

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CITY OF BELLEVIEW
BELLEVIEW, FLORIDA**

SEPTEMBER 30, 2008

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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	28-48
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Fund - General Fund	49-52
Schedule of Contributions from Employer and Others	53
Additional Elements of Report Prepared in Accordance with Government Auditing Standards, Issued by the Comptroller General of the United States, 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 <i>Government Auditing Standards</i>	54-55
Management Letter.....	56-57
Management Letter Comments	58-59
Management's Response.....	60-61
Impact Fee Affidavit.....	62

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, 2008, 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, 2008, 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 January 27, 2009, 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

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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 supplementary 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

January 27, 2009
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's 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, 2008. 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 Fiduciary Net Assets on pages 26 and 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, 2008, and September 30, 2007, the City's net assets for the governmental and business-type activities are detailed as follows:

	September 30, 2008			September 30, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:	\$ 6,991,475	\$ 15,003,163	\$ 21,994,638	\$ 6,703,257	\$ 14,649,352	\$ 21,352,609
Liabilities:	1,771,185	5,289,589	7,060,774	1,773,680	5,631,614	7,405,294
Sub-total	5,220,290	9,713,574	14,933,864	4,929,577	9,017,738	13,947,315
Net Assets:						
Net of Related Debt	2,955,911	3,653,498	6,609,409	2,665,714	4,133,669	6,799,383
Restricted for:						
Debt Service	-	149,572	149,572	-	139,873	139,873
Cap Projects	105,880	3,150,656	3,256,536	-	2,839,561	2,839,561
Community Ctr	16,685	-	16,685	16,222	-	16,222
Ceme Perp Care	72,287	-	72,287	66,087	-	66,087
Parks-Impact Fees	12,878	-	12,878	5,608	-	5,608
Law Enforcement	30,992	-	30,992	35,222	-	35,222
Sub-total Restricted	238,722	3,300,228	3,538,950	123,139	2,979,434	3,102,573
Unrestricted	2,025,657	2,759,848	4,785,505	2,140,724	1,904,635	4,045,359
Net Assets	\$ 5,220,290	\$ 9,713,574	\$ 14,933,864	\$ 4,929,577	\$ 9,017,738	\$ 13,947,315

* As restated

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 sidewalk projects as well as improvements to sports and recreation areas. The Business-type accounts increased in large part due to the sewer treatment plant expansion project. Liabilities decreased largely due to a reduction in year end accounts payables in Business-type activities.

	September 30, 2008			September 30, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Beginning Net Assets *	\$ 4,929,577	\$ 9,017,738	\$ 13,947,315	\$ 4,138,027	\$ 6,717,076	\$ 10,855,103
Increase in Net Assets	290,713	695,836	986,549	791,550	2,300,662	3,092,212
Ending Net Assets	\$ 5,220,290	\$ 9,713,574	\$ 14,933,864	\$ 4,929,577	\$ 9,017,738	\$ 13,947,315

* As restated

The City of Belleview's overall financial condition improved for the year ending September 30, 2008, with an overall increase of \$986,549. The Governmental activities showed an increase of \$290,713 due to sidewalk projects and recreation projects funded by grants. The Business-type activities showed an increase of \$695,836, 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 and 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, 2008				September 30, 2007			
	Expenses	Revenues		Net Expense Revenue	Expenses	Revenues		Net Expense Revenue
		Charges for Services	Grants and Contributions			Charges for Services	Grants and Contributions	
Government Activities								
General Government	\$ 917,071	\$ 559,478	\$ -	\$ (357,593)	\$ 802,898	\$ 601,349	\$ -	\$ (201,549)
Public Safety	1,234,098	155,165	3,454	(1,075,479)	1,132,758	186,704	18,659	(927,395)
Physical Environment	335,632	339,549	-	3,917	308,268	320,876	-	12,608
Transportation	520,438	-	163,334	(357,104)	817,262	-	620,202	(197,060)
Culture/Recreation	253,185	42,506	85,792	(124,887)	180,804	40,729	48,416	(91,659)
Totals	3,260,424	1,096,698	252,580	(1,911,146)	3,241,990	1,149,658	687,277	(1,405,055)
General Revenues								
Taxes								
Property Taxes				767,928				764,463
Public Service Taxes				376,934				366,466
Other Taxes				433,465				433,971
State Shared Revenue				431,059				469,771
Investment Income				65,949				108,299
Miscellaneous Revenue				125,019				49,217
Gain on Sale of Capital Asset				1,505				4,418
Sub-total General Revenues				2,201,859				2,196,605
Change in Net Assets				\$ 290,713				\$ 791,550

All of the governmental activities are supplemented by the general revenues except for the Physical Environment category (garbage service), which is funded entirely by charges for services. Public safety continues to be the largest activity of the general fund, and is subsidized by close to 50% of the total general revenues. General government is the second largest activity; however, the need for general revenues is offset by the credit of franchise fees, and charges for services, including permitting and development services fees. Therefore, the reliance on general revenues is diminished. Transportation related projects are funded by various gas tax revenues and grants. Culture and recreation is funded in part by charges for services, a portion of which is designated for improvements to the Sports Complex.

Grant revenues declined from the previous fiscal year as a result of the completion of several sidewalk projects. The City did receive sidewalk installation, recreation improvements and law enforcement grants again this past year. Overall, the general revenues for the General Fund remained constant or decreased slightly from last fiscal year, with the largest decrease in investment income as a result of the economic downturn.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Business-type Activities

Function/Program	September 30, 2008				9/30/2007 (as restated)			
	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	\$ 1,853,564	\$ 1,781,207	\$ 597,550	\$ 525,193	\$ 1,789,616	\$ 1,820,330	\$ 1,992,304	\$ 2,023,018
Totals	<u>1,853,564</u>	<u>1,781,207</u>	<u>597,550</u>	<u>525,193</u>	<u>1,789,616</u>	<u>1,820,330</u>	<u>1,992,304</u>	<u>2,023,018</u>
General Revenues								
Investment Income				140,295				214,634
Miscellaneous Revenue				30,348				63,010
Sub-total				<u>170,643</u>				<u>277,644</u>
Change in Net Assets				<u>\$ 695,836</u>				<u>\$ 2,300,662</u>

The expansion of the sewer treatment plant last year comprised the majority of the grants and contributions. With that project nearing completion, the City received less in grants this year. Also included in the grants and contributions category are the system development charges. These fees also decreased this year as a result of the decline of new construction in the area. Citizens economizing and self-restricting the use of their water resulted in the receipt of less in charges for services.

Operating expenses, including depreciation and interest expense, were slightly higher than last year as a result of the expansion project, but were offset by the charges for services.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

THE CITY'S FUNDS

G/F FUND BALANCE:	September 30,	
	2008	2007
Reserved:		
Capital Improvements	\$ 105,880	\$ 103,565
Police Education	7,727	7,286
Police Automation	23,265	27,936
Cemetery Perpetual Care	72,287	66,087
Prepayments	93,577	25,687
Lake Lillian	2,782	2,782
Retention Pond Fencing	1,373	1,373
Parks-Impact Fees	12,878	5,608
FDOT-Sidewalk Grant	8,000	-
Community Center	16,685	16,222
Unreserved:		
Designated/Commission	264,180	291,669
Undesignated	1,847,671	1,887,015
Total Fund Balance	\$ 2,456,305	\$ 2,435,230

Reserved accounts in the fund balance are those accounts which have statutory or other legal restrictions for use. The reserved accounts have not varied much from year to year, however this year a new reserve category for FDOT – Sidewalk Grant was included to reserve the funds received and due to the contractor upon satisfactory completion of the project.

The unreserved, designated are those accounts which the Commission has indicated specific future use. Those designations are placed by the Commission and can be changed by a vote of the Commission. 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 is monies available for general use. The undesignated fund balance increase is largely the result of either savings in the line item expenditure accounts or revenues received in excess of projections.

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, 2008, and September 30, 2007.

GOVERNMENTAL FUND REVENUES:	September 30, 2008	% OF TOTAL	September 30, 2007	% OF TOTAL
Charges for Services/Grants				
Charges for Services	\$ 1,096,698	31.18	\$ 1,149,658	21.35
Operating/Capital Grants	252,580	7.18	687,277	12.77
Sub-Total	<u>1,349,278</u>	<u>38.36</u>	<u>1,836,935</u>	<u>34.12</u>
General Revenues				
Taxes	1,578,327	44.87	1,564,900	29.07
State Shared Revenues	431,059	12.26	469,771	8.72
Investment Income	65,949	1.88	108,299	2.01
Miscellaneous	50,262	1.43	49,217	0.91
Proceeds from sale of Capital Asset	1,505	0.04	6,737	0.13
Other Financing Sources	40,856	1.16	1,348,044	25.04
Sub-Total	<u>2,167,958</u>	<u>61.64</u>	<u>3,546,968</u>	<u>65.88</u>
Grand Total Governmental Fund Revenues	<u>3,517,236</u>	<u>100.00</u>	<u>5,383,903</u>	<u>100.00</u>
EXPENDITURES:				
	September 30, 2008	% OF TOTAL	September 30, 2007	% OF TOTAL
General Government	914,230	26.15	2,068,602	39.35
Public Safety	1,274,021	36.45	1,248,901	23.76
Physical Environment	333,693	9.54	310,446	5.91
Transportation	636,317	18.20	1,452,098	27.62
Culture and Recreation	337,900	9.66	176,551	3.36
Total Expenditures	<u>\$ 3,496,161</u>	<u>100.00</u>	<u>\$ 5,256,598</u>	<u>100.00</u>

The City receives the majority of its revenues from taxes including property, public service, and gas taxes. Charges for services are the next highest source of income for the City of Belleview governmental revenues. These revenues include franchise fees and permits, fines and forfeitures, solid waste fees, and recreational fees. Most revenues were down or at last year's levels as a result of the sagging economy. There were less building permits issued and fewer requests for planning and zoning services, which resulted in a decrease in charges for services. Investment income decreased due to market conditions. The City received several small grants this fiscal year for various projects such as the installation of sidewalks, improvements to parks, and police equipment. The other financing sources represent the funds for purchase of two police vehicles in 2008 and for 2007 represents purchase of 27 acres of land as well as upgrading the police department radios to the 800 MHZ system.

While the General government expenditures show a decrease in 2008, it is due to the land purchase in 2007 of \$1.2 million. Public Safety still makes up the majority of the General Fund budget; with a 12.68% increase in its percentage of overall budget dollars. The Transportation shows a decrease as there were no paving projects scheduled this year. The Physical Environment category contains the City's contract for residential solid waste with the increase in expenditures reflective of the rate increase the prior year. The Culture and Recreation category, which shows an increase, is due to improvements made to playgrounds and ball fields.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

Most revenue categories experienced shortfalls this year due to the sagging economy. However, there was a slight overall increase, largely a result of fees and permits as well as charges for services. In light of the economic slowdown, the City revised the budget mid-year, deleting close to \$200,000 in expenditure line items to accommodate the projected revenue shortfall. As a result, the City had a positive budget.

PROPRIETARY FUND

BUSINESS-TYPE ACTIVITY	% OF		% OF	
REVENUES:	September 30, 2008	TOTAL	September 30, 2007	TOTAL
Charges for Services/Grants				
Charges for Services	\$ 1,781,207	69.87	\$ 1,820,330	43.75
Grants/Contributions	597,550	23.44	2,062,938	49.58
Sub-Total	<u>2,378,757</u>	93.31	<u>3,883,268</u>	93.33
General Revenues				
Investment Income	140,295	5.50	214,634	5.16
Miscellaneous	30,348	1.19	63,010	1.51
Sub-Total	<u>170,643</u>	6.69	<u>277,644</u>	6.67
Grand Total Revenues	<u><u>2,549,400</u></u>	100.00	<u><u>4,160,912</u></u>	100.00
EXPENDITURES:				
Water & Sewer Utility	1,853,564	100.00	1,789,616	100.00
Total Expenditures	<u><u>\$ 1,853,564</u></u>	100.00	<u><u>\$ 1,789,616</u></u>	100.00

There was a decrease in the Charges for Services from last year to this year, in spite of a rate increase. An analysis of water pumped and billed indicated this was attributed to citizens conserving their water usage. The grants and contributions include not only grants but system development charges. The City received less in grant contributions because the sewer plant expansion project is nearing completion. The system development charges decreases also as a result of the decline in new construction. Investment income also suffered as a result of the sluggish economy.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	2008			2007		
	Government Activities	Business-type Activities	Total	Government Activities	Business-type Activities	Total
Land and Improvements	\$ 1,593,820	\$ 192,115	\$ 1,785,935	\$ 1,593,820	\$ 192,115	\$ 1,785,935
Buildings	1,430,322	45,339	1,475,661	1,430,322	45,339	1,475,661
Imprv other than Bldgs	929,346	13,541,918	14,471,264	707,819	8,530,868	9,238,687
Vehicles/Accessories	384,282	-	384,282	345,002	-	345,002
Furniture and Equipment	977,186	625,688	1,602,874	911,783	563,376	1,475,159
Construction in Progress	663,826	27,604	691,430	540,530	4,632,624	5,173,154
Total Capital Assets	\$ 5,978,782	\$ 14,432,664	\$ 20,411,446	\$ 5,529,276	\$ 13,964,322	\$ 19,493,598

The majority of capital assets booked for the government activities were a result of sidewalk installation and park enhancement grants. The City continued programs to update computer technology as well as the replacement of police cruisers. Therefore the dollar amount in those categories reflects the net of the new purchases and the deletion of the old items.

Assets for the Business-type Activities included the completion of the new Waste Water Treatment Facility and the start of the manhole rehabilitation project. The City also began a meter change out program, which included a receiver tower, which sends the meter readings to the office. This program will increase the accuracy of the readings and lower the operating costs.

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 was due on March 7, 2008; however, it was extended for an additional year at 3.02% to allow the Commission time to receive and study projected development costs. As a result of the downturn in the economy, the City is currently reviewing all options for financing and possible construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Debt *(Continued)*

Proprietary Fund

		2008	2007
Revenue Bonds:	1977	\$ 124,000	\$ 137,000
	1986A	244,400	262,900
	1986B	335,200	345,200
	1988	745,000	765,000
	Sub-total bonds	1,448,600	1,510,100
State Revolving Loan	2002	265,984	280,334
	2003	3,194,737	2,821,755
	Sub-total loans	3,460,721	3,102,089
Total Debt	\$ 4,909,321	\$ 4,612,189	

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 \$1,448,600. The City paid \$61,500 in principal for the 2008 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 \$3,460,721. 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 with most governments, the state of the economy in addition to the effects of Amendment 1 has resulted in a decrease of revenues. However, the Commission has turned this challenge into an opportunity to review the existing development codes and administrative procedures, revising them to fit the City's current needs. The Commission approved the creation of the Development Services Department effective October 1, 2007. The Land Development Coordinator was promoted to the Development Services Director and a staff assistant was hired. Code enforcement as well as the collection of business taxes and the issuance of building permits was placed in this department. While there was a decline in the number of building permits issued, there were still several annexation and comprehensive plan amendments processed.

The City extended the interim financing on the property for an additional year in March 2008. During the year, the Commission selected an architect, who completed a space needs analysis and some preliminary cost estimates to develop the property for the public works complex and a new police department building. The Commission reviewed his estimates, requested and reviewed revised estimates, and also considered an option to purchase a steel building for the public works complex. After much consideration, the development of the property has been postponed until such time as the economy begins to rebound. The plans are still proceeding to locate the Marion County Fire Department on the property, with the closing anticipated during the first part of the new fiscal year.

The effect of Amendment 1, coupled with the downturn in the economy, has made the budgeting process for the City challenging. There were no new positions budgeted this year, and a modified hiring freeze implemented. Once a vacancy occurs, each position is evaluated before advertising for hire. Capital items were kept to a minimum, especially in General Fund, with only the lease/purchase of police cruisers and a back-up tape drive taken from a designated fund balance account budgeted.

In looking toward the future, the Commission is studying ways to stimulate the local economy, and considering options such as water and sewer impact fee relief. Staff is actively monitoring any available grants that will put the City in a position to provide services once the demand increases again. As in years past, 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, which will help maintain the current level of service.

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, 2008

Assets	Governmental Activities	Business- type Activities	Total
Cash and Cash Equivalents	\$ 2,362,663	\$ 5,909,467	\$ 8,272,130
Accounts Receivable	123,503	249,111	372,614
Due from Other Governments	109,746	150,237	259,983
Inventories	-	105,831	105,831
Prepaid Expenses	93,577	61,148	154,725
Capital Assets Not Being Depreciated	2,257,646	219,719	2,477,365
Capital Assets Being Depreciated, Net	2,044,340	8,223,364	10,267,704
Debt Issue Costs, Net	-	84,286	84,286
Total Assets	6,991,475	15,003,163	21,994,638
Liabilities			
Accounts Payable	155,424	105,723	261,147
Other Accrued Liabilities	51,504	12,270	63,774
Unearned Revenue	26,256	6,290	32,546
Customer Deposits	-	181,069	181,069
Accrued Interest Payable	-	27,187	27,187
Noncurrent Liabilities:			
Due Within One Year	1,328,865	171,048	1,499,913
Due in More Than One Year	209,136	4,786,002	4,995,138
Total Liabilities	1,771,185	5,289,589	7,060,774
Net Assets			
Investment in Capital Assets, Net of Related Debt	2,955,911	3,653,498	6,609,409
Restricted for:			
Debt Service	-	149,572	149,572
Capital Projects	105,880	3,150,656	3,256,536
Law Enforcement	30,992	-	30,992
Recreation Impact Fees	12,878	-	12,878
Community Center	16,685	-	16,685
Cemetery Perpetual Care	72,287	-	72,287
Unrestricted	2,025,657	2,759,848	4,785,505
Total Net Assets	\$ 5,220,290	\$ 9,713,574	\$ 14,933,864

See accompanying notes.

**CITY OF BELLEVIEW, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities							
General Government	\$ 917,071	\$ 559,478	\$ -	\$ -	\$ (357,593)	\$ -	\$ (357,593)
Public Safety	1,234,098	155,165	3,454	-	(1,075,479)	-	(1,075,479)
Physical Environment	335,632	339,549	-	-	3,917	-	3,917
Transportation	520,438	-	18,038	145,296	(357,104)	-	(357,104)
Culture and Recreation	253,185	42,506	-	85,792	(124,887)	-	(124,887)
Total Governmental Activities	3,260,424	1,096,698	21,492	231,088	(1,911,146)	-	(1,911,146)
Business-type Activities							
Water and Sewer Utility	1,853,564	1,781,207	-	597,550	-	525,193	525,193
Total Business-type Activities	1,853,564	1,781,207	-	597,550	-	525,193	525,193
Total Primary Government	\$ 5,113,988	\$ 2,877,905	\$ 21,492	\$ 828,638	(1,911,146)	525,193	(1,385,953)

General Revenues

Taxes:

Property Taxes	767,928	-	767,928
Public Service Taxes	376,934	-	376,934
Other Taxes	433,465	-	433,465
State-shared Revenues	431,059	-	431,059
Investment Income	65,949	140,295	206,244
Miscellaneous	125,019	30,348	155,367
Gain on Sale of Capital Assets	1,505	-	1,505

Total General Revenues

Change in Net Assets

(As restated)

Net Assets, Beginning of Year
Net Assets, End of Year

Total General Revenues	2,201,859	170,643	2,372,502
Change in Net Assets	290,713	695,836	986,549
Net Assets, Beginning of Year	4,929,577	9,017,738	13,947,315
Net Assets, End of Year	\$ 5,220,290	\$ 9,713,574	\$ 14,933,864

See accompanying notes.

**CITY OF BELLEVIEW, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	General Fund
Assets	
Cash and Cash Equivalents	\$ 2,362,663
Accounts Receivable	123,503
Due from Other Governments	109,746
Prepaid Expenses	93,577
Total Assets	2,689,489
 Liabilities and Fund Balances	
Liabilities	
Accounts Payable	155,424
Other Accrued Liabilities	51,504
Unearned Revenue	26,256
Total Liabilities	233,184
 Fund Balances	
Reserved for:	
Capital Improvements	105,880
Police Education	7,727
Police Automation	23,265
Cemetery Perpetual Care	72,287
Prepayments	93,577
Lake Lillian	2,782
Retention Pond Fencing	1,373
Parks - Impact Fees	12,878
FDOT - Sidewalk Grant	8,000
Community Center	16,685
Unreserved:	
Designated by Commission	264,180
Undesignated	1,847,671
Total Fund Balances	2,456,305
 Total Liabilities and Fund Balances	 \$ 2,689,489

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, 2008**

Total Fund Balances of Governmental Funds	\$ 2,456,305
 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 \$5,978,782 and the accumulated depreciation is \$1,676,796.	4,301,986
 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	(100,075)
Compensated Absences	(191,926)
 Total Net Assets of Governmental Activities	 <u>\$ 5,220,290</u>

See accompanying notes.

**CITY OF BELLEVIEW, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	General Fund
Revenues	
Taxes	\$ 1,578,327
Permits and Fees	519,219
Intergovernmental Revenue	431,059
Charges for Service	406,794
Fines and Forfeitures	155,165
Grant Revenue	252,580
Miscellaneous Revenue	133,236
Total Revenues	3,476,380
Expenditures	
Current:	
General Government	883,930
Public Safety	1,205,901
Physical Environment	333,693
Transportation	472,536
Culture and Recreation	210,555
Capital Outlay	389,546
(Total Expenditures)	(3,496,161)
(Deficiency) of Revenues (Under)	
Expenditures	(19,781)
Other Financing Sources (Uses)	
Capital Leases	40,856
Total Other Financing Sources (Uses)	40,856
Net Change in Fund Balances	21,075
Fund Balances, Beginning of Year	2,435,230
Fund Balances, End of Year	\$ 2,456,305

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, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ 21,075

**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 \$389,546 exceeded depreciation expense of \$176,075. 213,471

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. 74,757

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

Compensated Absences (Net Decrease) (20,559)

The acquisition of a capital lease provides current financial resources to governmental funds, while the lease payments consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 1,969

Change in Net Assets of Governmental Activities \$ 290,713

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2008

	Business-type Activities
	Water and Sewer Utility Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 2,364,083
Receivables:	
Customers (Net of Allowance for Uncollectible Accounts of \$20,000)	191,877
Other Receivables	57,234
Due from Other Governments	150,237
Inventories	105,831
Prepaid Expense	61,148
Total Current Assets	2,930,410
Noncurrent Assets	
Restricted Cash:	
Customer Deposits	190,230
Water Development	511,166
Sewer Development	2,639,490
Revenue Bond Reserve	139,232
Revenue Bond Sinking	19,124
State Revolving Loan Sinking	35,802
State Revolving Loan Reserve	10,340
Total Restricted Assets	3,545,384
Capital Assets:	
Land	192,115
Building and Improvements	13,587,257
Machinery and Equipment	625,689
(Accumulated Depreciation)	(5,989,582)
Construction in Progress	27,604
Total Capital Assets - Cost Less Depreciation	8,443,083
Other Assets:	
Debt Issue Costs (Net of Amortization)	84,286
Total Noncurrent Assets	12,072,753
Total Assets	\$ 15,003,163

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2008
(Concluded)

	Business-type Activities
	Water and Sewer Utility Fund
Liabilities	
Current Liabilities	
Accounts Payable	\$ 105,723
Accrued Expenses	12,270
Unearned Revenue	6,290
Current Portion of Compensated Absences	11,088
Total Current Liabilities	135,371
Current Liabilities (Payable from Restricted Assets)	
Customer Deposits	181,069
Current Portion of Revenue Bonds Payable	62,400
Current Portion of State Revolving Loans	97,560
Accrued Interest on Long-term Liabilities	27,187
Total Current Liabilities (Payable from Restricted Assets)	368,216
Long-term Liabilities	
Revenue Bonds Payable (Net of Discount)	1,378,489
State Revolving Loans Payable	3,363,161
Compensated Absences	44,352
Total Long-term Liabilities	4,786,002
Total Liabilities	\$ 5,289,589
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 3,653,498
Restricted for Debt Service	149,572
Restricted for Capital Projects	3,150,656
Unrestricted	2,759,848
Total Net Assets	\$ 9,713,574

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities Water and Sewer Utility Fund</u>
Operating Revenues	
Charges for Services	\$ 1,781,207
Operating Expenses	
Personal Expenses	603,903
Operating Expenses	714,063
Depreciation and Amortization	379,568
(Total Operating Expenses)	<u>(1,697,534)</u>
Operating Income	<u>83,673</u>
Nonoperating Revenues (Expenses)	
Interest Income	140,295
Interest Expense	(100,686)
Other Income	30,348
Treatment Plant Grant Expenditures	(55,344)
Treatment Plant Grant Revenue	288,214
Total Nonoperating Revenues	<u>302,827</u>
Income Before Contributions	<u>386,500</u>
Contributions	
Capital Contributions - Impact Fees	309,336
Total Contributions	<u>309,336</u>
Change in Net Assets	695,836
Net Assets, Beginning of Year (As restated)	<u>9,017,738</u>
Net Assets, End of Year	<u><u>\$ 9,713,574</u></u>

See accompanying notes.

**CITY OF BELLEVIEW, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Business-type Activities Water and Sewer Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers, Including	
Cash Deposits	\$ 1,770,169
Cash Paid to Suppliers	(591,388)
Cash Paid to Employees for Services	(1,492,518)
Net Cash Provided by Operating Activities	<u>(313,737)</u>
Cash Flows from Noncapital Financing Activities	
Capital Grant Revenues	830,874
Capital Grant Expenditures	(55,344)
Net Cash Provided by Noncapital Financing Activities	<u>775,530</u>
Cash Flows from Capital and Related Financing Activities	
Capital Contributions from Customers	309,336
Capital Asset Acquisitions	(409,247)
Other Nonoperating Income	30,348
Proceeds from State Revolving Loan	1,466,065
Principal Payments on Debt	(75,850)
Interest Paid on Debt	(84,275)
Net Cash Provided by Capital and Related Financing Activities	<u>1,236,377</u>
Cash Flows from Investing Activities	
Interest Income	140,295
Net Cash Provided by Investing Activities	<u>140,295</u>
Net Increase in Cash and Cash Equivalents	1,838,465
Cash and Cash Equivalents, Beginning of Year	<u>4,071,002</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,909,467</u></u>

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(Concluded)

	Business-type Activities
<u>Shown in the Financial Statements as</u>	Water and Sewer Utility Fund
Cash and Cash Equivalents	\$ 2,364,083
Restricted Cash and Cash Equivalents	3,545,384
Total	\$ 5,909,467
<u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income	\$ 83,673
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation and Amortization	379,923
Bad Debt Expense	13,523
Changes in Assets Decrease (Increase) and Liabilities Increase (Decrease):	
Accounts Receivable, Net	(14,576)
Inventory	(67,383)
Prepaid Expense	(52,974)
Accounts Payable	(654,458)
Accrued Expenses	1,763
Customer Deposits	(16,275)
Unearned Revenue	6,290
Compensated Absences	6,757
Total Adjustments	(397,410)
Net Cash Provided by (Used in) Operating Activities	\$ (313,737)

See accompanying notes.

**CITY OF BELLEVIEW, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Pension Trust Funds
Assets	
Investments	\$ 2,335,454
Contributions Receivable	59,766
Total Assets	2,395,220
 Net Assets	
Reserved for:	
Employees' Pension Benefits	\$ 2,395,220

See accompanying notes.

CITY OF BELLEVIEW, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 153,086
State	57,739
Employee	30,824
Total Contributions	<u>241,649</u>
Investment Earnings	(326,720)
(Investment Management Fees)	(3,492)
Total Investment Income, Net	<u>(330,212)</u>
Total Additions	<u>(88,563)</u>
Deductions	
Pension Benefit Payments and Refunds	81,969
General and Administrative	<u>20,798</u>
(Total Deductions)	<u>(102,767)</u>
Net (Decrease)	<u>(191,330)</u>
Net Assets Reserved for Employees' Pension Benefits	
Beginning of Year	<u>2,586,550</u>
End of Year	<u><u>\$ 2,395,220</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 2008, \$35,802 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 *(Continued)*

Reserves and Designations of Fund Balance *(Continued)*

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 2.8905 mills in the 2007 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.

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)

Property Taxes (Concluded)

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.

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 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.

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 pension 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 and therefore is not subject to custodial credit risk. 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 \$8,272,130.

Investments

Investments for the City as of September 30, 2008, are as follows:

Investment Type	Fair Value
Pension Funds:	
General Employees Fund -	
Florida Municipal Pension Trust Fund (FMPTF) -	
Mutual Funds	\$ 658,413
Police Officers' Retirement Fund:	
Money Market Funds	47,517
Mutual Funds - Fixed Income	773,314
Mutual Funds - Equities	856,210
Total Investments	2,335,454
Cash Deposits	8,272,130
Total Cash and Investments	\$ 10,607,584

As shown in the accompanying financial statements:

Cash and Cash Equivalents - Entity-wide	\$ 8,272,130
Investments - Fiduciary Funds	2,335,454
Total Cash and Investments	\$ 10,607,584

Custodial Credit Risk

Custodial Credit Risk is required to be disclosed if investments held by the local government are uninsured, unregistered and held by either the counterparty or the counterparty's trust department or agent but not in the government's name.

Investment through FMPTF and the Police Officers' Retirement Fund are evidenced by mutual and money market funds. They are not subject to custodial credit risk because the funds are not evidenced by securities that exist in physical or book-entry form. The City's investment is the mutual or money market fund, not the underlying security.

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:

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

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Credit Risk (Concluded)

Florida Municipal Pension Trust - FMPTF Funds

Fixed Income Funds:

	Credit Risk Rating
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

Lifestyle Funds:

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

Mutual Funds:

	S & P Rating
Vanguard Total Bond Index Fund	Aaa
Money Market Funds	AAA

Concentration Risk

In addition to describing the credit risk of investments in the portfolio, the City is required to disclose the concentration of credit risk with a single issuer. If 5% or more of the total assets of the portfolio are invested with one issuer, a footnote disclosure will be required. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirements.

The City's investments in mutual funds are excluded from the concentration of credit risk disclosure requirements.

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 disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

Interest rate risk calculated by the weighted average maturity (WAM) method is as follows:

Florida Municipal Pension Trust - FMIVT Funds

Fixed Income Funds:

	WAM
Smith Barney MM Cash Portfolio	64 Days
SSGA Par Stable Value	3.71 Years
American Fund American Balanced A	*
American Funds Intermediate Bond Fund A	*
PIMCO Long-term U.S. Government A	22.07 Years
PIMCO Total Return A	5.32 Years

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

Note 2 - Cash and Cash Equivalents and Investments (Concluded)

Interest Rate Risk (Concluded)

Florida Municipal Pension Trust - FMIvT Funds (Concluded)

Lifestyle Funds:

	WAM
Vanguard Target Retirement Income	7.97 Years
Vanguard Target Retirement 2015	7.5 Years
Vanguard Target Retirement 2025	7.5 Years
Vanguard Target Retirement 2035	7.5 Years
Vanguard Target Retirement 2045	7.5 Years

***Weighted Average Maturity not available**

Police Officers' Retirement Fund

Mutual Funds:

Vanguard Total Bond Index Fund	5.4
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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, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 171,367	\$ 144,627	\$ (124,068)	\$ 191,926	\$ 38,385
Note Payable	1,246,000	-	-	1,246,000	1,246,000
Capital leases	102,044	40,856	(42,825)	100,075	44,480
Total Governmental Activities	\$ 1,519,411	\$ 185,483	\$ (166,893)	\$ 1,538,001	\$ 1,328,865
Business-type Activities					
Bonds Payable:					
Revenue Bonds	\$ 1,510,100	\$ -	\$ (61,500)	\$ 1,448,600	\$ 62,400
(Less Bond Discount)	(8,066)	-	355	(7,711)	-
Net Revenue Bonds	1,502,034	-	(61,145)	1,440,889	62,400
Notes Payable:					
State Revolving Loan - Sludge Dewatering	280,334	-	(14,350)	265,984	14,644
State Revolving Loan - Waste Water Treatment Plant	2,821,755	372,982	-	3,194,737	82,916
Total Notes Payable	3,102,089	372,982	(14,350)	3,460,721	97,560
Other Liabilities:					
Compensated Absences	48,683	40,754	(33,997)	55,440	11,088
Total Business-type Activities	\$ 4,652,806	\$ 413,736	\$ (109,492)	\$ 4,957,050	\$ 171,048

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%. In 2008, this loan was amended a third time, reducing the total by \$3,258,572 bringing the loan amount to \$3,100,000 for construction costs. Both of these loans are also collateralized by net revenues of the sewer utility system. The amount of pledged revenues is equal to the total outstanding principal and interest remaining which is \$4,538,357. A reserve is not required. The City drew down \$372,982 in the current year, with a total draw down of \$3,194,737.

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, 2008:

Description of Bonds	Purpose of Issue	Amount Issued	Amount Outstanding	Rates
Business-type Activities				
Revenue Bonds and				
Revenue Notes:				
Utility Revenue Bonds:				
Series 1977	Revenue	\$ 325,000	\$ 124,000	5%
Series 1986A	Revenue	491,600	244,400	5%
Series 1988	Revenue	1,000,000	335,200	5%
Series 1986B	Revenue	450,200	745,000	5%
State Revolving Loan	Revenue	33,597	265,984	5%
State Revolving Loan	Revenue	3,100,000	3,194,737	1.81/1.86%

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

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

Note 3 - Long-term Liabilities (Concluded)

Due September	Principal				Interest	Total Requirements
	1977 Series	1986A Series	1986B Series	1988 Series	Total All Series	
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	16,000	23,600	10,000	25,000	58,945	133,545
2014-2018	52,000	137,100	65,000	145,000	235,540	634,640
2019-2023	-	-	85,000	185,000	150,800	420,800
2024-2028	-	-	110,000	245,000	75,300	430,300
2029	-	-	25,200	55,000	4,010	84,210
Totals	\$ 124,000	\$ 244,400	\$ 335,200	\$ 745,000	\$ 794,995	\$ 2,243,595

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. The amount of pledged revenues is equal to the total outstanding principal and interest remaining which is \$2,243,595.

Interest costs incurred for the water and sewer revenue bonds amounted to \$100,686, all of which was expensed.

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

	Maturity	Principal	Interest	Total
	Date			
	2009	\$ 97,560	\$ 68,766	\$ 166,326
	2010	99,574	66,752	166,326
	2011	101,632	64,694	166,326
	2012	103,735	62,591	166,326
	2013	105,884	60,443	166,327
	2014-2018	563,352	268,279	831,631
	2019-2023	613,099	206,969	820,068
	2024-2028	566,720	149,310	716,030
	2029-2033	621,235	94,795	716,030
	2034-2038	587,930	35,037	622,967
State Revolving Loan 2002	Sub-Total	265,984	69,256	335,240
State Revolving Loan 2003	Sub-Total	3,194,737	1,008,380	4,203,117
Total State Revolving Loans		\$ 3,460,721	\$ 1,077,636	\$ 4,538,357

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 all the Non-AdValorem Revenues of the general fund to secure payment of the note. The amount of pledged revenues collected exceeds one hundred percent of the balance of the principal and interest remaining which is \$1,246,000. This note was due on March 7, 2008, however it had been extended for another year for 3.02% interest. The City is currently reviewing its options to refinancing this debt as long-term debt.

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

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	\$ 1,593,820	\$ -	\$ -	\$ 1,593,820
Construction in Progress	540,530	145,296	(22,000)	663,826
Total Capital Assets Not Being Depreciated	<u>2,134,350</u>	<u>145,296</u>	<u>(22,000)</u>	<u>2,257,646</u>
Capital Assets Being Depreciated:				
Buildings	1,430,322	-	-	1,430,322
Improvements Other Than Buildings	460,356	75,689	-	536,045
Infrastructure	247,463	145,838	-	393,301
Vehicles and Accessories	345,002	54,078	(14,798)	384,282
Furniture and Equipment	911,783	65,403	-	977,186
Total Capital Assets Being Depreciated	<u>3,394,926</u>	<u>341,008</u>	<u>(14,798)</u>	<u>3,721,136</u>
Less Accumulated Depreciation:				
Buildings	(448,080)	(28,880)	-	(476,960)
Improvements Other Than Buildings	(435,668)	(39,218)	61,356	(413,530)
Infrastructure	(5,266)	(70,939)	-	(76,205)
Vehicles and Accessories	(168,662)	(29,991)	18,708	(179,945)
Furniture and Fixtures	(457,842)	(72,314)	-	(530,156)
Total Accumulated Depreciation	<u>(1,515,518)</u>	<u>(241,342)</u>	<u>80,064</u>	<u>(1,676,796)</u>
Total Capital Assets Being Depreciated, Net	<u>1,879,408</u>	<u>99,666</u>	<u>65,266</u>	<u>2,044,340</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 4,013,758</u></u>	<u><u>\$ 244,962</u></u>	<u><u>\$ 43,266</u></u>	<u><u>\$ 4,301,986</u></u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 192,115	\$ -	\$ -	\$ 192,115
Construction in Progress	4,632,624	352,467	(4,957,487)	27,604
Total Capital Assets Not Being Depreciated	<u>4,824,739</u>	<u>352,467</u>	<u>(4,957,487)</u>	<u>219,719</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	8,576,207	5,011,051	-	13,587,258
Machinery and Equipment	563,376	62,312	-	625,688
Total Capital Assets Being Depreciated	<u>9,139,583</u>	<u>5,073,363</u>	<u>-</u>	<u>14,212,946</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,315,076)	(350,207)	-	(5,665,283)
Equipment	(296,219)	(28,080)	-	(324,299)
Total Accumulated Depreciation	<u>(5,611,295)</u>	<u>(378,287)</u>	<u>-</u>	<u>(5,989,582)</u>
Total Capital Assets Being Depreciated, Net	<u>3,528,288</u>	<u>4,695,076</u>	<u>-</u>	<u>8,223,364</u>
Total Business-type Activities, Net	<u><u>\$ 8,353,027</u></u>	<u><u>\$ 5,047,543</u></u>	<u><u>\$ (4,957,487)</u></u>	<u><u>\$ 8,443,083</u></u>

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

Note 4 - Capital Assets (Concluded)

	Ending Balance
Depreciation Expense -	
Governmental Activities	
General Government and Administration	\$ (33,277)
Public Safety	(50,432)
Physical Environment	(1,939)
Transportation	(45,113)
Culture and Recreation	(45,314)
Total Depreciation Expense -	
Governmental Activities	\$ (176,075)
 Depreciation Expense - Business-type Activities	
Water and Sewer System	\$ (378,287)

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 six vehicles. During the fiscal year, operating lease expenditures were \$32,040

Capital Lease—In 2008, the City entered into lease agreements for financing the acquisition of two police vehicles in the amount of \$40,856 of which \$37,530 remains. The City has a lease agreement for police radio communications equipment from 2007 for the remaining amount of \$71,544. These lease agreements qualify as capital leases for accounting purposes and, therefore, have 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
Vehicles and Accessories	40,856
(Accumulated Depreciation)	(36,053)
Total	\$ 106,847

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

Year Ending September 30,	Governmental Activities
2009	\$ 46,333
2010	46,333
2011	10,561
2012	5,847
Total Minimum Lease Payments	109,074
Less: Amount Representing Interest	(8,999)
Present Value of Minimum Lease Payments	\$ 100,075

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

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 \$6,634 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.

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.

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

Note 11 - Pension Plans (Continued)

General Employees' Defined Contribution Plan (Concluded)

Prior to October 1, 2007, the City contributed 7.5% of the employees salary, with a 5-10 year vesting period. Employees had to be full time and have 90 days of service to be eligible.

The plan was revised October 1, 2007. Employees now have to be full time and have six months of service to be eligible. The revised vesting schedule was changed to a shorter vesting period of 3-7 years. Additionally, starting in October, for every 1% that an employee sets aside in their (457) Deferred Compensation plan, the City also matched an additional .5% up to a maximum of an additional 2.5%. The match amounts are deposited into the employees 401(a) defined contribution account. The employees' pension savings now have the potential of totaling 15% of their salary.

Forfeitures are used to offset current contribution by the City. The normal retirement date is the first day of the month coinciding with the participants sixtieth birthday.

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

Greater than 6 months but less than 3 Years	0%
3 Years	20%
4 Years	40%
5 Years	60%
6 Years	80%
7 or more Years	100%

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, 2008, there were twenty-nine active members of the plan.

For the year ended September 30, 2008, the City contributed \$85,690 to the plan. There were unused forfeitures with a rolling balance of \$13,383 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. (As of October 1, 2007, this has been increased to 3%.) The plan also provides for death and disability benefits.

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

Note 11 - Pension Plans (Continued)

Police Officers' Defined Benefit Plan (Continued)

■ **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 October 1, 2007, the full amount will be used to offset the City contributions since providing the additional benefits of 3%.

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

Active	15
Retired, Disabled, Vested Terminations and Beneficiaries	<u>5</u>
Total Number of Participants	<u><u>20</u></u>

■ **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, 2007, is as follows:

Actuarially Determined Contribution (A)	\$ 40,534
Interest on NPO	(1,999)
Adjustment to (A)	<u>1,525</u>
Annual Pension Costs	40,060
Contributions Made	<u>(40,534)</u>
Increase in NPO	(474)
Net Pension Obligation (Asset), Beginning of Year	<u>(24,989)</u>
Net Pension Obligation (Asset), End of Year	<u><u>\$ (25,463)</u></u>

■ **Other Pension Plan Information**

The annual required contribution for the current year was determined as part of the October 1, 2007, 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 (includes inflation at 3%).

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

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

Note 11 - Pension Plans (Continued)

Police Officers' Defined Benefit Plan (Continued)

■ **Other Pension Plan Information (Continued)**

Three-year trend information based on the most current actuarial report dated October 1, 2007:

<u>Fiscal Year Ending</u>	<u>Actuarial Determined Contribution</u>	<u>Percentage of Actuarial Determined Contribution</u>	<u>Net Pension (Asset)</u>
September 30, 2005	\$ 33,917	103%	\$ (25,267)
September 30, 2006	\$ 42,910	100%	\$ (24,989)
September 30, 2007	\$ 40,534	100%	\$ (25,463)

Schedule of Pension Plan Net Assets as of September 30, 2008

	<u>General Employees' Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Total</u>
Assets			
Investments	\$ 658,413	\$ 1,677,041	\$ 2,335,454
Contributions Receivable	2,027	57,739	59,766
Total Assets	<u>\$ 660,440</u>	<u>\$ 1,734,780</u>	<u>\$ 2,395,220</u>
Net Assets			
Reserved for:			
Employees' Pension Benefits	<u>\$ 660,440</u>	<u>\$ 1,734,780</u>	<u>\$ 2,395,220</u>

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

Note 11 - Pension Plans (Concluded)

Police Officers' Defined Benefit Plan (Concluded)

■ **Other Pension Plan Information (Concluded)**

Schedule of Pension Plan Net Assets as of September 30, 2008

	General Employees' Retirement Fund	Police Officers' Retirement Fund	Total
Additions			
Contributions:			
Employer	\$ 85,690	\$ 67,396	\$ 153,086
State	-	57,739	57,739
Employee	-	30,824	30,824
Total Contributions	<u>85,690</u>	<u>155,959</u>	<u>241,649</u>
Investment Earnings (Loss)	(99,725)	(226,995)	(326,720)
Less Investment Management Fees	-	(3,492)	(3,492)
Net Investment Income (Loss)	<u>(99,725)</u>	<u>(230,487)</u>	<u>(330,212)</u>
Total Additions	<u>(14,035)</u>	<u>(74,528)</u>	<u>(88,563)</u>
Deductions			
Pension Benefit Payments and Refunds	31,605	50,364	81,969
General and Administrative	2,896	17,902	20,798
Total Deductions	<u>(34,501)</u>	<u>(68,266)</u>	<u>(102,767)</u>
Net Decrease	(48,536)	(142,794)	(191,330)
Beginning of Year	<u>708,976</u>	<u>1,877,574</u>	<u>2,586,550</u>
End of Year	<u>\$ 660,440</u>	<u>\$ 1,734,780</u>	<u>\$ 2,395,220</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
(Concluded)**

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:

BCH Repairs and Maintenance	\$	5,940
Pennies for Parks		3,869
Parks-FRDAP Match		55,274
Sidewalk Escrows		6,134
Technology		52,485
Capital Outlay		103,772
Sports Complex		36,706
Total Designations	\$	<u>264,180</u>

Note 15 - Federal Single Audit and State Financial Assistance

During the fiscal year, the City did not expend greater than \$500,000 in either federal awards or state financial assistance. Therefore, a single audit was not required pursuant to OMB Circular A-133, *Federal Single Audit and the Florida Single Audit Act*.

Note 16 - Prior Period Adjustment

During the audit it was discovered that a prior year receivable recorded for the CBIR Grant for the Waste Water Treatment Facility was overstated by \$70,634. This resulted in an overstatement of revenues as well as net assets. A correction was made in fiscal year 2008 reducing prior year net assets in the amount of \$70,634.

		<u>Net Assets</u>
Beginning of Year, as Previously Stated	\$	9,088,372
Error Correction		(70,634)
Beginning of Year, as Restated	\$	<u>9,017,738</u>

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes				
Ad Valorem	\$ 771,495	\$ 771,495	\$ 767,928	\$ (3,567)
Ninth-cent Gas Tax	62,916	58,603	58,971	368
Local Option Gas Tax	347,507	375,000	326,667	(48,333)
Communication Service Tax	234,745	234,000	236,878	2,878
Utility Tax:				
Electric	138,361	121,100	140,056	18,956
Local Business Tax	54,000	35,200	47,827	12,627
Total Taxes	<u>1,609,024</u>	<u>1,595,398</u>	<u>1,578,327</u>	<u>(17,071)</u>
Permits and Fees				
Franchise Fees	442,241	411,700	447,902	36,202
Building Permits	100,350	59,985	71,317	11,332
Total Permits and Fees	<u>542,591</u>	<u>471,685</u>	<u>519,219</u>	<u>47,534</u>
Intergovernmental Revenue				
Half-cent Sales Tax	293,854	251,550	247,355	(4,195)
State Revenue Sharing	141,195	137,529	137,897	368
Mobile Home Licenses	15,628	9,500	9,307	(193)
Alcoholic Beverage Licenses	4,500	1,900	1,911	11
State Revenue for Lighting	23,789	23,789	23,789	-
State Revenue for Traffic Signals	10,800	10,800	10,800	-
Total Intergovernmental Revenue	<u>489,766</u>	<u>435,068</u>	<u>431,059</u>	<u>(4,009)</u>
Grants				
Local Law Enforcement Grant	-	3,454	3,454	-
DOT/Belleview Elem/Recr Park Sidewalk	-	47,600	47,600	-
DOT/JPA 441 Sidewalk Grant	-	87,695	87,695	-
DOT/107th St Sidewalk Grant	-	10,000	10,000	-
FRDAP - Softball Fields	-	109,875	85,792	(24,083)
State Hurricanes/2004	-	-	18,039	18,039
Total Grants	<u>-</u>	<u>258,624</u>	<u>252,580</u>	<u>(6,044)</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, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues (Concluded)				
Charges for Services				
Garbage/Solid Waste/Recycling	\$ 331,702	\$ 332,215	\$ 331,299	\$ (916)
Mowing	1,200	1,200	3,034	1,834
Zoning Fees	25,000	15,550	17,025	1,475
Drainage Review	15,000	14,500	15,500	1,000
Transportation Concurrency	7,500	4,311	4,700	389
Recreation Leagues	30,560	31,560	35,236	3,676
Total Charges for Services	<u>410,962</u>	<u>399,336</u>	<u>406,794</u>	<u>7,458</u>
Fines and Forfeitures				
Court Fines	149,515	143,007	134,886	(8,121)
Vehicle Impoundment	1,566	1,700	1,673	(27)
Cost Recovery	30,000	14,000	13,770	(230)
Investigation and Restitution	2,733	2,500	4,836	2,336
Total Fines and Forfeitures	<u>183,814</u>	<u>161,207</u>	<u>155,165</u>	<u>(6,042)</u>
Miscellaneous Revenue				
Investment Earnings	112,000	84,000	65,949	(18,051)
Cemetery Lots	10,800	1,050	8,250	7,200
Recreation Impact Fees	-	-	7,270	7,270
Proceeds from Sale of Fixed Assets	2,000	2,000	1,505	(495)
Other	49,062	48,091	50,262	2,171
Total Miscellaneous Revenue	<u>173,862</u>	<u>135,141</u>	<u>133,236</u>	<u>(1,905)</u>
Total Revenues	<u>\$ 3,410,019</u>	<u>\$ 3,456,459</u>	<u>\$ 3,476,380</u>	<u>\$ 19,921</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, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures				
General Government				
Legislative:				
Personal Services	\$ 18,027	\$ 16,176	\$ 16,315	\$ (139)
Operating Expenses	8,885	6,276	6,018	258
Total Legislative	<u>26,912</u>	<u>22,452</u>	<u>22,333</u>	<u>119</u>
Finance and Administrative:				
Personal Services	350,959	374,434	370,683	3,751
Operating Expenses	157,642	181,305	151,548	29,757
Capital Outlay	6,800	5,200	5,200	-
Total Finance and Administrative	<u>515,401</u>	<u>560,939</u>	<u>527,431</u>	<u>33,508</u>
Comprehensive Planning:				
Personal Services	168,106	155,121	149,018	6,103
Operating Expenses	99,953	94,491	105,207	(10,716)
Capital Outlay	5,722	4,041	4,040	1
Total Comprehensive Planning	<u>273,781</u>	<u>253,653</u>	<u>258,265</u>	<u>(4,612)</u>
Information Technology:				
Personal Services	81,736	78,845	78,662	183
Operating Expenses	29,604	8,283	6,479	1,804
Capital Outlay	20,400	28,560	21,060	7,500
Total Other Information Technology	<u>131,740</u>	<u>115,688</u>	<u>106,201</u>	<u>9,487</u>
Total General Government	<u>947,834</u>	<u>952,732</u>	<u>914,230</u>	<u>38,502</u>
Public Safety				
Law Enforcement:				
Personal Services	987,636	958,240	944,774	13,466
Operating Expenses	220,146	210,809	261,127	(50,318)
Capital Outlay	135,494	76,355	68,120	8,235
Total Public Safety	<u>1,343,276</u>	<u>1,245,404</u>	<u>1,274,021</u>	<u>(28,617)</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, 2008
(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures (Concluded)				
Physical Environment				
Garbage/Solid Waste/Recycling:				
Operating Expenses	\$ 331,702	\$ 331,702	\$ 331,219	\$ 483
Cemetery:				
Operating Expenses	1,776	2,474	2,474	-
Total Physical Environment	<u>333,478</u>	<u>334,176</u>	<u>333,693</u>	<u>483</u>
Transportation				
Roads and Streets:				
Personal Services	297,764	274,744	275,014	(270)
Operating Expenses	270,250	328,836	197,522	131,314
Capital Outlay	74,701	156,008	163,781	(7,773)
Total Transportation	<u>642,715</u>	<u>759,588</u>	<u>636,317</u>	<u>123,271</u>
Culture and Recreation				
Parks and Recreation:				
Personal Services	170,613	152,465	147,434	5,031
Operating Expenses	82,472	80,631	63,121	17,510
Capital Outlay	9,504	131,345	127,345	4,000
Total Culture and Recreation	<u>262,589</u>	<u>364,441</u>	<u>337,900</u>	<u>26,541</u>
(Total Expenditures)	<u>(3,529,892)</u>	<u>(3,656,341)</u>	<u>(3,496,161)</u>	<u>160,180</u>
(Deficiency) of Revenue (Under)				
Expenditures	<u>(119,873)</u>	<u>(199,882)</u>	<u>(19,781)</u>	<u>180,101</u>
Other Financing Sources (Uses)				
Capital Leases	-	-	40,856	40,856
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>40,856</u>	<u>40,856</u>
Net Change in Fund Balances	(119,873)	(199,882)	21,075	220,957
Fund Balance, Beginning of Year	<u>1,717,558</u>	<u>1,612,851</u>	<u>2,435,230</u>	<u>822,379</u>
Fund Balance, End of Year	<u>\$ 1,597,685</u>	<u>\$ 1,412,969</u>	<u>\$ 2,456,305</u>	<u>\$ 1,043,336</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION FUND
SEPTEMBER 30, 2008
CITY OF BELLEVIEW, FLORIDA**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHERS
BASED ON THE OCTOBER 1, 2007 ACTUARIAL REPORT**

<u>Year Ended September 30</u>	<u>(1) Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2007	\$ 63,325	100.00%
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%

(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, 2007
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, 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 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.

Certified Public Accountants

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

Honorable 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*)**

Internal Control Over Financial Reporting (*Concluded*)

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency:

■ **Prior Period Adjustment**

During the time of the audit, management discovered that a receivable recorded related to a grant reimbursement was overstated in the prior year. For the year ending September 30, 2008, an adjustment was made to the financial statements to correct the error made in the prior period.

We recommend that management develop a procedure to properly reconcile their grant expenditures and revenues on a timelier basis to ensure that all grant related transactions are reported, reconciled, and received.

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. However, we believe that none of the significant deficiencies described above is a material weakness.

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 January 27, 2009.

This report is intended solely for the information of the City Commissioners, management, others within the entity, 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

January 27, 2009
Ocala, Florida

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, 2008, and have issued our report thereon dated January 27, 2009.

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. Disclosures in those reports, dated January 27, 2009, 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. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- 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 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*, requires 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 the City complied 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 (see management letter comments).
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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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*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both qualitative and quantitative factors: (1) violations of laws, rules, regulations, contracts or grant agreements, or abuse that have occurred or are likely to have occurred, and (2) 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) 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 conditions described in Section 218.503(1), Florida Statutes and identification of the specific condition(s) met. 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, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)(7).c. and 10.556(7), *Rules of the Auditor General*, 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

January 27, 2009
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Honorable Mayor and
City Commissioners
City of Belleview
Belleview, Florida

Status of Prior Year Comments and Recommendations (Updated for 2008)

Grant Accounting

Although improved from the prior year, the reconciliation of grant expenditures from the general ledger and the grant reports should continue to be performed in a timely manner. During the time of field works, several adjustments were made to the accounting records to reflect the accurate reporting of the grants.

We recommend that the City continue to improve the controls over the grant accounting process and continue to reconcile, report, and request reimbursement for grants on a more timelier basis.

Current Year Recommendations

Gas Inventory

During our review of the gas inventory reconciliation procedures, we recognized several errors in the calculation of expense to each department. The expense is calculated based on average price of gas received for the month multiplied by each department's usage. The amount expensed is then removed from the gas inventory account. This method leaves the calculation open to error which was evident in the testing performed. We noted that because the average gas price used to expense to each department was not accurate, the gas inventory account had been inflated. In addition, through discussion with management, the ending value of gas inventory at the end of the year had not been trued-up for actual inventory.

We recommend that the City revisit the control procedures in place for gas inventory. In addition, we also recommend that a year-end reconciliation to actual gas inventory on hand be utilized.

Water Line Loss

During fieldwork, we noted in the City's water usage report that the water line loss per month was erratic and tended to be more than the normal 10% of amount pumped based on industry standards.

We recommend that management consider discussing the method of tracking gallons pumped versus gallons billed and determine how management will monitor and address large variances in the report in addition to reviewing the overall 10% water loss.

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

Honorable 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

January 27, 2009
Ocala, Florida



CITY OF BELLEVIEW

5343 S.E. Abshier Boulevard • Belleview, Florida 34420

Telephone: (352) 245-7021 • Fax: (352) 245-6532

"City With Small Town Charm"

January 27, 2009

Honorable Mayor and City Commissioners
City of Belleview
5343 SE Abshier Blvd.
Belleview, Florida 34420

MANAGEMENT'S RESPONSE TO INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE:

The following comments are in response to the auditor's constructive service comments issued pursuant to Chapter 10.500 of the State of Florida, Rules of the Auditor General, Section 6. Management has an understanding of the comments and the corrective action to be taken. The financial statement, auditor's comments and management's response will be filed with the appropriate agencies.

Status of Prior Year Comments and Recommendations:

Grant Accounting:

The newly hired Finance Manager is working closely with the departments as well as the grant consultants to continually improve the controls over the grant accounting process. A quarterly reconciliation of the grant accounts has been implemented to insure grant related expenditures and revenues are reported, reconciled and received in a timely manner.

Current Year Recommendations:

Gas Inventory:

A calculation error was discovered and corrected during the audit of the gas inventory. Management has reviewed the control procedures and forms to insure an accurate reconciliation. A year end reconciliation to the actual gas on hand will be incorporated into the procedures.

Water Line Loss:

The City anticipates the reduction of unaccountable losses in the future as a result of the current meter change-out program which includes a more aggressive monitoring of water utility use. Additionally, the City has purchased acoustical leak detection equipment. A new program has been implemented to search for leaks when there is an unmetered spike in monthly water use.

January 27, 2009
Honorable Mayor and City Commissioners
Page 2 of 2

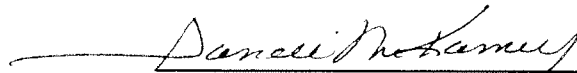
**MANAGEMENT'S RESPONSE TO THE REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND COMPLIANCE:**

The following comment is in response to the auditor's comments pursuant to the *Government Auditing Standards* issued by the Comptroller General of the United States. Management has an understanding of the comment and the corrective action to be taken. The financial statement, auditor's comments and management's response will be filed with the appropriate agencies.

Status of Current Year Comment:

Prior Period Adjustment:

The newly hired Finance Manager is working closely with the departments as well as the grant consultants to continually improve the controls over the grant accounting process. A quarterly reconciliation of the grant accounts has been implemented to insure grant related expenditures and revenues are reported, reconciled and received in a timely manner.



Sandi McKamey, MMC, CPM
City Clerk/Administrator

AFFIDAVIT

STATE OF FLORIDA
COUNTY OF MARION

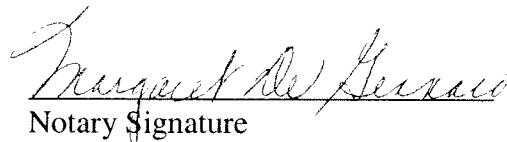
BEFORE ME, this day personally appeared **Sandi McKamey, City Clerk/Administrator and Chief Financial Officer for the City of Belleview, Florida**


who being duly sworn, deposes and says:

1. The City of Belleview is a political subdivision incorporated under the laws of the State of Florida.
2. The City of Belleview adopted Ordinance 2007-04 implementing Recreation Impact Fees on March 6, 2007.
3. The City of Belleview has complied with Florida Statutes, Section 163.31801, Parts (3) (a) through (d) when adopting its Ordinance.


SANDI MCKAMEY

Sworn to (or affirmed) and subscribed before me this 27th day of January, 2009, by Sandi McKamey, City Clerk/Administrator and Chief Financial Officer for the City of Belleview, Florida who is personally known to me.


Notary Signature

NOTARY PUBLIC-STATE OF FLORIDA
 Margaret DeGennaro
Commission #DD680481
Expires: JUNE 27, 2011
BONDED THROUGH ATLANTIC BONDING CO., INC.