Beneficiaries	3
Total Number of Participants	18

■ **Annual Pension Costs and Net Pension Obligation (Asset)**

The City's annual pension costs and net pension obligation to the Police Officers' Defined Benefit Plan for the most current actuarial report dated October 1, 2006, is as follows:

Actuarially Determined Contribution (A)	\$ 42,910
Interest on NPO	(2,021)
Adjustment to (A)	2,299
Annual Pension Costs	43,188
Contributions Made	(42,910)
Increase in NPO	278
Net Pension Obligation (Asset), Beginning of Year	(25,267)
Net Pension Obligation (Asset), End of Year	\$ (24,989)

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

Note 11 - Pension Plans (Continued)

Police Officers' Defined Benefit Plan (Continued)

■ **Other Pension Plan Information**

The annual required contribution for the current year was determined as part of the October 1, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include the following:

- The present value of future pension payments was computed by using a discount rate of 8%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plans.
- Cost-of-living adjustments are at the discretion of the City Commission.
- Future pension payments reflect an assumption of annual salary increase rates of 6.5% for police officers.

The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using market value.

Three-year trend information based on the most current actuarial report dated October 1, 2006:

<u>Fiscal Year Ending</u>	<u>Actuarial Determined Contribution</u>	<u>Percentage of Actuarial Determined Contribution</u>	<u>Net Pension (Asset)</u>
September 30, 2004	\$ 31,965	100%	\$ (24,628)
September 30, 2005	\$ 33,917	103%	\$ (25,267)
September 30, 2006	\$ 42,910	100%	\$ (24,989)

Schedule of Pension Plan Net Assets as of September 30, 2007

	<u>General Employees' Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Total</u>
Assets			
Investments	\$ 705,877	\$ 1,872,402	\$ 2,578,279
Accrued Interest Receivable	-	3,266	3,266
Contributions Receivable	<u>3,099</u>	<u>1,906</u>	<u>5,005</u>
Total Assets	<u>\$ 708,976</u>	<u>\$ 1,877,574</u>	<u>\$ 2,586,550</u>
Net Assets			
Reserved for:			
Employees' Pension Benefits	<u>\$ 708,976</u>	<u>\$ 1,877,574</u>	<u>\$ 2,586,550</u>

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

Note 11 - Pension Plans (Concluded)

Police Officers' Defined Benefit Plan (Concluded)

Schedule of Pension Plan Net Assets as of September 30, 2007

	<u>General Employees' Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 77,007	\$ 43,993	\$ 121,000
Net Employer Contributions	77,007	43,993	121,000
State	-	57,739	57,739
Employee	-	6,045	6,045
Total Contributions	<u>77,007</u>	<u>107,777</u>	<u>184,784</u>
Investment Earnings	70,527	202,646	273,173
Less Investment Management Fees	-	(3,746)	(3,746)
Net Investment Income	<u>70,527</u>	<u>198,900</u>	<u>269,427</u>
Total Additions	<u>147,534</u>	<u>306,677</u>	<u>454,211</u>
Deductions			
Pension Benefit Payments and Refunds	-	61,168	61,168
General and Administrative	<u>3,691</u>	<u>16,235</u>	<u>19,926</u>
Total Deductions	<u>(3,691)</u>	<u>(77,403)</u>	<u>(81,094)</u>
Net Increase	143,843	229,274	373,117
Beginning of Year	<u>565,133</u>	<u>1,648,300</u>	<u>2,213,433</u>
End of Year	<u>\$ 708,976</u>	<u>\$ 1,877,574</u>	<u>\$ 2,586,550</u>

Note 12 - Contingencies

Grants and Loans

Under the terms of federal and state grants and loans, periodic audits are required and certain costs may be questioned as not allowable as expenditures under the terms of the grants, which could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will not be material.

Note 13 - 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 through the Florida League of Cities, Inc. for the following type of risk:

- Workers' Compensation and Employer's Liability

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

Note 13 - Risk Management (Concluded)

Insurance against losses are provided through Risk Management Association for the following types of risk:

- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

The City is covered for health insurance under a group policy with Blue Cross Blue Shield through the risk management department of the City of Ocala, Florida. This group includes other governmental agencies such as the City of Dunnellon and the Withlacoochee Regional Planning Council. The policy is purchased through a commercial carrier with premiums reassessed annually.

Note 14 - Designations of Fund Balances

The City Commission has designated funds in the General Fund for the following:

BCBH Repairs and Maintenance	\$ 5,940
Pennies for Parks	3,638
Parks-FRDAP Match	6,420
Sidewalk Escrows	6,000
Technology	53,192
Capital Outlay	142,204
Sports Complex	<u>74,275</u>
Total Designations	<u>\$ 291,669</u>

Note 15 - Federal Single Audit and State Financial Assistance

During the fiscal year, the City expended greater than \$500,000 in both federal awards and state financial assistance. Therefore, a single audit was required pursuant to OMB Circular A-133 Federal Single Audit and the Florida Single Audit Act.

Note 16 - Subsequent Event

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 and \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to

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

Note 16 - Subsequent Event (Concluded)

school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of the Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to 3% or the percentage change in the Consumer Price Index, whichever is less.

With respect to nonhomestead property, Amendment 1 limits (caps) the annual increase in assessed value for nonhomestead property (businesses, industrial property, rental property, second homes, etc.) to 10%, except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the 10% assessment cap on nonhomestead property which becomes effective on January 1, 2009.

The City estimates approximately \$30,000 to \$40,000 in annual losses of property tax revenues from the additional homestead exemption and the \$25,000 exemption for tangible personal property based on information obtained from the Marion County Property Appraiser's Office. At present, there is no accurate way to determine the impact of the portability and assessment cap on nonhomestead property provisions in terms of potential loss of property tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes				
Ad Valorem	\$ 735,419	\$ 735,419	\$ 764,463	\$ 29,044
Ninth-cent Gas Tax	60,130	60,130	68,022	7,892
Local Option Gas Tax	324,414	324,414	347,119	22,705
State Gas Tax Refund	-	-	2,819	2,819
Franchise Fees	384,825	384,825	430,451	45,626
Communication Service Tax	239,273	239,273	235,361	(3,912)
Utility Tax:				
Electric	127,208	127,208	131,105	3,897
Total Taxes	<u>1,871,269</u>	<u>1,871,269</u>	<u>1,979,340</u>	<u>108,071</u>
Licenses and Permits				
Local Business Tax	43,700	43,700	16,011	(27,689)
Building Permits	202,400	202,400	120,850	(81,550)
Total Licenses and Permits	<u>246,100</u>	<u>246,100</u>	<u>136,861</u>	<u>(109,239)</u>
Intergovernmental Revenue				
Half-cent Sales Tax	293,970	293,970	275,383	(18,587)
State Revenue Sharing	136,952	136,952	140,710	3,758
Mobile Home Licenses	12,582	12,582	12,251	(331)
Alcoholic Beverage Licenses	4,500	4,500	7,846	3,346
State Revenue for Lighting	23,095	23,095	23,096	1
State Revenue for Traffic Signals	10,485	10,485	10,485	-
Municipality Share of County Occupational License	4,182	4,182	-	(4,182)
Total Intergovernmental Revenue	<u>485,766</u>	<u>485,766</u>	<u>469,771</u>	<u>(15,995)</u>
Grants				
Local Law Enforcement Grant	-	18,846	18,659	(187)
DOT/484 Sidewalk Grant	-	103,266	101,672	(1,594)
DOT/JPA 441 (Sewer/Wastewater)	-	600,000	500,030	(99,970)
DOT/107th St Sidewalk Grant	-	8,500	18,500	10,000
FRDAP - Softball Fields	-	112,500	26,708	(85,792)
Marion County Park - Partnership	-	-	21,708	21,708
Total Grants	<u>-</u>	<u>843,112</u>	<u>687,277</u>	<u>(155,835)</u>

CITY OF BELLEVIEW, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues (Concluded)				
Charges for Services				
Garbage/Solid Waste/Recycling	\$ 244,194	\$ 244,194	\$ 304,376	\$ 60,182
Mowing	2,800	2,800	849	(1,951)
Zoning Fees	28,625	28,625	30,519	1,894
Drainage Review	9,862	9,862	17,680	7,818
Transportation Concurrency	-	-	1,000	1,000
Recreation Leagues	44,400	44,400	35,121	(9,279)
Total Charges for Services	<u>329,881</u>	<u>329,881</u>	<u>389,545</u>	<u>59,664</u>
Fines and Forfeitures				
Court Fines	130,450	130,450	158,373	27,923
Vehicle Impoundment	4,600	4,600	1,659	(2,941)
Cost Recovery	23,600	23,600	23,722	122
Investigation and Restitution	3,800	3,800	2,950	(850)
Total Fines and Forfeitures	<u>162,450</u>	<u>162,450</u>	<u>186,704</u>	<u>24,254</u>
Miscellaneous Revenue				
Investment Earnings	100,000	100,000	108,299	8,299
Cemetery Lots	10,800	10,800	16,500	5,700
Recreation Impact Fees	-	-	5,608	5,608
Proceeds from Sale of Fixed Assets	-	-	6,737	6,737
Other	44,322	44,322	49,217	4,895
Total Miscellaneous Revenue	<u>155,122</u>	<u>155,122</u>	<u>186,361</u>	<u>31,239</u>
Total Revenues	<u>\$ 3,250,588</u>	<u>\$ 4,093,700</u>	<u>\$ 4,035,859</u>	<u>\$ (57,841)</u>

CITY OF BELLEVIEW, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures				
General Government				
Legislative:				
Personal Services	\$ 17,846	\$ 17,402	\$ 15,979	\$ 1,423
Operating Expenses	3,696	8,140	6,154	1,986
Capital Outlay	1,750	1,750	1,857	(107)
Total Legislative	23,292	27,292	23,990	3,302
Finance and Administrative:				
Personal Services	371,356	376,656	369,764	6,892
Operating Expenses	91,100	89,476	111,706	(22,230)
Capital Outlay	8,000	1,300,494	1,275,296	25,198
Total Finance and Administrative	470,456	1,766,626	1,756,766	9,860
Comprehensive Planning:				
Personal Services	57,650	63,573	61,320	2,253
Operating Expenses	163,983	166,950	116,907	50,043
Capital Outlay	-	2,931	2,930	1
Total Comprehensive Planning	221,633	233,454	181,157	52,297
Information Technology:				
Personal Services	75,078	75,078	74,665	413
Operating Expenses	25,973	25,973	5,351	20,622
Capital Outlay	26,050	26,050	26,673	(623)
Total Other Information Technology	127,101	127,101	106,689	20,412
Total General Government	842,482	2,154,473	2,068,602	85,871
Public Safety				
Law Enforcement:				
Personal Services	912,626	907,757	891,235	16,522
Operating Expenses	219,183	215,050	208,033	7,017
Capital Outlay	24,400	155,087	149,633	5,454
Total Public Safety	1,156,209	1,277,894	1,248,901	28,993

CITY OF BELLEVIEW, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Concluded)				
Physical Environment				
Garbage/Solid Waste/Recycling:				
Operating Expenses	\$ 244,194	\$ 244,194	\$ 306,195	\$ (62,001)
Cemetery:				
Operating Expenses	1,915	1,915	987	928
Capital Outlay	1,500	1,500	3,264	(1,764)
Total Physical Environment	<u>247,609</u>	<u>247,609</u>	<u>310,446</u>	<u>(62,837)</u>
Transportation				
Roads and Streets:				
Personal Services	277,188	276,188	241,719	34,469
Operating Expenses	122,491	470,678	536,692	(66,014)
Capital Outlay	440,194	828,467	673,687	154,780
Total Transportation	<u>839,873</u>	<u>1,575,333</u>	<u>1,452,098</u>	<u>123,235</u>
Culture and Recreation				
Parks and Recreation:				
Personal Services	107,933	107,933	89,851	18,082
Operating Expenses	80,682	80,467	55,284	25,183
Capital Outlay	1,750	118,958	31,416	87,542
Total Culture and Recreation	<u>190,365</u>	<u>307,358</u>	<u>176,551</u>	<u>130,807</u>
(Total Expenditures)	<u>(3,276,538)</u>	<u>(5,562,667)</u>	<u>(5,256,598)</u>	<u>306,069</u>
(Deficiency) of Revenue (Under)				
Expenditures	<u>(25,950)</u>	<u>(1,468,967)</u>	<u>(1,220,739)</u>	<u>248,228</u>
Other Financing Sources (Uses)				
Note Payable	-	1,246,000	1,246,000	-
Capital Leases	-	102,044	102,044	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,348,044</u>	<u>1,348,044</u>	<u>-</u>
Net Change in Fund Balances	(25,950)	(120,923)	127,305	248,228
Fund Balance, Beginning of Year	<u>1,743,508</u>	<u>1,733,774</u>	<u>2,307,925</u>	<u>574,151</u>
Fund Balance, End of Year	<u>\$ 1,717,558</u>	<u>\$ 1,612,851</u>	<u>\$ 2,435,230</u>	<u>\$ 822,379</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION FUND
SEPTEMBER 30, 2007
CITY OF BELLEVIEW, FLORIDA**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHERS
BASED ON THE OCTOBER 1, 2006 ACTUARIAL REPORT**

Year Ended 9/30	(1) Annual Required Contribution (ARC)	Percentage Contributed
2006	\$ 65,701	100.00%
2005	56,708	101.60%
2004	54,756	101.16%
2003	41,899	101.11%
2002	39,341	109.95%
2001	25,853	155.60%
2000	27,892	123.08%
1999	26,332	101.11%
1998	30,966	100.45%
1997	29,292	100.00%
1996	30,327	100.00%

(1) Includes required contributions by 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.

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	October 1, 2006
Actuarial Cost Method	Aggregate Actuarial Cost Method *
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases	6.5%
Cost-of-living Adjustments	None

* This method does not identify and separately amortize unfunded actuarial liabilities.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Belleview, Florida (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Certified Public Accountants

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

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

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 14, 2008.

This report is intended for the information of the City Commissioners, management, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Purvis, Gray and Company, LLP

March 14, 2008
Ocala, Florida

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

The Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

Compliance

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

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

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

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal

Certified Public Accountants

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

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

The Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

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

Internal Control Over Compliance (Concluded)

programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the basic financial statements of the City as of and for the year ended September 30, 2007, and have issued our report thereon dated March 14, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Purvis, Gray and Company, LLP

March 14, 2008
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007
CITY OF BELLEVUE**

GRANTOR/Pass-Through Agency Program Title	CFDA/CSFA Number	Contract Number	Program Award	Expenditures
<u>Federal Awards</u>				
Department of Justice				
Florida Department of Law Enforcement Officer Safety Equipment	16.738	2007-JAGD-MARI-1P4-175	\$ 1,808	\$ 1,695
Department of Transportation				
Florida Department of Transportation Bellevue Speed Control Program	20.605	FS-07-27-06	12,595	12,250
CR 484 Sidewalk Project	20.205	5752-009-S/5752-010S	127,760	101,672
107th Street Project	20.205	777-152A	30,000	18,500
Department of Homeland Security				
Department of Emergency Management Police Department Emergency Management Gran	97.067	07DS-5N-01-52	4,788	4,714
Environmental Protection Agency				
Florida Department of Environmental Protection Capitalization Grants for Clean Water State Revolving Funds	66.458	WW64603P	6,258,572	<u>2,360,394</u>
Total Federal Expenditures				<u><u>\$ 2,499,225</u></u>
<u>State Financial Assistance</u>				
Florida Department of Environmental Protection St. John's Water Management District	37.066	06-22-015	\$ 292,000	\$ 98,732
Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects	37.039	LP0502	2,562,599	1,498,513

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007
CITY OF BELLEVUE
(Concluded)**

GRANTOR/Pass-Through Agency Program Title	Number	Contract Number	Program Award	Expenditures
<u>State Financial Assistance (Concluded)</u>				
Florida Department of Transportation Bellevue Sports Complex	37.017	F07179	\$ 112,500	\$ 26,708
Total State Financial Assistance				<u>\$ 1,623,953</u>

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Basis of Accounting

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. In some financial assistance programs where monies must be expended on the purpose or project before any amounts will be paid to the City of Bellevue, Florida revenues are recognized based upon the expenditures recorded

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
CITY OF BELLEVUE**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of City of Belleview, Florida.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of City of Belleview, Florida.
3. No instances of noncompliance material to the basic financial statements of the City of Belleview, Florida were disclosed during the audit.
4. No significant deficiencies relating to internal control and compliance over major federal programs and state projects were disclosed.
5. The auditors' report on compliance for the major federal award programs and state financial assistance projects for the City of Belleview, Florida expresses an unqualified opinion.
6. No audit findings were disclosed relative to the major federal award programs and state financial assistance projects for the City of Belleview, Florida.
7. The programs/projects tested as major programs/projects included the following:

■ Federal Programs	<u>CFDA/CSFA</u>
• Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds	66.458
■ State Projects	
• Florida Department of Environment Protection Statewide Surface Water Restoration and Wastewater Projects	37.039
8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major federal award programs and major state financial assistance projects.
9. The City of Belleview, Florida did not qualify as a low-risk auditee pursuant to OMB Circular A-133.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
CITY OF BELLEVIEW
(Concluded)**

PART B - FINDINGS - FINANCIAL STATEMENTS

1. No matters were reported.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

1. No matters were reported.

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

1. No matters were reported.

PART E - OTHER ISSUES

1. No summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state projects.
2. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

We have audited the basic financial statements of the City of Belleview, Florida (the City) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated March 14, 2008.

We conducted our audit 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. We have issued our report on internal control over financial reporting and on compliance and other matters, and report on compliance with requirements applicable to each major federal program and state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated March 14, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

- Section 10.554(1)(i)1., *Rules of the Auditor General* requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report (see management letter comments).
- Section 10.554(1)(i)2., *Rules of the Auditor General* require our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that there were no issues of noncompliance with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General* requires that we address in the management letter any recommendations to improve the City's financial management, accounting procedures, and internal controls (see management letter comments).
- Section 10.554(1)(i)4., *Rules of the Auditor General* requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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

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

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)(5), *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both qualitative and quantitative factors: (1) violations of laws, rules, regulations, and contractual effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not find any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the government be disclosed in the management letter, unless disclosed in the notes to the financial statements (see note 1 to the financial statements). There were no component units related to the City.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has not met one or more of the state of financial emergency conditions as described by Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.444(1)(i)(7).c. and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

Purvis, Gray and Company, LLP

March 14, 2008
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

Status of Prior Year Comments and Recommendations (Updated For 2007)

Grant Accounting

During 2007, the City of Belleview, Florida (the City) expended more than \$500,000 from both Federal and State grantor agencies requiring a Federal and State Single Audit. During the time of the audit fieldwork, we noted that there was no formal reconciliation of grant expenditure reports with the general ledger. When the accounting department was able to reconcile these amounts, several journal entries had to be made to record unbilled receivables due to the City from granting agencies and identify all grant expenditures that were made and reportable to the granting agencies.

Though audit procedures performed to document the City's internal controls over grant compliance noted no findings or questioned costs, we recommend the City begin the process of reconciling, reporting, and requesting reimbursement for grants in a timelier manner.

All other prior year comments and recommendations have been addressed.

Current Year Recommendations

Fixed Asset System

The fixed asset tracking system used to inventory assets and calculate depreciation expense for the City did not reconcile with the accounting records as of September 30, 2007. Several adjustments had to be made to the tracking system to add new assets purchased during the year and remove assets sold or discarded.

We recommend that management develop a procedure that will integrate all purchases and sales recorded in the general ledger with the fixed asset system as the transactions occur. An improved and timelier system of reconciling these records will help to ensure accuracy in financial reporting. Additionally, the City should periodically perform an inventory count of the assets to ensure that all assets recorded and depreciated are owned and operating by the City.

Certified Public Accountants

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

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

Honorable Mayor and City Commissioners
City of Belleview
Belleview, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

This management letter comments is intended solely for the information and use of the City's Commissioners and management and is not intended to be and should not be used by anyone other than those specific 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

Purvis, Gray and Company, LLP

March 14, 2008
Ocala, Florida