

CITY OF OCALA, FLORIDA

*Comprehensive Annual Financial Report
For September 30, 2017*



OCALA



Ocala is a great place to live, play, and prosper

CITY OF OCALA, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the fiscal year ended
September 30, 2017

Prepared by:

Finance Department

Emory Roberts Jr., CIA, CISA, CGAP

Finance Director



**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2017**

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FINANCE DEPARTMENT
201 SE 3rd STREET
OCALA, FLORIDA 34471

March 23, 2018

To the Honorable Mayor, Members of the City Council and
Citizens of the City of Ocala, Florida,

It is our pleasure to submit this *Comprehensive Annual Financial Report* for the City of Ocala, Florida for the fiscal year ended September 30, 2017. The report fulfills the requirements set forth in the *Florida Statutes*, Chapter 166.241 and the *Rules of the Florida Auditor General*, Chapter 10.550. The organization, form and content of this report together with accompanying financial statements and statistical tables are formulated in accordance with the principals prescribed by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the State of Florida and the Government Finance Officers Association.

This report consists of management's representations concerning the finances of the City of Ocala. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Purvis, Gray and Company, a firm of licensed certified public accountants, has audited the City of Ocala's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements for the year ended September 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

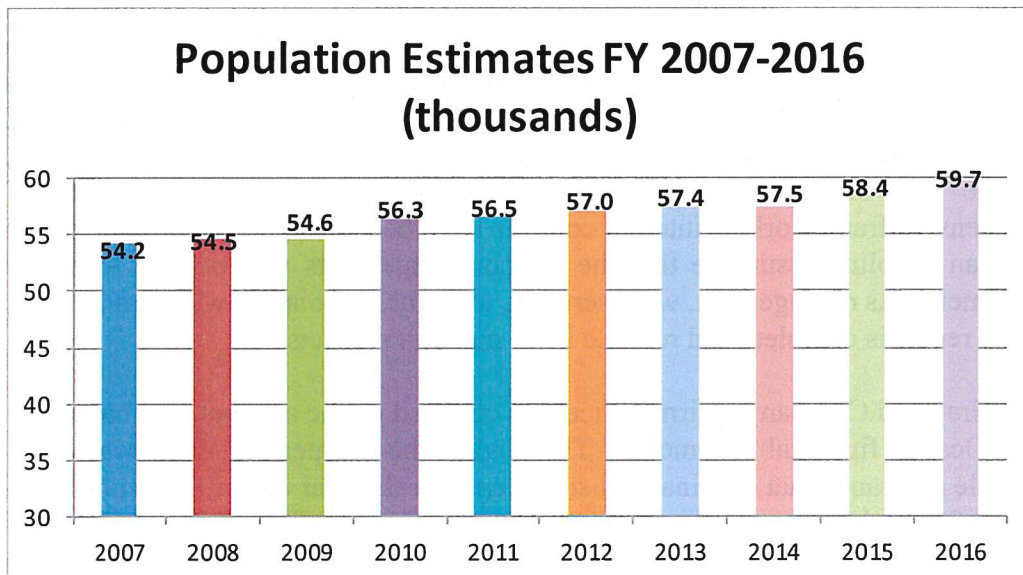
assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City’s financial statements for the fiscal year ended September 30, 2017, as fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

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

Profile of the City

The City of Ocala is the most populous city in and serves as the county seat of Marion County. Ocala is located in north central Florida approximately 67 miles northwest of Orlando and approximately 40 miles east of the Gulf of Mexico near the site of Ocale, a major Timucua village and chiefdom during the 16th century. The City takes its name from the historical village, the name of which is believed to mean “Big Hammock” in the Timucua language. There are approximately 47 square miles of land included within the corporate boundaries of the City. The City’s population has been trending upwards for the last ten years and as of April 1, 2016, the official population estimate was 59,720.



In 1846, the City of Ocala was established to operate under a Council-Manager form of government. The City Council consists of six elected officials (the Mayor and five Council members) who are responsible for enacting the ordinances and resolutions which govern the City. The Council appoints the City Manager, City Auditor, City Attorney, and the City Clerk. The City Charter states the City Manager shall be the Chief Administrative Officer of the City and shall be responsible to the Council for the administration of all City affairs placed in his charge by or under the Charter.

The City of Ocala provides its constituents with a wide variety of public services as listed below:

- ✓ Airport
- ✓ Building Inspections
- ✓ Code Enforcement
- ✓ Community and Economic Development
- ✓ Electric Power
- ✓ Golf Course
- ✓ Mass Transit
- ✓ Parks, Recreation, and Cultural Affairs
- ✓ Police and Fire Protection
- ✓ Refuse Collection
- ✓ Stormwater Management
- ✓ Street Maintenance, Traffic Engineering and Parking
- ✓ Fiber Network
- ✓ Water and Wastewater

Internal support services include the following:

- ✓ Accounting and Financial Reporting
- ✓ Accounts Payable and Accounts Receivable
- ✓ Asset Management and Property Control
- ✓ Budget and Budget Monitoring
- ✓ Cash and Investment Management
- ✓ Citywide Management
- ✓ Debt Management
- ✓ Fleet Maintenance
- ✓ Facilities Maintenance
- ✓ Human Resources, Labor Relations, and Risk Management
- ✓ Internal Audit
- ✓ Information and Computer Systems
- ✓ Procurement Services
- ✓ Public Relations

Operating funds required to support the above-stated services are reflected in this report. This report includes all funds that are controlled by or are dependent on the City Council.

In addition to the above activities, the City exercises oversight responsibility for the Community Redevelopment Agency. Accordingly, these activities are included in the

reporting entity and reflected in this report. Note 1 in the *Notes to the Financial Statements* lists specific criteria used for establishing oversight responsibility.

The City also maintains budgetary controls. The objective is to ensure compliance with legal provisions contained in the annual budget approved by the City Council. Annual budgets are legally adopted for all funds including the *general funds, special revenue funds, enterprise funds, internal service funds, fiduciary funds, debt service fund, and capital projects funds*. Budgets are controlled at the department level and total expenditures may not legally exceed appropriations for each budgeted fund without Council approval. Encumbrance accounting is utilized in order to reserve the encumbered portion of the appropriation. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget.

Factors Affecting the City's Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The General Fund's main revenue sources include Property Tax, State Revenue Sharing, Half Cent Sales Tax and the transfer from the Electric Fund. Due to the uncertainty in the economic climate, the General Fund endured consecutive annual multimillion dollar deficits. Although Ocala's economy continues to show signs of strengthening, with a 3.7% increase in real property valuations, heightened building permit activity, a declining unemployment rate, and drops in the area's foreclosure rates, the post-recession recovery remains elusively slow. The City's long range fiscal forecast projects the General Fund deficits to persist over the next three fiscal years. Compounding matters are growth pressures in annual pension contribution costs and inflationary pressures associated with day-to-day operations and capital expenses.

Local Economy. In recent years, Ocala has become a center for manufacturing, logistics, and distribution companies, and continues to market the Ocala International Airport Business Park. The tourist industry also has a significant impact on the economy, with the Silver Springs and Rainbow Springs attractions, and the Ocala National Forest nearby. The Ocala area is home to a \$2.6 billion equine industry and the World Equestrian Center under construction in western Ocala will continue to attract additional interest in the community.

The City's strategic investments in economic development made over the past five years are yielding meaningful results. This year Cardinal Laminated Glass announced expansion of their existing business and will construct a new 300,000 square foot industrial. Mestizo Foods took over the former Golden Flake facility on SR 40. In addition, Chewy.com, an e-fulfillment center headquartered in Florida, made the announcement to expand its business to Ocala with plans to construct a 600,000- square foot facility. These companies have committed to making private capital investments in excess of \$73 million and the creation of more than 700 new full-time jobs.

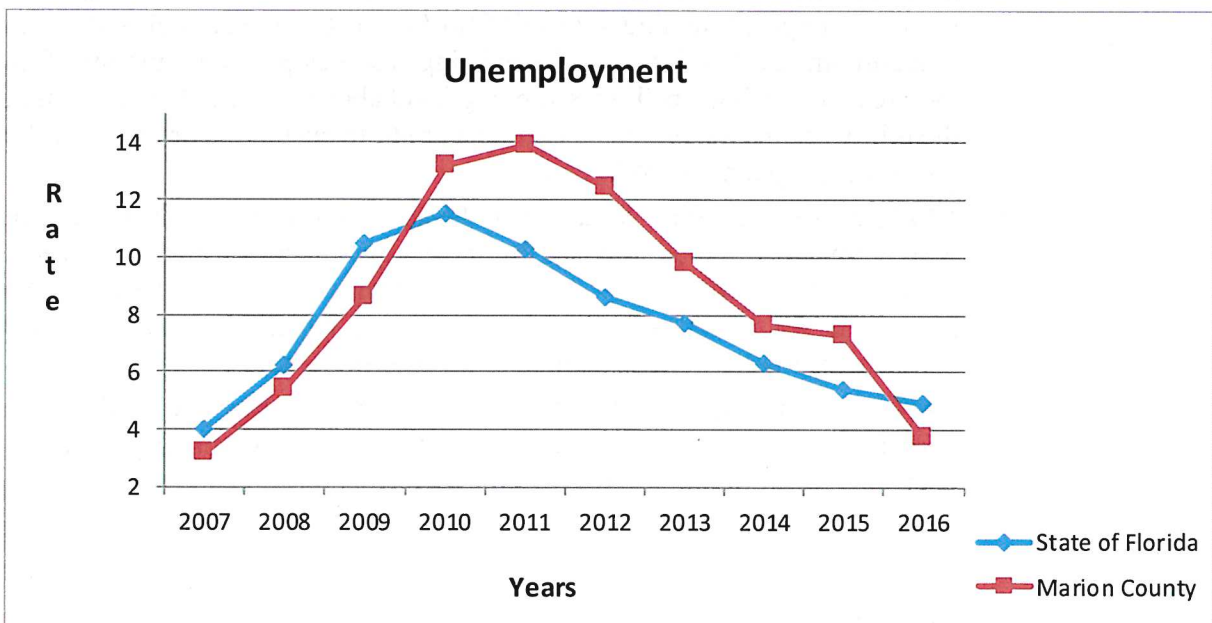
The City has also invested in several smaller scale economic development projects that focused on business expansion and the reactivation of long-term vacant structures. Through

these programs Shade Systems, CJ's Sales and Service and Wells Pharmaceutical have committed to making a total of \$4 million in private investments in machinery, equipment and facility improvements. In addition, they will create 124 new jobs and retain 64 existing full-time permanent jobs.

The West Ocala Facade Grant program was again very successful in improving existing businesses such as Raney's Inc., Ole Cracker House Antique Mall on SR 27, and the Early Learning Coalition giving their exteriors facelifts, elevating the surrounding areas, and spurring additional economic investment. The program is also assisting Estella Byrd Whitman Wellness Center in creating a neighborhood wellness center which is scheduled to open in early 2018.

The City is actively engaged in the community by building strategic alliances with the private sector, site selectors, developers, business owners, other governmental agencies, and realtors to provide a business-friendly environment that creates opportunity for expansion. One clear example is the City's success in securing funding from the US Environmental Protection Agency and Florida Department of Environmental Protection to complete a Phase I environmental assessment of the former Royal Oak property. The city is conducting due diligence in preparation to purchase the site for mixed-use development to include affordable housing.

The County's unemployment rate decreased from 6.0% at this time last year to 4.1%, which is slightly higher than the state average of 3.9% and marginally lower than the national average of 4.2%.



Long-term Financial Planning. Both General Government and the City-owned Utility Funds develop multi-year financial forecasts, including capital improvement plan. Some of the key projects in these capital improvement plans are:

- Downtown Hotel, Retail and Apartments
- Terminal Parking at Airport

- Recurring annual funding for the following areas:
 - Annual City-wide resurfacing and sidewalk program
 - Facilities maintenance
 - Fleet management
 - Information technology upgrades
- Historic District Improvements and upgrades
- Overhead/Underground/Lighting work orders
- Substation upgrades
- Drainage Retention Area upgrades
- Water and sanitary sewer main improvements and extensions
- Multiple Community Park improvements

Key Management Practices. The City has adopted and complied with the following key management practices:

- **General Fund Reserve Policy** – The General Fund will maintain an operating reserve of not less than 20 percent of planned budget expenditures.
- **Debt Management Policy** – Outlines allowable debt issuance purposes, debt structure, limitations on debt levels, allowable types of debt, promotes sound financial management and enhances the City’s credit ratings.
- **Capital Improvement Plan** – Requires the City to develop and implement a five-year capital improvement plan to anticipate long-term capital needs.
- **Electric Rate Stabilization Reserve (ERSR)** – The City will maintain a minimum targeted funding level of 15% of projected annual fuel costs, with a maximum level at 25%. If the existing reserves plus the amount of an over recovery brings the ERSR funding level above the targeted maximum, the utility retains the option of issuing a credit to customers or reducing the power cost adjustment (PCA) rate.
- **Utility Fund Transfer** – A transfer to the general fund is set to be consistent with a franchise fee as imposed by local government on investor owned utilities for the utilization of a local government’s rights-of-way. The amount is set at 6% of operating revenues, which is consistent with competitive markets and is applied to all enterprise funds.
- **Three-year Budget Model** – The City will develop and maintain a comprehensive three-year budget model to assist in making financial decisions regarding long-term revenue and expenditure requirements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ocala for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. This was the thirty-second year the City has received this prestigious award. The Certificate of Achievement is a prestigious national award recognizing

conformance with the highest standards for preparation of state and local government financial reports.

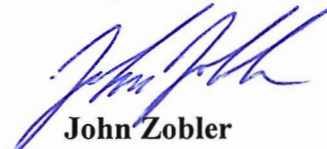
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to GFOA.

The GFOA also presented an Award for Distinguished Budget Presentation for the City's Annual Budget for the fiscal year beginning October 1, 2016, making the twenty-sixth year the City has received the award. It is based on a governmental unit's publishing a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications medium.

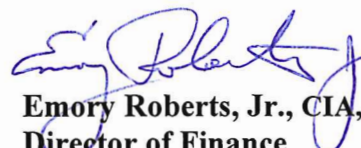
A Comprehensive Annual Financial Report could not have been prepared without the efficient and dedicated services of many individuals responsible for its completion. The utmost appreciation is extended to employees throughout the organization who maintained financial records upon which this report is based. The year-end closing procedures required prior to the audit and the document preparation could not have been accomplished without the professional efforts of Peter Brill, Assistant Finance Director and Raymond Bachik, Accounting Manager. Special recognition is given to all of the employees of the Finance Department and Budget Department who worked diligently to ensure the timeliness and accuracy of the report.

The Mayor, Council President, and Council members' continued support in planning and conducting the City's financial operations in a responsible manner are sincerely appreciated. This has proven to be an invaluable asset in the preparation of this report which is geared toward reflecting the financial health of the community while complying with the City's fiduciary responsibility. Their leadership demonstrates the interest to maintain a fiscally sound government.

Respectfully submitted,



John Zabler
City Manager



Emory Roberts, Jr., CIA, CISA, CGAP
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Ocala
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2017**

CITY COUNCIL – Elected Officials

R. Kent Guinn, Mayor
James Hilty, Sr
Brent Malever, Council President
Jay A. Musleh
Mary Sue Rich
Matthew Wardell, Pro-Tem

APPOINTED OFFICIALS

City Manager
City Attorney
City Clerk
Internal Auditor

John Zobler
Patrick G. Gilligan
Angel Jacobs
Alice Garner

EXECUTIVE STAFF

Deputy City Manager
Assistant City Manager
Assistant City Manager

Sandra R. Wilson
Ken Whitehead
William Kauffman

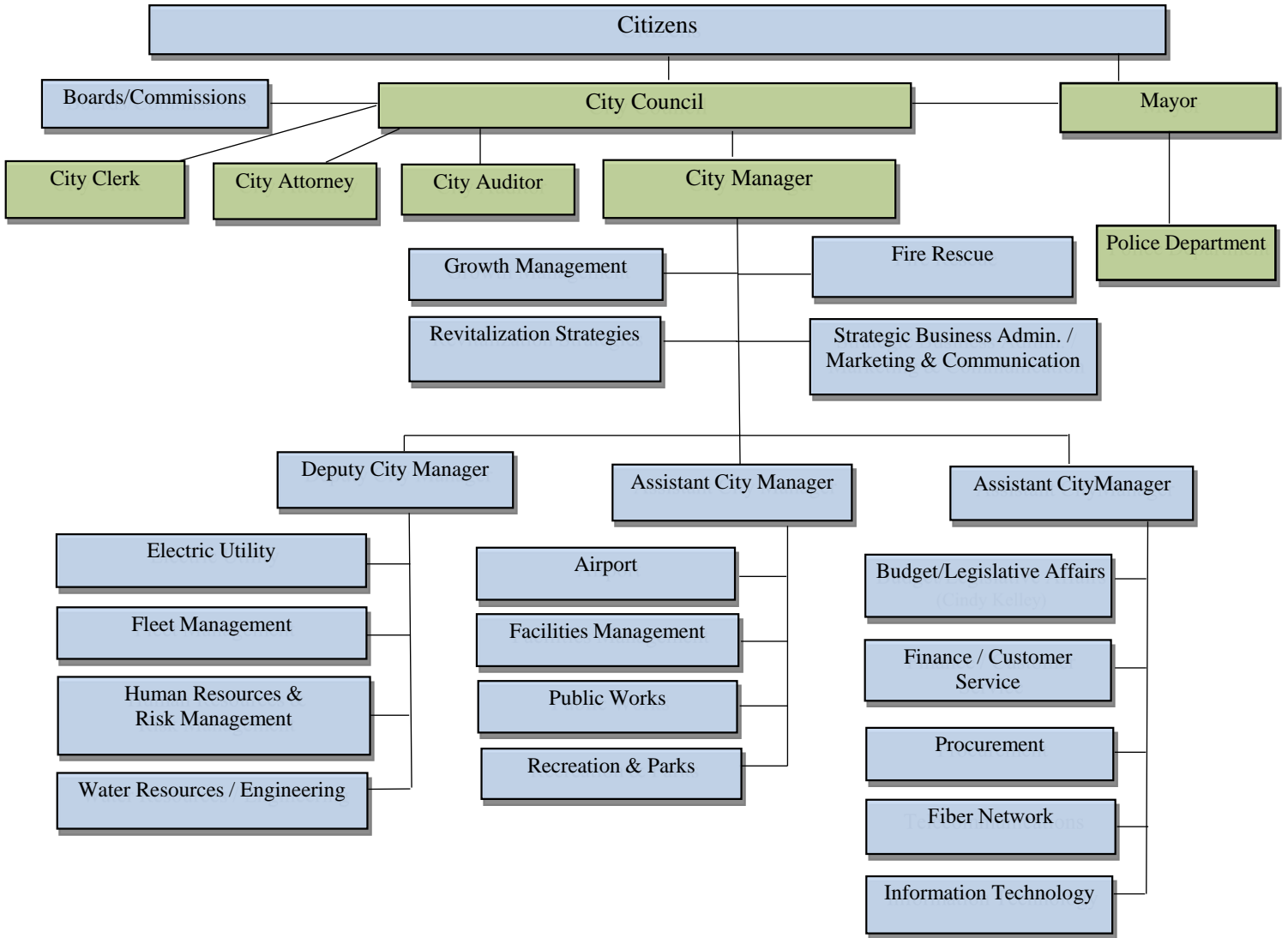
Finance Staff

Director of Finance & CSO
Assistant Finance Director
Accounting Manager
Accountant I
Supervisor Fiscal Operations
Senior Accountant
Accountant I
Accounts Payable
Accounts Receivable
Payroll Manager
Payroll Specialist
Pension Benefits Coordinator
Grants Coordinator

Emory Roberts Jr.
Peter Brill
Raymond Bachik
Maribel Lozada
Anthony Webber
Cathy Larson
Jackie Cooper
Linda Wright
Debbie Crews
Lisa Mauldin
Brian Clark
Alicia Gaither
Marie Brooks

CITY OF OCALA, FL

Organizational Chart



INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

Report on the Financial Statements

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 Ocala, Florida (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), budgetary comparison information, and certain pension and Other Postemployment Benefits trend information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A, budgetary comparison information, and certain pension and Other Postemployment Benefits trend information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state projects is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*; Chapter 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

Other Information (Concluded)

The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, and the schedule of expenditures of federal awards and state projects are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2018, 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* in considering the City's internal control over financial reporting and compliance.

Durvis, Gray and Company, LLP

March 23, 2018
Ocala, Florida



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**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

As management of the City of Ocala (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished on our letter of transmittal, which can be found on pages i-vii of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$438,587,996 (net position).
- Unrestricted net position totals \$42,659,720 and may be used to meet the government's ongoing obligations to citizens and creditors.
- Government general revenue and transfers-in totaled \$99,257,146 compared to \$91,869,725 in 2016, or an 8.2% increase from the prior year. Expenses totaled \$92,457,740 compared to \$91,153,670 in 2016 or a 1.4% increase from the prior year.
- At the close of the fiscal year, the City's governmental activities reported combined ending net position of \$153,593,332 as compared to \$146,793,926 (restated), an increase of \$6,799,406 in comparison with the prior year. Of the fiscal year ended net position, \$(2,697,810) was unrestricted. This change from last fiscal year's negative balance was due to increased operating transfers in and taxes.
- The business-type activities revenue totaled \$205,311,298 as compared to \$196,343,415 for a 4.6% increase over the prior year and expenses and transfers-out totaled \$212,166,675 as compared to \$200,062,978 in 2016, for a 6% increase from the prior year. The result produced a decrease in business-type net assets of \$(6,855,377) as compared to a decrease of \$(3,719,563) in the prior year.
- The City is committed to providing the Citizens of Ocala with the highest quality services while maintaining efficiency and cost effectiveness.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This report also contains other supplementary information in addition to the basic financial statements that provide details about the City's internal service fund presented in a separate column in the basic financial statements.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 21-23 of this report.

The *statement of net position* presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, culture and recreation, economic environment, physical environment and transportation. The business-type activities of the City include operation of an electric utility, solid waste disposal system, water and sewer utilities, golf course, airport and public transportation.

The Community Redevelopment Agency (CRA) is a blended component unit that for all practical purposes is treated as part of the primary government. The data from this component unit is presented separately in the financial statements.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 24-27 of this report.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the CRA funds, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the *combining statements* in the other supplemental information section of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

The City adopts an annual appropriated budget for its various funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains seven enterprise funds to account for the following operations: electric, water and sewer, sanitation, golf course, airport, communications and transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the capital purchases of its fleet, facilities, and information technology as well as self-insurance programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the City's proprietary funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the other supplemental information section of this report. The basic proprietary fund financial statements can be found on pages 28-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because their resources are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-104 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 105-116 of this report.

The combining statements and budgetary comparison schedules regarding non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 126-152 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. Recall that the Statement of Net Position looks at the City as a whole. The following provides a summary of the City's net assets for 2017 as compared to 2016.

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$438,587,996 at the close of the most recent fiscal year.

The City's net position for the past two fiscal years is summarized, as follows:

**Statement of Net Position
As of September 30**

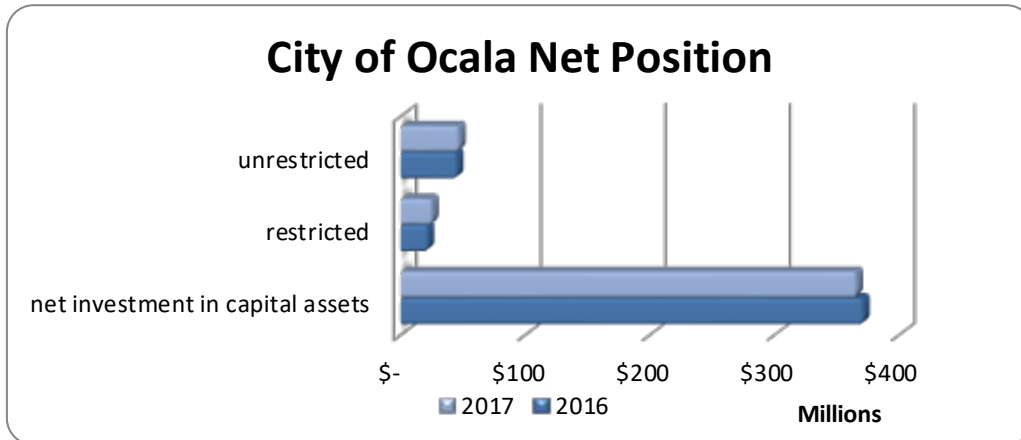
	Governmental Activities		Business -type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 93,080,752	\$ 88,933,766	\$ 176,993,608	\$ 186,134,387	\$ 270,074,360	\$ 275,068,153
Capital assets (net)	170,677,490	172,914,321	335,362,117	344,304,428	506,039,607	517,218,749
Total Assets	263,758,242	261,848,087	512,355,725	530,438,815	776,113,967	792,286,902
Total deferred outflow s of resources	27,004,133	26,875,540	18,775,627	17,968,855	45,779,760	44,844,395
Long-term liabilities outstanding	122,902,517	130,945,896	182,188,840	189,670,006	305,091,357	320,615,902
Other liabilities	8,604,681	8,636,032	29,200,361	31,192,149	37,805,042	39,828,181
Total Liabilities	131,507,198	139,581,928	211,389,201	220,862,155	342,896,399	360,444,083
Total deferred inflow s of resources	5,661,845	3,918,045	34,747,487	35,695,474	40,409,332	39,613,519
Net Position:						
Net investment in capital assets	142,579,197	142,447,242	205,989,676	228,909,169	348,568,873	371,356,411
Restricted	13,711,945	8,950,688	33,647,458	12,966,465	47,359,403	21,917,153
Unrestricted	(2,697,810)	(4,604,004)	45,357,530	49,974,407	42,659,720	45,370,403
(1) Total Net Position	\$ 153,593,332	\$ 146,793,926	\$ 284,994,664	\$ 291,850,041	\$ 438,587,996	\$ 438,643,967

(1) Net position of Governmental Activities was restated for 2016

By far, the largest portion of the City's net position 83.50% reflects its investment in capital assets (e.g. land, building, improvements, utility improvements and extensions, machinery and equipment, infrastructure and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

An additional portion of the City's net position equal to 5.8% represents resources that are subject to external restrictions on how they may be used. The remaining 10.7% of net position is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.



Governmental Activities. During the current fiscal year, net position for governmental activities increased \$6,799,406 from the prior fiscal year for an ending balance of \$153,593,332. Most of the increase in the overall net position is the result of an increase in transfers from other funds and a new created Infrastructure Sales Surtax Fund.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were negative in that overall net position decreased to an ending balance of \$284,994,664. The total net position for the business-type activities decreased by \$6,855,377 as compared to a decrease of \$(3,719,563) in the prior year. The decrease is attributed to an increase in transfers to other funds from \$13,914,315 in 2016 to \$14,804,493 in 2017. Transfers included cost allocations, which were revised in the 2017 fiscal year budget to record as operating expenses. Electric operating expenses also increased by \$7,988,176. Capital assets for all enterprises are aging resulting in a decreasing net position.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

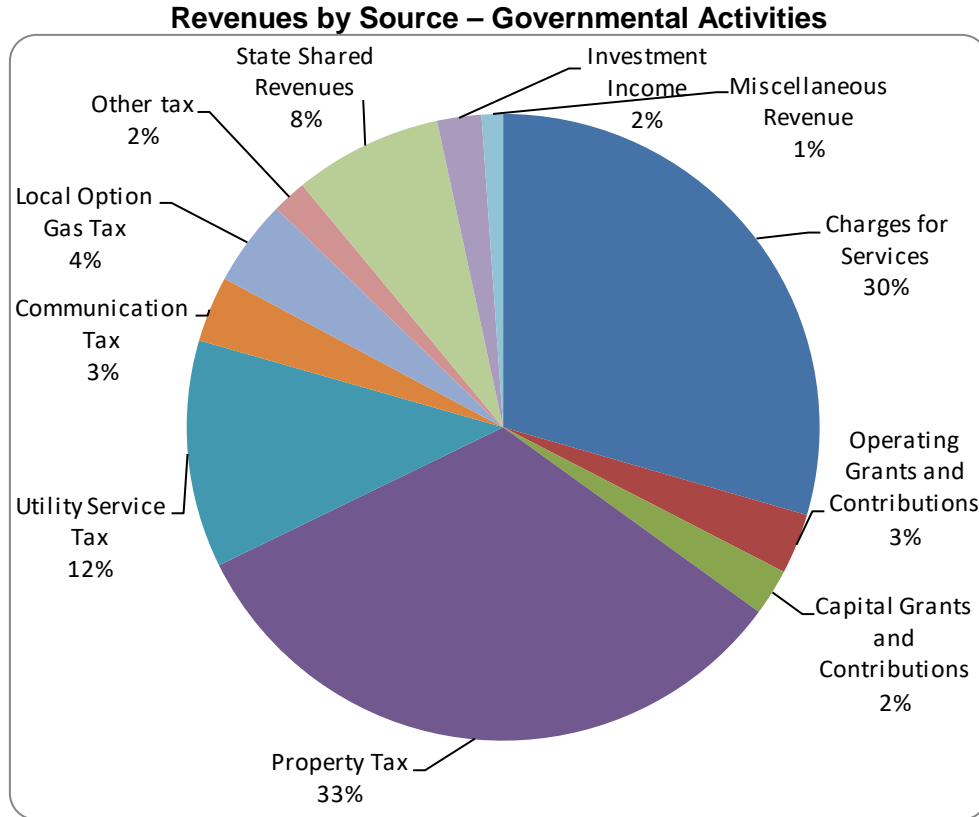
Statement of Activities. The City's net position for governmental activities increased by \$6,799,406 during the current fiscal year and business-type activity net position decreased by \$6,855,377. The city's operations for the past two fiscal years are summarized as follows:

	Changes in Net Position For the Year Ended September 30					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 23,689,175	\$ 23,010,473	\$ 196,515,300	\$ 188,903,647	\$ 220,204,475.00	\$ 211,914,120
Operating grants and contributions	3,941,191	2,429,040	2,739,807	2,027,718	6,680,998.00	4,456,758
Capital grants and contributions	1,707,662	1,867,635	5,390,271	2,879,731	7,097,933.00	4,747,366
General revenues:						
Property taxes	26,579,539	25,500,381	-	-	26,579,539.00	25,500,381
Other taxes	21,247,088	16,615,890	-	-	21,247,088.00	16,615,890
State shared revenues	6,194,657	5,917,854	-	-	6,194,657.00	5,917,854
Other	1,093,341	2,614,137	665,920	2,532,319	1,759,261.00	5,146,456
Total Revenues	84,452,653	77,955,410	205,311,298	196,343,415	289,763,951.00	274,298,825
Program expenses:						
General government	15,103,102	11,597,693	-	-	15,103,102	11,597,693
Public safety	42,095,725	42,665,312	-	-	42,095,725	42,665,312
Physical environment	6,413,857	6,154,252	-	-	6,413,857	6,154,252
Transportation	18,046,664	17,375,706	-	-	18,046,664	17,375,706
Economic Environment	1,182,204	3,778,358	-	-	1,182,204	3,778,358
Human services	5,113	5,247	-	-	5,113	5,247
Culture and recreation	8,747,638	7,159,916	-	-	8,747,638	7,159,916
Interest on long term debt	863,436	2,417,186	-	-	863,436	2,417,186
Electric	-	-	144,857,424	136,853,553	144,857,424	136,853,553
Water and sewer	-	-	32,970,648	30,830,593	32,970,648	30,830,593
Sanitation	-	-	9,271,356	8,933,087	9,271,356	8,933,087
Municipal golf courses	-	-	1,999,735	1,938,067	1,999,735	1,938,067
International airport	-	-	1,829,899	1,838,267	1,829,899	1,838,267
Fiber Network	-	-	3,315,091	2,695,714	3,315,091	2,695,714
Suntran	-	-	3,118,029	3,059,382	3,118,029	3,059,382
Total Expenses	92,457,740	91,153,670	197,362,182	186,148,663	289,819,922	277,302,333
Change in net position before transfers	(8,005,087)	(13,198,260)	7,949,116	10,194,752	(55,971)	(3,003,508)
Transfers	14,804,493	13,914,315	(14,804,493)	(13,914,315)	-	-
Increase (Decrease) in net position	\$ 6,799,406	\$ 716,055	\$ (6,855,377)	\$ (3,719,563)	(55,971)	\$ (3,003,508)
(1) Net position - beginning	146,793,926	144,507,599	291,850,041	295,569,604	438,643,967	440,077,203
Net position - ending	\$ 153,593,332	\$ 145,223,654	\$ 284,994,664	\$ 291,850,041	\$ 438,587,996	\$ 437,073,695
(1) Restated						

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for governmental as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

The City's overall net position decreased \$55,971 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.



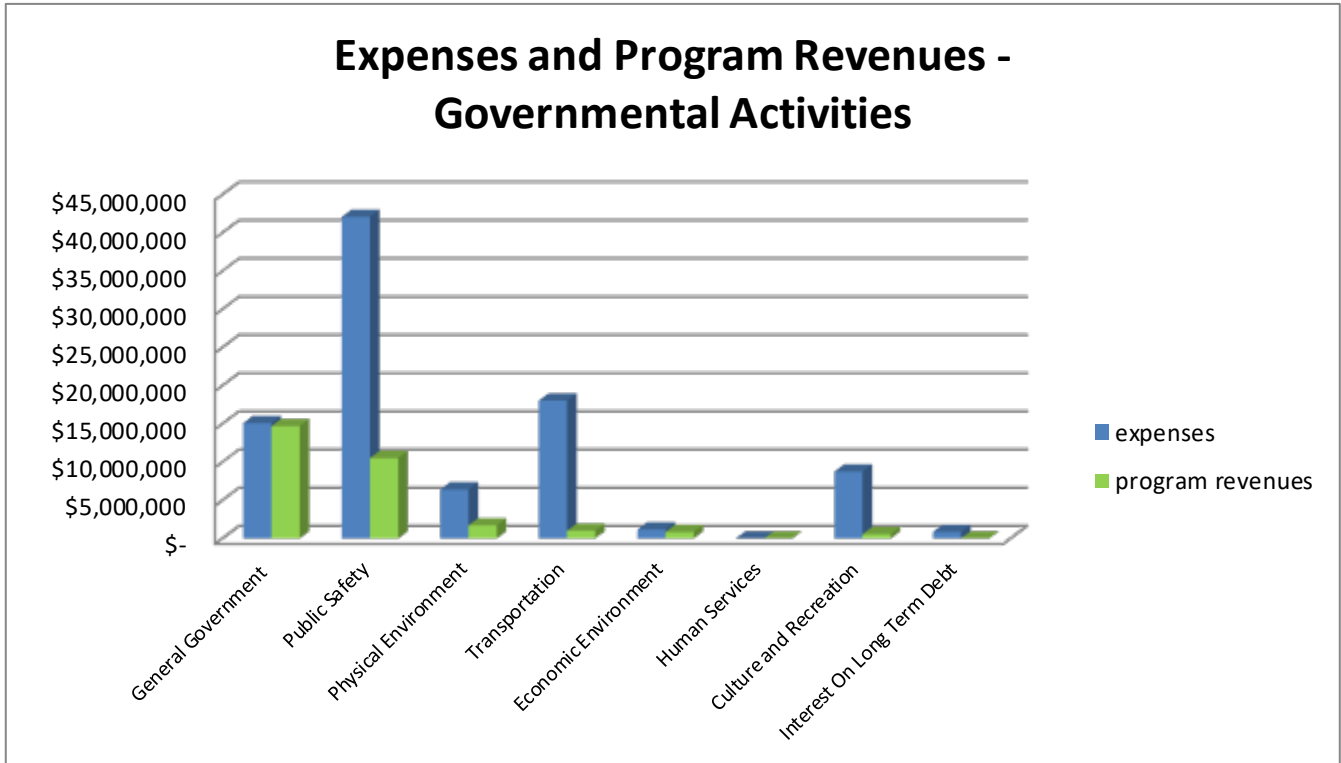
Key Elements of Revenues of Governmental Activities:

- Property taxes, which provided 33% of governmental revenues, increased by \$1,079,158. In FY 2017, the City's millage rate was 6.6177 per \$1,000 of taxable property. This was the same rate for FY 2016.
- Charges for services provided 30% of governmental revenues. Charge for services increased \$678,702 an increase of 2.9%.
- Utility services taxes provided 12% of governmental revenues. Utility services taxes totaled \$9,083,731 for FY 2017. Utility service taxes decreased \$61,168, a decrease of 0.67%.
- Operating and capital grants and contributions accounts for 5% of governmental revenues.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Key Element of Expenses of Governmental Activities

In FY 2017, expenses for Governmental Activities increased 1.4% to \$92,457,740. General Government increased \$1,204,070, mostly due to increased payroll. The expenses for interest on long term debt decreased \$1,553,750. As seen in the graph, the majority of governmental activities are not supported by program revenues.

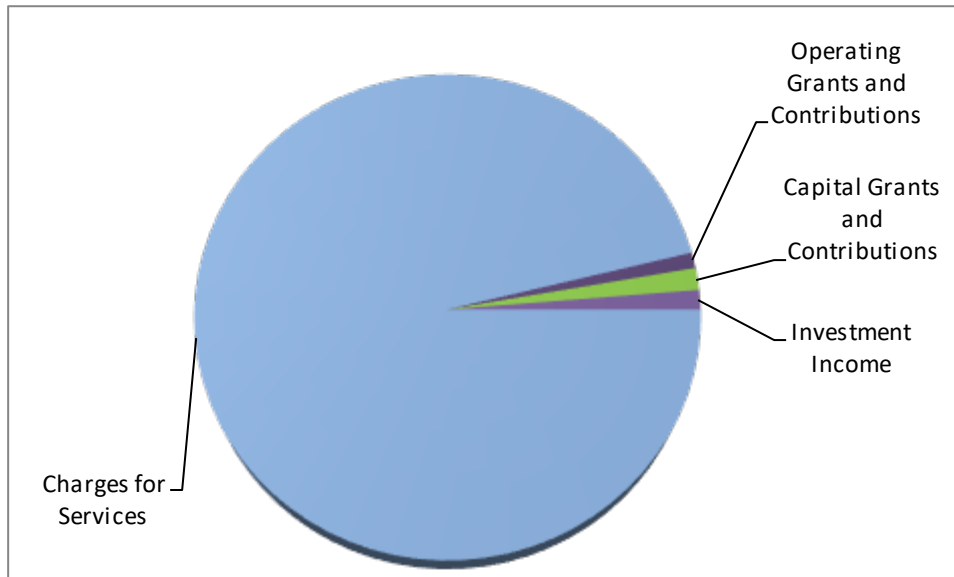


**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Business-type Activities. Please note that all expenses include depreciation expense, which contributes to the net position. Management, in concert with City Council, continuously monitors the progress of policies aimed at achieving a net revenue position for funds.

The Charges for Services category accounts for 96% of the revenue generated in the enterprise funds as seen below. Rates should be established to ensure operating expenses are covered.

Revenues by Source – Business-type Activities



Program revenue derived from user fees and charges is designed to recoup the cost of providing the service. The change in net position in the enterprise funds decreased from a negative amount of (\$3,719,563) in FY 2016 to a negative amount of (\$6,855,377) in FY 2017.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds.

Summarized operating results for the Proprietary Funds are below. These numbers do not include any transfers or non-operating revenues or expenditures.

	Electric		Water and Sewer		Sanitation	
	2017	2016	2017	2016	2017	2016
Operating Revenues	\$ 149,362,971	\$ 143,790,825	\$ 28,841,424	\$ 28,267,876	\$ 11,235,445	\$ 10,598,109
Operating Expenses	143,049,654	135,061,478	30,065,590	27,736,775	9,271,356	8,933,087
Operating Income(Loss)	\$ 6,313,317	\$ 8,729,347	\$ (1,224,166)	\$ 531,101	\$ 1,964,089	\$ 1,665,022

	Municipal Golf Course		Ocala International Airport		Ocala Fiber Network	
	2017	2016	2017	2016	2017	2016
Operating Revenues	\$ 1,456,241	\$ 1,227,082	\$ 1,103,267	\$ 1,065,576	\$ 4,095,942	\$ 3,588,651
Operating Expenses	1,999,735	1,938,067	1,829,899	1,838,267	3,315,091	2,695,714
Operating Income(Loss)	\$ (543,494)	\$ (710,985)	\$ (726,632)	\$ (772,691)	\$ 780,851	\$ 892,937

	SunTran		TOTALS	
	2017	2016	2017	2016
Operating Revenues	\$ 420,010	\$ 365,528	\$ 196,515,300	\$ 188,903,647
Operating Expenses	3,118,029	3,059,382	192,649,354	181,262,770
Operating Income(Loss)	\$ (2,698,019)	\$ (2,693,854)	\$ 3,865,946	\$ 7,640,877

Key elements of the City's business-type activities for FY 2017 are as follows:

Business-type activities had an operating income of \$3,865,946 a 49% decrease from the prior year.

The City's Electric Utility Fund accounted for the majority of the decrease. While operating revenues increased \$5,572,146, operating expenses for the fund increased \$7,988,176 due mainly to higher costs for administration expense and an increase of \$3 million for purchase of electricity.

The Water and Sewer Fund had a decrease in operating income of \$1,755,267. Operating revenues increased 2% while operating expenses increased 8.3% due to higher sewer collection costs and distribution costs.

The Sanitation Fund had an increase in operating income of \$299,067 in FY 2017. This was primarily due an increase in residential and commercial collection fees.

Since the City outsourced management operations of the Municipal Golf Course in FY 2013, the highest priority of the Municipal Golf Course Fund continues to be self-sufficiency. In FY 2017, operating loss was \$543,494 as compared to prior years' loss of \$710,985. This is primarily due to increased operating revenues.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

The Ocala International Airport had a decrease in operating loss of \$46,059 as compared to \$42,428 in FY 2016. Most of the decrease was due to increases in charges for services and lower operations costs.

The Fiber Network Fund had a decrease in operating income of \$112,086. This is primarily due to an increase in operation and maintenance costs, pole attachment costs and salaries.

The City's public mass transit system, SunTran had an operating loss of \$2,698,019. This number, however, does not reflect non-operating revenue of \$2,739,807. The majority of revenues received in this fund is non-operating in nature and include Federal, State, and Local grants. Grant revenue is recorded as operating expenses are incurred.

The unrestricted portion of net position for each fund is as follows:

Fund	Unrestricted Net Position
Electric	\$ 15,561,240
Water and Sewer	22,226,300
Sanitation	3,002,331
Municipal Golf Course	90,421
Ocala International Airport	917,855
Ocala Fiber Network	3,748,646
SunTran	(189,263)
Total	\$ 45,357,530

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

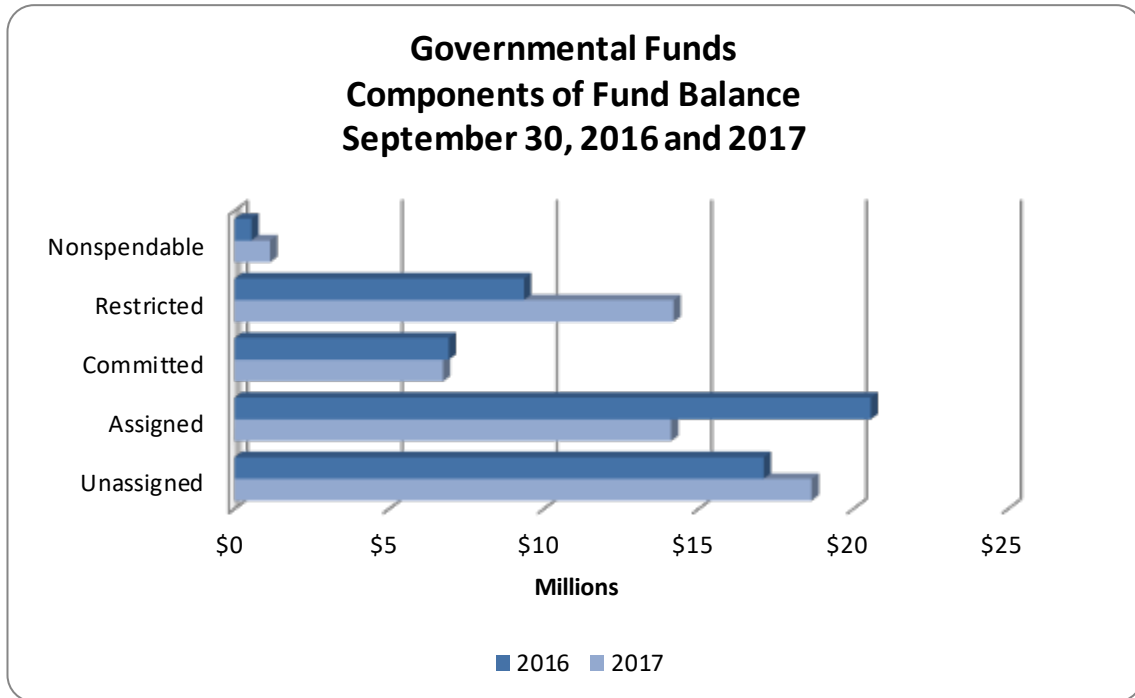
FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2017, the City's governmental funds reported combined fund balances of \$54,814,255, an increase of \$349,394 in comparison with the prior year. Approximately 34% of this amount (\$18,645,994) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$1,147,780), 2) restricted for particular purposes (\$14,182,115), 3) committed for particular purposes (\$6,733,643), or 4) assigned for particular purposes (\$14,105,173).

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**



The General Fund is the chief operating fund of the City. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 24% of total general fund expenditures, while total fund balance represents approximately 48% of that same amount. The fund balance of the City’s general fund decreased by (\$3,795,629) during the current fiscal year.

The operating information for the other major governmental fund is as follows:

	Community Redevelopment Agency	
	2017	2016
Revenues and other sources	\$ 840,661	\$ 656,479
Expenses and other uses	695,031	3,229,342
Increase (decrease) in Net Position	<u>\$ 145,630</u>	<u>\$(2,572,863)</u>

The increase in net position in FY 2017 is due to decrease in capital expenditures. The new parking garage was completed in FY 2016 which would account for higher expenditures in that year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget, not including reserves, totaled 82,938,451. Various budget amendments were approved by City Council. During the year, appropriations increased \$14,823,397 from the original to the final budget in the General Fund. Actual expenditures were \$11,448,403 lower than the final budget. The following are the main components of the increase in the final budget:

- Carryforward of prior year assigned funding of nearly \$3 million

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

- Grant carryforwards of \$719,000.
- Nearly \$1 million in grant awards
- \$524,000 Purchase of new financial software (MUNIS)
- \$158,000 Code Enforcement Board Appropriation

Additional budget to actual information on the City's General Fund can be found on page 105.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017 totaled \$506,039,607 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, intangibles, equipment, infrastructure, and construction in progress. The City's investment in capital assets decreased \$11,179,143. This represents a 2.1% decrease from FY 2016.

**CAPITAL ASSETS
(NET OF DEPRECIATION)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 23,379,801	\$ 22,835,450	\$ 22,756,939	\$ 22,756,939	\$ 46,136,740	\$ 45,592,389
Intangible (Easement, ROW)	1,922,794	1,922,534	1,158,855	1,152,856	3,081,649	3,075,390
Buildings	11,326,262	11,796,301	10,409,091	10,932,721	21,735,353	22,729,022
Impv Other Than Bldgs	19,643,001	14,777,104	281,570,449	295,742,122	301,213,450	310,519,226
Equipment	21,338,725	20,559,669	6,247,326	4,941,913	27,586,051	25,501,582
Intangible (Software)	1,562,214	1,836,576	1,592,524	1,945,119	3,154,738	3,781,695
Infrastructure	88,355,731	94,125,274	-	-	88,355,731	94,125,274
Construction in Progress	3,148,962	5,061,413	11,626,933	6,832,759	14,775,895	11,894,172
Total	\$ 170,677,490	\$ 172,914,321	\$ 335,362,117	\$ 344,304,429	\$ 506,039,607	\$ 517,218,750

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Major capital asset events during the current fiscal year include the following:

Governmental Activities:

- Cameo Pond Force Main project was completed at a cost of \$3,285,586.
- Chazel Park – DRA Improvement project was completed at a cost of \$643,508.
- Lillian Bryant Multi-Purpose Field – Splash Pad project was completed at a cost of \$382,529.
- South Magnolia Avenue Mobility Improvement project was completed at a cost of \$381,696.
- Heritage Hills Storm-Water Pump Improvement project was completed at a cost of \$732,279.
- Tusawilla Park Improvement – North Parking Lot was completed at a cost of \$ 423,555.
- Toms Park – Pavilion/Trails/Restrooms project was completed at a cost of \$98,120.

Business-type Activities:

- Street Lighting – Ocala Historic District project was completed at a cost of \$266,736.
- SR 40 & MLK Jr. Intersection Improvement project was completed at a cost of \$249,348.
- Sanitary Sewer Fiberglass Re-line – Sewer Main Rehab project was completed at a cost of \$394,531.
- Fort King project was completed at a cost of \$129,229.
- Sewer Extension from SE 1st Avenue – 3200blk SE 441 – Developers' Contribution – SSV Medical project was completed at a cost of \$70,852.
- Waste Water Reclaim No. 2 – Lighting & Energy Improvement project was completed at a cost of \$71,316.

Additional information on the City's capital assets can be found in the Notes to Financial Statements on pages 69-70.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$164,665,084. That was a decrease of \$8,715,864 or 5% from outstanding long-term debt of \$173,380,948 at the end of FY 2016. Electric and Water & Sewer debt is paid with operating revenues. The capital improvements debt is serviced by the pledge of non-ad valorem revenues such as gas taxes, sales tax revenues and State revenue sharing.

Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Improvement bonds	\$ 29,820,000	\$ 32,200,000	\$ -	\$ -	\$ 29,820,000	\$ 32,200,000
Utility system bonds	-	-	134,780,000	141,060,000	134,780,000	141,060,000
Capital leases	65,084	120,948	-	-	65,084	120,948
Total	\$ 29,885,084	\$ 32,320,948	\$ 134,780,000	\$ 141,060,000	\$ 164,665,084	\$ 173,380,948

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

During FY 2017, the City issued one debt refunding as summarized below:

1. \$18,565,000 Utility Systems Refunding Bonds Series 2017. Proceeds were used to refund \$18,580,000 of the 2007B Utility System Bonds.

The City had no outstanding general obligation debt at the close of FY 2017. The City maintains excellent bond ratings from the major ratings agencies.

Additional information on the City's long-term debt can be found in the Notes to Financial Statements on pages 93-99 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following were some of the significant factors considered in preparing the City's FY 2018 budget:

- The FY 2018 budget was prepared as the City continues to carefully plan using conservative fiscal oversight. This disciplined approach resulted in high quality municipal services, investment in public facilities, and maintaining appropriate reserves to provide resiliency during uncertain economic times which are proving to be the norm in the current economic environment.
- The City's leadership, the City Council and Mayor, recognizes its critical role in establishing the appropriate tenor and investment required for economic transformation of the local economy. The City's strategic plan has four goals: economic hub, fiscal sustainability, operational excellence, and quality of place. These goals serve as drivers for directing the City's limited resources.
- Ocala's economy continues to strengthen, with a 3.7% increase in real property valuations, which is the fourth increase in five years. The City has aggressively, but strategically, continued sowing the seeds for tomorrow's economic recovery. The City's investments in economic development made over the past three to four years are beginning to yield meaningful results. FedEx, a Fortune 100 company, completed its \$135 million regional hub located in the recently completed Ocala/Marion County Commerce Park. The FY 2018 budget continues strategic funding for economic development projects while preserving flexibility for pursuing additional economic opportunities.
- Through strong financial policies, as adopted by the City Council, the City presented stakeholders a balanced budget that addresses priority needs, and maintains or enhances service levels.
- The balanced budget was possible due to an increase in property taxes and some slight fee increases to cover the cost of service delivery. The General Fund Budget for FY 2018 totals \$98,786,215.
- The Citywide Comprehensive FY 2018 Budget totals \$777,037,545.
- The FY 2018 Budget was prepared by utilizing available resources in the most efficient manner to ensure that the City can provide services that have been established as priorities for the current fiscal year. The City continues to monitor growth pressures in annual pension contribution costs and inflationary pressures associated with day-to-day operations and capital expenses.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

- Each department reviewed its operations and recommended strategies to reduce expenditures without significantly impacting services. These efficiencies to date include: reorganization of some department and/or divisions, consolidation of service functions, re-assignment of staff to critical tasks, and better utilization of technology. Each department will continue to focus on all areas of their operation to reduce costs while maintaining operational efficiency.
- Rate studies for the electric and water resources departments are being finalized and rate adjustments are anticipated for FY2019. Electric rates did not increase but water rates increased another 1.5% in FY 2018. This is the third year in a five year plan to increase rates a total of 15%.
- Funding was provided in the budget to advance the City's way-finding sign program, façade grant program, improvements to the City's parks, and maintenance of the City's existing infrastructure.

During the current fiscal year, the unassigned fund balance in the general fund was \$18,645,994. The City has appropriated \$9,057,588 of this amount for spending in the 2017-2018 fiscal year budgets. This action was taken as an additional measure to mitigate the impact of the slow economic recovery on the 2017-2018 fiscal year budgets.

REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 201 SE 3rd Street, Ocala, Florida 34471, or telephone (352) 629-2489.

CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Activities	Business Type Activities	Total
Assets			
Cash with fiscal agent	\$ 2,467,207	\$ 8,172,352	\$ 10,639,559
Cash and investments	419,417	39,830	459,247
Equity In pooled cash and investment fund	78,799,709	132,505,285	211,304,994
Receivables-net of allowance for uncollectibles	3,158,238	23,450,720	26,608,958
Accrued interest receivable	263,397	364,166	627,563
Internal balances	1,688,235	(1,688,235)	-
Due from other governments	5,060,241	5,903,639	10,963,880
Prepays	1,126,251	248,776	1,375,027
Inventories	98,057	7,997,075	8,095,132
Capital assets not being depreciated:			
Land	25,302,595	23,915,794	49,218,389
Construction in progress	3,148,962	11,626,933	14,775,895
Capital assets, net of accumulated depreciation:			
Buildings	11,326,262	10,409,091	21,735,353
Improvements other than buildings	19,643,001	281,570,449	301,213,450
Machinery and equipment	21,338,725	6,247,326	27,586,051
Intangibles	1,562,214	1,592,524	3,154,738
Infrastructure	88,355,731	-	88,355,731
Total assets	<u>263,758,242</u>	<u>512,355,725</u>	<u>776,113,967</u>
Deferred outflows of resources			
Deferred outflows pension related	25,148,408	13,067,540	38,215,948
Deferred outflows from debt refunding	1,855,725	5,708,087	7,563,812
Total deferred outflows of resources	<u>27,004,133</u>	<u>18,775,627</u>	<u>45,779,760</u>
Liabilities			
Accounts payable and accrued liabilities	6,338,980	16,886,276	23,225,256
Contract retainage	130,682	304,150	434,832
Accrued interest payable	383,805	1,907,554	2,291,359
Unearned revenue	382,482	1,345,794	1,728,276
Escrow and deposits	1,368,732	-	1,368,732
Other liabilities	-	8,756,587	8,756,587
Noncurrent liabilities:			
Net pension liability	77,684,249	43,335,126	121,019,375
Due within one year	7,302,640	8,437,062	15,739,702
Due in more than one year	37,915,628	130,416,652	168,332,280
Total liabilities	<u>131,507,198</u>	<u>211,389,201</u>	<u>342,896,399</u>
Deferred inflows of resources			
Deferred inflows from debt refunding	68,934	300,530	369,464
Deferred inflows pension related	5,592,911	1,608,490	7,201,401
Regulatory liability-rate stabilization	-	32,838,467	32,838,467
Total deferred inflows of resources	<u>5,661,845</u>	<u>34,747,487</u>	<u>40,409,332</u>
Net Position			
Net invested in capital assets	142,579,197	205,989,676	348,568,873
Restricted for:			
Transportation	2,998,622	-	2,998,622
Capital projects	4,389,049	27,270,958	31,660,007
Debt service	2,405,000	6,376,500	8,781,500
Development district improvements	2,037,198	-	2,037,198
Public safety	1,351,750	-	1,351,750
Grants	530,326	-	530,326
Unrestricted	(2,697,810)	45,357,530	42,659,720
Total net position	<u>\$ 153,593,332</u>	<u>\$ 284,994,664</u>	<u>\$ 438,587,996</u>

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

**CITY OF OCALA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 15,103,102	\$ 13,247,342	\$ 1,464,785	\$ -
Public safety	42,095,725	9,790,569	727,005	-
Physical environment	6,413,857	442	-	1,707,662
Transportation	18,046,664	-	1,010,836	-
Economic environment	1,182,204	103,597	734,723	-
Human services	5,113	-	-	-
Culture and recreation	8,747,638	547,225	3,842	-
Interest on long term debt	863,436	-	-	-
Total governmental activities	92,457,740	23,689,175	3,941,191	1,707,662
Business-type activities:				
Electric	144,857,424	149,362,971	-	586,907
Water and sewer	32,970,648	28,841,424	-	4,413,671
Sanitation	9,271,356	11,235,445	-	4,493
Municipal golf courses	1,999,735	1,456,241	-	-
International airport	1,829,899	1,103,267	-	385,200
Fiber Network	3,315,091	4,095,942	-	-
Suntran	3,118,029	420,010	2,739,807	-
Total business-type activities	\$ 197,362,182	\$ 196,515,300	\$ 2,739,807	\$ 5,390,271

General Revenues:

Property tax
Utility service tax
Communication tax
Local option gas tax
Infrastructure sales tax
Other tax
State shared revenues
Investment income
Miscellaneous

Transfers

Transfers

Total general revenues and transfers

Change In net position

Net position - October 1, restated

Net position - September 30

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

Net (Expense) Revenue and Change In Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (390,975)	\$ -	\$ (390,975)
(31,578,151)	-	(31,578,151)
(4,705,753)	-	(4,705,753)
(17,035,828)	-	(17,035,828)
(343,884)	-	(343,884)
(5,113)	-	(5,113)
(8,196,571)	-	(8,196,571)
(863,436)	-	(863,436)
<u>(63,119,712)</u>	<u>-</u>	<u>(63,119,712)</u>
-	5,092,454	5,092,454
-	284,447	284,447
-	1,968,582	1,968,582
-	(543,494)	(543,494)
-	(341,432)	(341,432)
-	780,851	780,851
-	41,788	41,788
<u>-</u>	<u>7,283,196</u>	<u>7,283,196</u>
26,579,539	-	26,579,539
9,083,731	-	9,083,731
2,467,314	-	2,467,314
3,523,965	-	3,523,965
4,780,395	-	4,780,395
1,391,683	-	1,391,683
6,194,657	-	6,194,657
438,878	665,920	1,104,798
654,463	-	654,463
<u>14,804,493</u>	<u>(14,804,493)</u>	<u>-</u>
<u>69,919,118</u>	<u>(14,138,573)</u>	<u>55,780,545</u>
6,799,406	(6,855,377)	(55,971)
<u>146,793,926</u>	<u>291,850,041</u>	<u>438,643,967</u>
<u>\$ 153,593,332</u>	<u>\$ 284,994,664</u>	<u>\$ 438,587,996</u>

**CITY OF OCALA, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Community Redevelopment Agency (CRA) Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash with fiscal agent	\$ -	\$ -	\$ 2,467,207	\$ 2,467,207
Cash and investments	419,417	-	-	419,417
Equity In pooled cash and investment fund	33,717,387	1,900,860	12,521,359	48,139,606
Receivables-net of allowance for uncollectibles	939,894	-	1,247,486	2,187,380
Accrued interest receivable	112,737	6,255	39,300	158,292
Due from other funds	1,688,235	-	-	1,688,235
Due from other governments	3,580,902	-	1,479,339	5,060,241
Prepays	1,049,723	-	1,920	1,051,643
Inventories	98,057	-	-	98,057
Accrued unbilled revenues	970,858	-	-	970,858
Total assets	<u>42,577,210</u>	<u>1,907,115</u>	<u>17,756,611</u>	<u>62,240,936</u>
Liabilities:				
Accounts payable and accrued liabilities	4,644,015	82,652	650,750	5,377,417
Unearned revenue	381,102	-	-	381,102
Retainage on contracts	74,504	-	56,176	130,680
Escrow and deposits	360,667	-	1,008,065	1,368,732
Total liabilities	<u>5,460,288</u>	<u>82,652</u>	<u>1,714,991</u>	<u>7,257,931</u>
Deferred Inflows of Resources				
Deferred inflows from future revenues	98,695	-	70,055	168,750
Total deferred inflows of resources	<u>98,695</u>	<u>-</u>	<u>70,055</u>	<u>168,750</u>
Fund Balances:				
Nonspendable	1,147,780	-	-	1,147,780
Restricted	1,573,949	1,824,463	10,783,703	14,182,115
Committed	1,545,781	-	5,187,862	6,733,643
Assigned	14,105,173	-	-	14,105,173
Unassigned	18,645,544	-	-	18,645,544
Total fund balances	<u>37,018,227</u>	<u>1,824,463</u>	<u>15,971,565</u>	<u>54,814,255</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,577,210</u>	<u>\$ 1,907,115</u>	<u>\$ 17,756,611</u>	<u>\$ 62,240,936</u>

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

**CITY OF OCALA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017**

Total fund balances of governmental funds \$ 54,814,255

Amounts reported for governmental activities in the statement of net position 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 \$419,516,518 and the accumulated depreciation is \$265,858,243. 153,658,275

The pension liability is a liability for the government-wide statement of net position. A pension liability is not considered to represent a financial liability and, therefore, is not reported in the governmental funds.

Net Pension Liability General Employees Plan	(45,170,029)
Net Pension Liability Police Plan	(21,069,796)
Net Pension Liability Fire Plan	(11,444,424)
Deferred outflows of resources related to pensions	25,148,408
Deferred inflows of resources related to pensions	(5,592,911)

The internal service funds are used by management to charge the costs of fleet, facilities, information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 39,355,093

Other long-term assets are not available to pay for current period expenditures and therefore, are reported as deferred inflows of unavailable revenue and receivable in the funds. 168,750

Long term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long term are reported in the Statement of Net Position. Long term liabilities at year end consist of:

Bonds payable	(29,820,000)
Unamortized (gain)loss on refunding (to be amortized as interest expense).	1,786,791
Accrued interest payable	(383,805)
Compensated absences	(5,323,382)
OPEB liability payable	(2,533,893)
	<u>(29,820,000)</u>

Net position of governmental activities \$ 153,593,332

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

**CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	CRA Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property tax	\$ 26,213,160	\$ 293,107	\$ 73,272	\$ 26,579,539
Utility service tax	9,083,731	-	-	9,083,731
Communication service tax	2,467,314	-	-	2,467,314
Local option gas tax	-	-	3,523,965	3,523,965
Infrastructure sales surtax	-	-	4,780,395	4,780,395
Other tax	1,391,683	-	-	1,391,683
State shared revenues	6,194,657	-	-	6,194,657
Other intergovernmental revenues	3,045,097	-	2,603,755	5,648,852
Permits and fees	2,860,444	-	-	2,860,444
Fines and forfeitures	790,722	-	-	790,722
Charges for services	14,509,918	-	5,528,091	20,038,009
Investment income	205,808	12,625	56,801	275,234
Miscellaneous	624,041	4,800	108,969	737,810
Total revenues	<u>67,386,575</u>	<u>310,532</u>	<u>16,675,248</u>	<u>84,372,355</u>
Expenditures				
Current:				
General government	14,998,495	-	-	14,998,495
Public safety	43,692,227	-	-	43,692,227
Physical environment	-	-	5,065,131	5,065,131
Transportation	6,175,901	-	4,132,012	10,307,913
Economic environment	690,577	320,031	214,742	1,225,350
Culture and recreation	8,112,809	-	-	8,112,809
Capital outlay	3,797,250	375,000	3,016,854	7,189,104
Debt service:				
Principal payments	-	-	2,380,000	2,380,000
Interest and fees	-	-	783,863	783,863
Total expenditures	<u>77,467,259</u>	<u>695,031</u>	<u>15,592,602</u>	<u>93,754,892</u>
Excess (deficiency) of revenues over expenditures	<u>(10,080,684)</u>	<u>(384,499)</u>	<u>1,082,646</u>	<u>(9,382,537)</u>
Other financing sources (uses)				
Transfers in	15,131,241	530,129	3,429,667	19,091,037
Transfers out	(8,846,186)	-	(512,920)	(9,359,106)
Total other financing sources (uses)	<u>6,285,055</u>	<u>530,129</u>	<u>2,916,747</u>	<u>9,731,931</u>
Net change in fund balances	<u>(3,795,629)</u>	<u>145,630</u>	<u>3,999,393</u>	<u>349,394</u>
Fund balances - October 1	<u>40,813,856</u>	<u>1,678,833</u>	<u>11,972,172</u>	<u>54,464,861</u>
Fund balances - September 30	<u>\$ 37,018,227</u>	<u>\$ 1,824,463</u>	<u>\$ 15,971,565</u>	<u>\$ 54,814,255</u>

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

**CITY OF OCALA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 349,394

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$7,189,104 (net of disposals \$16,241) exceeded depreciation expense of \$10,429,514. (3,224,169)

The issuance of bonds and similar long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts of the items that make up these differences in treatment of long term debt and related items are:

Principal repayments	
Bonds and Certificates	2,380,000
Amortization of bond discount, premium, and deferred amounts on refundings	(66,462)

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

Compensated absences	(156,879)
Accrued interest on long term debt	(9,577)
OPEB liability payable	(266,821)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense. 4,290,894

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (83,347)

The internal service funds are used by management to charge the costs of fleet, facilities, information technology and risk management to individual funds. The net income(expense) of the internal services funds is reported with governmental activities. 3,586,373

Change in net position of governmental activities \$ 6,799,406

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

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Assets				
Current Assets:				
Cash with fiscal agent	\$ 3,355,743	\$ 4,816,609	\$ -	\$ -
Cash and investments	2,900	-	-	36,930
Equity in pooled cash and investment fund	34,153,121	24,931,520	7,900,501	178,702
Restricted assets available for current liabilities	4,491,243	5,642,221	-	-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts and notes	11,029,251	1,524,975	591,747	521,266
Accrued interest	219,439	81,914	25,860	1,007
Unbilled revenues	7,460,982	1,343,960	600,708	-
Prepays	223,032	1,111	-	14,780
Inventories	6,138,119	1,272,269	-	54,296
Due from other governments	2,240,196	1,469,538	77,209	-
Total current assets	69,314,026	41,084,117	9,196,025	806,981
Noncurrent Assets:				
Restricted Assets:				
Equity in pooled cash and investment fund:				
Construction accounts	6,796,164	10,689,424	-	-
Debt service accounts		111,702	-	-
Impact fee accounts		5,664,757	-	-
Rate stabilization	32,838,467		-	-
Renewal and replacement	2,457,870	1,644,102	-	-
Accrued interest receivable:				
Impact fee accounts	-	18,641	-	-
Less: Portion classified as current	(4,491,243)	(5,642,221)	-	-
Total restricted assets	37,601,258	12,486,405	-	-
Capital assets, net:				
Land	6,481,665	11,166,385	-	357,343
Buildings	3,531,730	1,469,856	408,380	273,584
Improvements other than buildings	97,819,319	166,506,202	-	901,540
Machinery and equipment	2,496,501	704,621	851,726	22,772
Intangible assets	1,395,407	172,954	-	-
Construction in process	4,079,970	6,309,970	-	-
Total capital assets (net)	115,804,592	186,329,988	1,260,106	1,555,239
Total noncurrent assets	153,405,850	198,816,393	1,260,106	1,555,239
Total assets	\$ 222,719,876	\$ 239,900,510	\$ 10,456,131	\$ 2,362,220
Deferred outflows of resources:				
Deferred amount on debt refunding	2,041,680	3,666,407		-
Deferred amount pension related	8,662,374	2,014,355	1,881,677	-
Total deferred outflows of resources	\$ 10,704,054	\$ 5,680,762	\$ 1,881,677	\$ -

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Ocala Fiber Network	SunTran	Total	ACTIVITIES Internal Service Funds
\$ -	\$ -	\$ -	\$ 8,172,352	\$ -
-	-	-	39,830	-
933,239	4,205,716	-	72,302,799	30,660,103
-	-	-	10,133,464	-
84,208	169,273	-	13,920,720	-
3,465	13,840	-	345,525	105,105
-	124,350	-	9,530,000	-
220	9,633	-	248,776	74,608
-	532,391	-	7,997,075	-
162,776	70,186	1,883,734	5,903,639	-
<u>1,183,908</u>	<u>5,125,389</u>	<u>1,883,734</u>	<u>128,594,180</u>	<u>30,839,816</u>
-	-	-	17,485,588	-
-	-	-	111,702	-
-	-	-	5,664,757	-
-	-	-	32,838,467	-
-	-	-	4,101,972	-
-	-	-	18,641	-
-	-	-	(10,133,464)	-
-	-	-	<u>50,087,663</u>	-
5,910,401	-	-	23,915,794	-
3,540,856	-	1,184,685	10,409,091	108,073
11,843,308	4,500,080	-	281,570,449	205,883
67,193	428,350	1,676,163	6,247,326	16,294,725
-	24,163	-	1,592,524	410,532
467,161	769,832	-	11,626,933	-
<u>21,828,919</u>	<u>5,722,425</u>	<u>2,860,848</u>	<u>335,362,117</u>	<u>17,019,213</u>
<u>21,828,919</u>	<u>5,722,425</u>	<u>2,860,848</u>	<u>385,449,780</u>	<u>17,019,213</u>
\$ 23,012,827	\$ 10,847,814	\$ 4,744,582	\$ 514,043,960	\$ 47,859,029
-	-	-	5,708,087	-
50,607	458,527	-	13,067,540	-
<u>\$ 50,607</u>	<u>\$ 458,527</u>	<u>\$ -</u>	<u>\$ 18,775,627</u>	<u>\$ -</u>

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Liabilities				
Current Liabilities:				
Payable from unrestricted assets:				
Accounts payable and accrued liabilities	\$ 12,330,571	\$ 615,003	\$ 728,850	\$ 674,691
Contract retainage	70,779	226,019	-	-
Claims payable	-	-	-	-
Compensated absences payable	1,422,660	327,535	192,896	-
Due to other funds	-	-	-	-
Customer deposits	8,653,118	-	-	7,969
Capital lease payable	-	-	-	-
Unearned revenue	1,178,013	128,881	-	33,900
Total current liabilities payable from unrestricted assets	<u>23,655,141</u>	<u>1,297,438</u>	<u>921,746</u>	<u>716,560</u>
Payable from restricted assets:				
Accounts payable and accrued liabilities	1,135,500	715,410	-	-
Accrued interest payable	837,593	1,069,961	-	-
Revenue bonds payable within one year	2,518,150	3,856,850	-	-
Total current liabilities payable from restricted assets	<u>4,491,243</u>	<u>5,642,221</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>28,146,384</u>	<u>6,939,659</u>	<u>921,746</u>	<u>716,560</u>
Noncurrent Liabilities:				
Claims payable	-	-	-	-
Compensated absences payable	342,112	209,246	217,666	-
Capital lease payable	-	-	-	-
OPEB obligation payable	609,497	293,761	250,071	-
Net pension liability	27,766,043	7,638,191	6,461,362	-
Revenue bonds and notes payable after one year	51,857,700	76,547,300	-	-
Total noncurrent liabilities	<u>80,575,352</u>	<u>84,688,498</u>	<u>6,929,099</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred amount on debt refunding	-	300,530	-	-
Deferred inflows pension related	1,059,879	259,296	224,526	-
Regulatory liability-rate stabilization	32,838,467	-	-	-
Total deferred inflows of resources	<u>33,898,346</u>	<u>559,826</u>	<u>224,526</u>	<u>-</u>
Net Position				
Net investment in capital assets	63,470,424	109,291,715	1,260,106	1,555,239
Restricted for debt service	2,518,150	3,858,350	-	-
Restricted for capital projects	9,254,034	18,016,924	-	-
Unrestricted (accumulated deficit)	15,561,240	22,226,300	3,002,331	90,421
Total net position	<u>\$ 90,803,848</u>	<u>\$ 153,393,289</u>	<u>\$ 4,262,437</u>	<u>\$ 1,645,660</u>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Ocala Fiber Network	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 75,234	\$ 238,607	\$ 372,410	\$ 15,035,366	\$ 961,563
-	-	7,352	304,150	-
41,559	77,412	-	2,062,062	1,819,300
95,500	-	1,688,235	1,688,235	-
-	-	-	8,756,587	-
-	-	-	-	65,084
-	-	5,000	1,345,794	1,380
<u>212,293</u>	<u>316,019</u>	<u>2,072,997</u>	<u>29,192,194</u>	<u>2,847,327</u>
-	-	-	1,850,910	-
-	-	-	1,907,554	-
-	-	-	6,375,000	-
-	-	-	10,133,464	-
<u>212,293</u>	<u>316,019</u>	<u>2,072,997</u>	<u>39,325,658</u>	<u>2,847,327</u>
-	-	-	-	5,656,609
11,938	23,197	-	804,159	-
22,035	32,129	-	-	-
66,384	1,403,146	-	1,207,493	-
-	-	-	43,335,126	-
-	-	-	128,405,000	-
<u>100,357</u>	<u>1,458,472</u>	<u>-</u>	<u>173,751,778</u>	<u>5,656,609</u>
-	-	-	300,530	-
4,010	60,779	-	1,608,490	-
-	-	-	32,838,467	-
<u>4,010</u>	<u>60,779</u>	<u>-</u>	<u>34,747,487</u>	<u>-</u>
21,828,919	5,722,425	2,860,848	205,989,676	16,954,129
-	-	-	6,376,500	-
-	-	-	27,270,958	-
917,855	3,748,646	(189,263)	45,357,530	22,400,964
<u>\$ 22,746,774</u>	<u>\$ 9,471,071</u>	<u>\$ 2,671,585</u>	<u>\$ 284,994,664</u>	<u>\$ 39,355,093</u>

CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Operating Revenues:				
Charges for services	\$ 146,150,584	\$ 28,643,163	\$ 11,195,929	\$ 1,456,241
Other	3,212,387	198,261	39,516	-
Total operating revenues	149,362,971	28,841,424	11,235,445	1,456,241
Operating Expenses:				
Purchase of electricity	102,759,702	-	-	-
Distribution	11,611,148	4,956,679	-	-
Operation and maintenance	3,336,864	-	5,473,331	49,038
Water and sewer treatment	-	6,651,208	-	-
Sewer collection	-	2,952,023	-	-
Internal service	-	-	-	-
Administration	13,836,766	4,718,272	3,687,316	1,504,559
Depreciation	8,202,393	10,787,408	110,709	446,138
Other	3,302,781	-	-	-
Total operating expenses	143,049,654	30,065,590	9,271,356	1,999,735
Operating income (loss)	6,313,317	(1,224,166)	1,964,089	(543,494)
Non-Operating Revenues (Expenses):				
Investment income	426,484	166,953	40,109	1,179
Interest expense	(1,807,770)	(2,897,584)	-	-
Amortization of bond discounts/premiums	-	(7,474)	-	-
Other non-operating revenue	-	-	-	-
Total non-operating revenues (expenses)	(1,381,286)	(2,738,105)	40,109	1,179
Income (loss) before capital contributions and transfers	4,932,031	(3,962,271)	2,004,198	(542,315)
Capital Contributions	586,907	4,413,671	4,493	-
Transfers:				
Transfers in	746,141	135,474	41,831	574,161
Transfers out	(13,543,915)	(2,505,021)	(156,224)	(173,000)
Total transfers	(12,797,774)	(2,369,547)	(114,393)	401,161
Change in net position	(7,278,836)	(1,918,147)	1,894,298	(141,154)
Net position - October 1	98,082,684	\$ 155,311,436	\$ 2,368,139	\$ 1,786,814
Net position - September 30	\$ 90,803,848	\$ 153,393,289	\$ 4,262,437	\$ 1,645,660

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Ocala Fiber Network	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 1,094,208	\$ 4,024,847	\$ 384,897	\$ 192,949,869	\$ 12,488,065
9,059	71,095	35,113	3,565,431	813,177
<u>1,103,267</u>	<u>4,095,942</u>	<u>420,010</u>	<u>196,515,300</u>	<u>13,301,242</u>
-	-	-	102,759,702	-
-	-	-	16,567,827	-
309,660	1,949,234	2,853,232	13,971,359	-
-	-	-	6,651,208	-
-	-	-	2,952,023	-
-	-	-	-	12,273,176
512,663	820,127	-	25,079,703	-
1,007,576	545,730	264,797	21,364,751	2,674,365
-	-	-	3,302,781	-
<u>1,829,899</u>	<u>3,315,091</u>	<u>3,118,029</u>	<u>192,649,354</u>	<u>14,947,541</u>
<u>(726,632)</u>	<u>780,851</u>	<u>(2,698,019)</u>	<u>3,865,946</u>	<u>(1,646,299)</u>
5,313	25,882	-	665,920	163,644
-	-	-	(4,705,354)	(3,534)
-	-	-	(7,474)	-
-	-	2,739,807	2,739,807	-
<u>5,313</u>	<u>25,882</u>	<u>2,739,807</u>	<u>(1,307,101)</u>	<u>160,110</u>
<u>(721,319)</u>	<u>806,733</u>	<u>41,788</u>	<u>2,558,845</u>	<u>(1,486,189)</u>
<u>385,200</u>	<u>-</u>	<u>-</u>	<u>5,390,271</u>	<u>-</u>
-	-	337,912	1,835,519	7,024,351
<u>(38,744)</u>	<u>(223,108)</u>	<u>-</u>	<u>(16,640,012)</u>	<u>(1,951,789)</u>
<u>(38,744)</u>	<u>(223,108)</u>	<u>337,912</u>	<u>(14,804,493)</u>	<u>5,072,562</u>
<u>(374,863)</u>	<u>583,625</u>	<u>379,700</u>	<u>(6,855,377)</u>	<u>3,586,373</u>
<u>\$ 23,121,637</u>	<u>\$ 8,887,446</u>	<u>\$ 2,291,885</u>	<u>291,850,041</u>	<u>35,768,720</u>
<u>\$ 22,746,774</u>	<u>\$ 9,471,071</u>	<u>\$ 2,671,585</u>	<u>\$ 284,994,664</u>	<u>\$ 39,355,093</u>

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Cash Flows from Operating Activities:				
Cash received from customers	\$ 146,041,416	\$ 28,279,348	\$ 11,037,106	\$ 1,456,430
Cash paid to suppliers for goods and services	(121,025,550)	(12,121,935)	(5,022,558)	(1,664,424)
Cash received from other funds	-	-	-	-
Cash paid to employees for services	(19,043,615)	(7,116,450)	(4,021,923)	-
Net cash provided by (used in) operating activities	<u>5,972,251</u>	<u>9,040,963</u>	<u>1,992,625</u>	<u>(207,994)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	746,141	135,474	41,831	574,161
Transfers out	(13,543,915)	(2,505,021)	(156,224)	(173,000)
Cash receipts from other funds	-	-	-	-
Operating grants	-	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>(12,797,774)</u>	<u>(2,369,547)</u>	<u>(114,393)</u>	<u>401,161</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on bonds and notes	(2,424,550)	(3,855,450)	-	-
Proceeds from refunding debt	-	18,565,000	-	-
Payment to refunding bond agent	-	(18,460,000)	-	-
Interest paid on bonds and notes	(1,722,707)	(3,217,921)	-	-
Bond issuance costs	-	(69,505)	-	-
Proceeds from sale of capital assets	-	-	-	-
Acquisition and construction of capital assets	(5,795,168)	(3,541,586)	(222,524)	-
Contributions received from other governments and developers	586,907	4,413,671	4,493	-
Net cash provided by (used in) capital and related financing activities	<u>(9,355,518)</u>	<u>(6,165,791)</u>	<u>(218,031)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Investment income	411,539	128,588	29,295	1,177
Net cash provided by investing activities	<u>411,539</u>	<u>128,588</u>	<u>29,295</u>	<u>1,177</u>
Net increase (decrease) in cash and cash equivalents	(15,769,502)	634,213	1,689,496	194,344
Cash and cash equivalents, beginning	<u>95,373,767</u>	<u>\$ 47,223,901</u>	<u>\$ 6,211,005</u>	<u>\$ 21,288</u>
Cash and cash equivalents, ending	<u>\$ 79,604,265</u>	<u>\$ 47,858,114</u>	<u>\$ 7,900,501</u>	<u>\$ 215,632</u>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Ocala Fiber Network	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 1,074,988	\$ 4,026,857	\$ 118,299	\$ 192,034,444	\$ 13,302,622
(255,270)	(1,576,986)	(3,313,797)	(144,980,520)	(12,620,383)
-	(70,186)	-	(70,186)	-
(502,956)	(1,412,465)	(65,035)	(32,162,444)	-
<u>316,762</u>	<u>967,220</u>	<u>(3,260,533)</u>	<u>14,821,294</u>	<u>682,239</u>
-	-	337,912	1,835,519	7,024,351
(38,744)	(223,108)	-	(16,640,012)	(1,951,789)
-	-	827,028	827,028	-
-	-	2,739,807	2,739,807	-
<u>(38,744)</u>	<u>(223,108)</u>	<u>3,904,747</u>	<u>(11,237,658)</u>	<u>5,072,562</u>
-	-	-	(6,280,000)	(55,864)
-	-	-	18,565,000	-
-	-	-	(18,460,000)	-
-	-	-	(4,940,628)	(3,534)
-	-	-	(69,505)	-
-	-	-	-	115,335
(455,142)	(1,537,784)	(644,214)	(12,196,418)	(3,777,037)
<u>394,956</u>	<u>-</u>	<u>-</u>	<u>5,400,027</u>	<u>-</u>
<u>(60,186)</u>	<u>(1,537,784)</u>	<u>(644,214)</u>	<u>(17,981,524)</u>	<u>(3,721,100)</u>
3,899	24,489	-	598,987	127,139
<u>3,899</u>	<u>24,489</u>	<u>-</u>	<u>598,987</u>	<u>127,139</u>
221,731	(769,183)	-	(13,798,901)	2,160,840
\$ 711,508	\$ 4,974,899	\$ -	154,516,368	28,499,263
\$ 933,239	\$ 4,205,716	\$ -	\$ 140,717,467	\$ 30,660,103

(Continued)

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Total current cash and investments per the balance sheet	\$ 37,511,764	\$ 29,748,129	\$ 7,900,501	\$ 215,632
Total noncurrent cash and investments per the balance sheet	<u>42,092,501</u>	<u>18,109,985</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>79,604,265</u></u>	<u><u>47,858,114</u></u>	<u><u>7,900,501</u></u>	<u><u>215,632</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	6,313,317	(1,224,166)	1,964,089	(543,494)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation & amortization	8,202,393	10,787,408	110,709	446,138
(Increase) decrease in assets and deferred outflow of resources:				
Accounts and notes receivable	(800,992)	(86,625)	(65,884)	(41,680)
Accrued unbilled revenue	(202,016)	(16,130)	(109,743)	-
Due from other funds				
Inventories	(648,931)	(76,047)	-	19,003
Due from other governments	(2,064,699)	(459,321)	(22,712)	-
Other current assets	43,249	(913)	-	(136)
Deferred outflow of resources	(527,104)	(152,636)	(186,075)	-
Increase (decrease) in liabilities and deferred inflow of resources:				
Accounts payable	(3,568,026)	438,735	450,773	(129,694)
Compensated absences payable	(74,404)	(95,852)	(68,482)	-
OPEB obligation payable	61,872	30,936	15,468	-
Net pension liability	(1,004,915)	(206,345)	(188,743)	-
Deferred inflow of resources	(1,157,108)	101,919	93,225	-
Deferred Outflow of resources				
Customer deposits	<u>1,399,615</u>	<u>-</u>	<u>-</u>	<u>41,869</u>
Net cash provided by (used in) operating activities	<u><u>\$ 5,972,251</u></u>	<u><u>\$ 9,040,963</u></u>	<u><u>\$ 1,992,625</u></u>	<u><u>\$ (207,994)</u></u>
Noncash Capital and Related Financing Activities:				
Plant and equipment contributed by developers	<u>\$ -</u>	<u>\$ 14,170</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Ocala Fiber Network</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES</u> <u>Internal Service Funds</u>
\$ 933,239	\$ 4,205,716	\$ -	\$ 80,514,981	\$ 30,660,103
-	-	-	60,202,486	-
<u>933,239</u>	<u>4,205,716</u>	<u>-</u>	<u>140,717,467</u>	<u>30,660,103</u>
(726,632)	780,851	(2,698,019)	3,865,946	(1,646,299)
1,007,576	545,730	264,797	21,364,751	2,674,365
(28,279)	(49,362)	-	(1,072,822)	1,380
-	(19,723)	-	(347,612)	-
-	(335,538)	-	-	-
-	(70,186)	(306,711)	(1,041,513)	-
-	382	-	(2,923,629)	-
(160)	13,426	-	42,582	(74,608)
-	-	-	(852,549)	-
54,390	179,223	(519,793)	(3,094,392)	(272,599)
9,776	8,333	(807)	(3,094,392)	-
3,867	7,734	-	(221,436)	-
(6,228)	(65,532)	-	119,877	-
2,452	(28,118)	-	(1,471,763)	-
-	-	-	(987,630)	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,441,484</u>	<u>-</u>
<u>\$ 316,762</u>	<u>\$ 967,220</u>	<u>\$ (3,260,533)</u>	<u>\$ 14,821,294</u>	<u>\$ 682,239</u>
\$ -	\$ -	\$ -	\$ 14,170	\$ -

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

	PENSION TRUST FUNDS
Assets	
Cash and cash equivalents	\$ 5,751,184
Receivables:	
Interest and dividends receivable	210,914
Accounts receivable	1,385,882
Total receivables	<u>1,596,796</u>
Investments, at fair value	263,128,566
Total investments	<u>263,128,566</u>
Total assets	<u>270,476,546</u>
Liabilities	
Accounts payable	367,775
Total liabilities	<u>367,775</u>
Net Position	
Restricted for pensions	<u>\$ 270,108,771</u>

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

**CITY OF OCALA, FLORIDA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	PENSION TRUST FUNDS
Additions	
Contributions:	
Employer	\$ 20,330,191
State	964,642
Employee	2,074,902
Total contributions	<u>23,369,735</u>
Investment income:	
Investment gain	28,049,538
Less: Investment management fees	<u>(1,252,858)</u>
Net investment gain	<u>26,796,680</u>
Total additions	<u>50,166,415</u>
Deductions	
Pension payments	22,053,741
Refunds to employees	200,681
Administration	382,550
Total deductions	<u>22,636,972</u>
Change in net position	27,529,443
Net position - beginning	<u>242,579,328</u>
Net position - ending	<u><u>\$ 270,108,771</u></u>

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



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**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ocala (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these policies are described below.

A. Reporting Entity

The City of Ocala, Florida (the “City”) operates under a council-manager form of government, including a six-member City Council comprised of a Mayor (elected at large) and five district Councilmen and provides the following services as authorized by its charter: public safety, public works, public utilities, culture, recreation and community development. The City of Ocala, Florida was created pursuant to the Laws of Florida, Chapter 67-1782.

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, be includable within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) can impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Management determined that the Community Redevelopment Agency is the only organization that should be included in the City’s financial statements as a component unit.

Blended Component Unit

The Community Redevelopment Agency (CRA) was created pursuant to Chapter 163.356, Florida Statutes, City Ordinance 2009 and City Resolutions 88-37, 88-52 and 89-44. The City Council approved revised Ordinance 2016-2, resolutions 2016-1 and 2016-4 establishing two additional CRA subareas. The City Council serves as the CRA Board and the City has operational responsibility for all the CRAs. Although legally separate, the CRAs are appropriately blended as governmental fund type component units into the primary government. The CRAs are presented as major governmental funds.

The Ocala Downtown Development District (DDD) was created under the laws of Florida, Chapter 67-1782, and Ordinance No. 266 of the City of Ocala. The Governing Board is appointed by the Ocala City Council and, therefore, the City exercises significant influence over its operations and fiscal management. The DDD is considered a component unit for financial reporting purposes and is included as a blended special revenue fund.

The City includes advisory boards and commission within the City in its financial statements in circumstances where the City selects the governing authority, designates management, has the ability to influence operations, and has accountability for fiscal matters of the advisory boards and commissions.

Related Organizations

The following entity is not included in the accompanying financial statements:

Ocala Housing Authority (OHA) – Although the City is responsible for appointing the OHA’s board, the City does not exercise the other prerequisites for inclusion as a component unit. The City’s accountability for this organization does not extend beyond making these appointments. The OHA was established in 1973 and is funded primarily by the United States Department of Housing and Urban Development. The OHA service area is Marion County. The OHA currently provides financial assistance through its Housing Choice Voucher (HCV) Program (Section 8) for low-income families, seniors and person with disabilities. The HCV program provides

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

rental subsidies for eligible families, via direct monthly payments for private landlords who rent units throughout Marion County. A significant number of these units are located in the unincorporated areas of the county.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Positions and the Statement of Activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

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

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds

Proprietary Funds are used to account for the City's ongoing activities which are similar to those often found in the private business sector. The following are the City's proprietary fund types:

- Enterprise Funds
- Internal Service Fund

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's fiduciary fund type includes:

- Pension Trust Funds

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and pension trust funds within the fiduciary 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the period. Measurable refers to the ability to quantify in monetary terms the amount of the revenue and receivable. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities at the balance sheet date. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as substantially all eligibility requirements imposed by the provider have been met. Transfers are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on long term-debt. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Material revenues are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period. Interest and investment income earnings are recognized when earned and allocated monthly based on each fund's equity in the pool. Some governmental fund revenues are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

Accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major governmental funds are combined in a single column in the fund financial statements and detailed in the combining statements section.

The City reports two major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources traditionally associated with general governments except those required to be accounted for in another fund.

The Downtown CRA Fund is the Community Redevelopment Agency Trust Fund. It is used to account for receipts and transfers of the tax increment fees collected for improving and redeveloping the downtown area including the magnolia area.

The City reports seven major proprietary funds:

The Electric System Fund accounts for the construction, operation and maintenance of the City-owned electric system as well as sales of electricity and other services to the general public. Electricity rates charged to customers are set by the City Council within the rate structure established (guidelines are approved) by the Florida Public Service Commission.

The Water and Sewer System Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water, along with the collection, treatment and disposal of sewage waste with the City. The maintenance and improvement of the utility plant required to provide these goods and services are financed primarily from user charges.

The Sanitation Fund accounts for the operations and maintenance of the City's refuse collection system.

The Municipal Golf Course Fund accounts for the construction, operations and maintenance of the City's golf course.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Ocala International Airport Fund accounts for the construction, operations and maintenance of the City's airport and the Foreign Trade Zone #217.

The Ocala Fiber Network Fund (Formally known as Ocala Telecommunications Fund) accounts for the construction, operations and maintenance of the City's broadband communications (fiber optics) network.

The SunTran Fund accounts for the operations and maintenance of the regional mass transit system that began operations during 1999.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are charges to customers for sales and services. The City's internal service funds related to general insurance and fleet, facilities and information technology management record operating revenue from the charges to other funds for services. For the internal service fund related to health insurance, the principal operating revenues are employer and employee contributions. Operating expense for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, depreciation on capital assets, and benefits paid. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Additionally, the City reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Internal Service Funds account for the activities of the City's risk management and fleet, facilities and information technology management. The City's risk management program includes amounts collected and the claims paid for workers' compensation, property, general liability, health, dental and prescription medicine self-insurance. The fleet and facilities management fund is charged with acquiring and maintaining approximately 1,400 units of fuel-driven vehicles and equipment, as well as approximately 100 facilities. Information technology management covers the entire City's operations.

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance

1. Cash & Cash Equivalents

The City has defined Cash and Cash Equivalents to include cash on hand, demand deposits and cash with fiscal agents. Investments with original maturities of three months or less are considered to be cash equivalents.

2. Equity in Pooled Cash and Investments

The City maintains a pooled cash investment fund which allows the various funds of the City to pool monies for investment purposes. The City maintains records to identify the equity of each fund investing in the pool as well as amounts borrowed from the pool. Investment earnings of the pool are recorded as earned and are allocated to the participating funds based on the respective fund's equity in the pool at the end of each month.

All investments are stated at fair value based on quoted market prices at the end of the fiscal year. Income from other investments owned by the individual funds is recorded in the respective funds as earned.

3. Accounts Receivable

Accounts receivable are recorded in the Governmental, Business-type, and Fiduciary funds. Where appropriate, an associated allowance for doubtful accounts has been established in the related fund. Utility receivables are shown net of the allowance for uncollectible accounts. For the most part, receivables and the related revenues are recognized when determined and billed – either for services rendered, grant entitlements, or reimbursements due, or otherwise measurable and available. Utility service receivables are recorded at year end for services rendered but unbilled.

4. Due From/Due to Other Fund

Amounts receivable from, or payable to, other funds are reflected in the accounts of the fund until liquidated, usually within one year. Any residual balances outstanding between government activities and business-type activities are reported in the government-wide statements as "internal balances".

5. Prepaid Items and Inventory

Certain payments to vendors for services that will benefit periods beyond September 30, 2017 are recorded as prepaid items and are recorded as prepaid items in both the government-wide and fund financial statements.

All City inventories, excluding golf, are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Golf inventory is expensed as purchased and after year-end inventory is adjusted on balance sheet. Inventories held by the General Fund consist of maintenance supplies and fuel which are expensed as consumed. Inventories included in the Enterprise Funds consist of chemicals, fuels, food concessions, golf retail merchandise, and equipment and supplies held for maintenance use or for capital improvements and are stated at the lower of average cost or market. Obsolete and unusable items have been reduced to estimated salvage values.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

Allowances for obsolete or unusable items have been set at 7.5% of inventory values and are as follows:

	<u>Inventory</u>	<u>Allowance for Obsolete</u>	<u>Adjusted Inventory</u>
Governmental:			
Fleet-bulk fuel	\$ 106,007	\$ (7,950)	\$ 98,057
Total Governmental	\$ 106,007	\$ (7,950)	\$ 98,057
Business-type:			
Electric	6,635,804	(497,685)	6,138,119
Water & Sewer	1,375,426	(103,157)	1,272,269
Golf	58,699	(4,403)	54,296
Communications	575,557	(43,166)	532,391
Total Business-type	\$ 8,645,486	\$ (648,411)	\$ 7,997,075

6. Restricted Assets

Certain proceeds of the City's revenue bonds (enterprise funds), as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or other legal agreements. The revenue bond debt service funds are used to segregate resources accumulated for debt service payments over the next twelve months. The renewal and replacement funds are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project of replacement equipment acquisition.

7. 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 \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and capital assets received in a service concession arrangement, are reported at acquisition value rather than fair value. For intangible assets, the capital outlay must be greater than \$5,000. For software costs, the capital outlay must be greater than \$5,000 per user license. Other costs incurred for repairs and maintenance are expensed as incurred. Amortization of intangible assets including software costs is included with depreciation expense in the financial statements.

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u># of Years</u>
Buildings	15-40
Improvements Other than Buildings	20-30
Machinery and Equipment	5-15
Infrastructure	15-40

The City is recording all easements and rights of way that are determined to have limited useful lives at estimated fair market value on the date received.

Capitalization of Interest

The Electric and Water and Sewer System enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. See Note 10 -Long term debt for additional information.

Capital Leases and Installment Purchase Contracts

The acquisition or construction of general capital assets under a capital lease agreement or installment purchase contract is recognized as an expenditure and other financing source and principal and interest expenditures in the governmental funds. Property and equipment and the liabilities associated with capital leases and installment purchase contracts of proprietary funds are accounted for and reported in the financial statements of the respective proprietary fund. See Note 10 -Long term debt for additional information.

8. Self-Insurance Claims

Liabilities for reported claims and incurred, but not reported claims are estimated based on an actuarial review of claims pending and historical experience.

9. Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee terminations prior to year-end, if any, is recorded as expenditures and represents the amounts that would normally be liquidated with available spendable resources. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions. The compensated absences payable and other postemployment benefits from the governmental funds are typically liquidated from the General Fund.

In proprietary funds, the amount of compensated absences associated with employee vacations that are recorded as expenses represent the amounts accrued during the year and the amount of compensated absences associated with employee sick leave is based on the historical annual trend of adjusted sick leave payments made at retirement. The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portions.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

10. Interfund Activity

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payable as appropriate and are subject to elimination upon consolidation. Interfund payables and receivables are non-interest bearing. Interfund advances are liquidated in accordance with the City Council's resolution and may bear interest. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

11. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Items that qualify for reporting in this category include deferred outflows on pension liabilities and the deferred charge on refunding reported in the government-wide statement of net position and the statement of net position-proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

13. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Items in this category include unavailable revenue and deferred pension income. The City has several types of items which arise under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from several sources: liens, forfeitures and rental income. These amounts are deferred and recognized as an inflow of sources in the period that the amounts become available.

14. Accrued Revenue

Revenues of enterprise funds are accrued based on estimated unbilled services provided to customers at the end of the fiscal year.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

15. Rate Stabilization/Regulatory Operations

A Rate Stabilization account was created by the City which allows current income to be deferred to a future time to stabilize electric rates. Accounting standards allow for the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is a resolution approved by City Council. Unearned revenues are recorded as a Deferred Inflow titled Regulatory Liability-Rate Stabilization and as a Restricted Asset-Rate Stabilization. The funds are used to “stabilize” the customers’ utility bills and will be recognized as revenue when used. The targeted maximum funding level is 25% of projected annual fuel costs, while the minimum funding level is 15%. At the end of the fiscal year the rate stabilization fund balance was \$32,838,467 which is at 32% funding level at year end.

16. Power Cost Adjustment (PCA)

The Power Cost Adjustment (PCA) represents the City’s utility rate mechanism to ensure: 1) that all power costs are recovered through utility billings revenue or through Council approved usage of Rate Stabilization funds or 2) that any excess utility billings revenues for powers costs not incurred are returned to customers or used for other lawful purposed in accordance with the City’s rate tariff on file with the Public Service Commission. The balance in this account could be an asset (for “under”-collection of power costs) or a liability (for “over”-collection of power costs). As of September 30, 2017, there was no balance in this account, as the Council approved the use of \$1,653,463 of rate stabilization funds to fund the “under”-collection of power costs.

17. On-Behalf Payments for Fringe Benefits

The City receives on-behalf payments from the State of Florida to be used for Police and Fire Pension Plan enhancements. On-behalf payments to the City totaled \$964,642 for fiscal year 2017. Such payments are recorded as other tax revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements. Funds received are recorded as revenue in the General Fund and immediately transferred to the Police and Fire Pension Plan as an expense to the General Fund.

18. Cost Allocations

Certain expenses are incurred by the City’s Electric System Revenue Fund on behalf of the Water and Sewer and Sanitation funds. The Electric System Revenue Fund charges for these services based on the receiving fund’s original budgeted appropriations. The reimbursement for these services is recorded as an operating expense of the Water and Sewer and Sanitation funds and as a contra expense of the Electric Revenue Fund.

The City’s General Fund also incurs certain expenditures on behalf of the other funds for Fleet, Facilities, Information Technology, Customer Service, Communications, Risk Management, Health Insurance, and Workers Compensation. The General Fund is reimbursed for these expenditures based on actual cost allocations. The amounts reimbursed are recorded as reductions in expenditures of the General Fund. The related reimbursements are recorded as either an operating expense of the proprietary funds or as an expenditure of the governmental funds.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

19. Fund Balance

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted

This fund balance has spending constraints that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted

Committed – This fund balance represents amounts that have internally imposed restrictions mandated by formal action of the government’s highest level of decision-making authority. The specific purposes are determined by a formal action (resolution) of the City Council, the City’s highest level of decision making authority. These amounts cannot be used for other purposes unless the same type of formal action is taken by the highest level of decision-making authority to reverse or modify the previously imposed restriction.

Assigned – This fund balance reports amounts that are constrained by the government’s intent that they will be used for specific purposes. This includes spendable fund balance amounts established by management of the City that are intended to be used for specific purposes that are neither considered restricted or committed. City Council adopted a Resolution that authorizes management of the City to assign fund balances.

Unassigned – This fund balance is the residual fund balance for the General Fund. It reflects the resources that are available for further appropriation and expenditure for general governmental purposes. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that can report a positive unassigned fund balance. If there is a negative fund balance in the Special Revenue, Capital Project or Debt Service due to expenditures incurred exceeding the amounts restricted, committed or assigned for specific purposes in these funds, then it is possible that those funds would report a negative unassigned fund balance.

Spending Order of Fund Balances

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

	<u>GENERAL FUND</u>	<u>CRA FUND</u>	<u>OTHER GOVTL FUNDS</u>
<u>NONSPENDABLE:</u>			
Inventory	\$ 98,057	\$ -	\$ -
Prepays	1,049,723	-	-
Total Nonspendable	1,147,780	-	-
<u>RESTRICTED:</u>			
Transportation			
Parking Fees	86,363	-	-
Gas Tax Revenues from State	-	-	2,998,624
	<u>86,363</u>	<u>-</u>	<u>2,998,624</u>
Debt Service			
Capital Improvement Bonds 2007A	-	-	321,600
Capital Improvement Bonds 2002/2012	-	-	879,978
Capital Improvement Bonds 2003/2013	-	-	1,571,929
Capital Improvement Bonds 2007B	-	-	15,300
	<u>-</u>	<u>-</u>	<u>2,788,807</u>
Capital Projects			
Capital Road Projects	-	-	4,389,049
	<u>-</u>	<u>-</u>	<u>4,389,049</u>
Public Safety			
Fire Impact Fees	370,080	-	-
Police Automation	224,090	-	-
Police Education & Training	136,975	-	-
Local Confiscations	93,883	-	-
Federal Confiscations	303,221	-	-
Other Public Safety Programs	223,501	-	-
	<u>1,351,750</u>	<u>-</u>	<u>-</u>
Development District Improvements			
Downtown Development Board	-	-	212,734
Community Redevelopment Trust	-	1,824,463	-
Grants			
State Housing Impv Project (SHIP)	-	-	394,489
Tree Mitigation	153,039	-	-
Transportation Planning Organization (TPO)	(3,317)	-	-
Community Devel Block Grant (CDBG)	(13,886)	-	-
	<u>135,836</u>	<u>-</u>	<u>394,489</u>
Total Restricted	1,573,949	1,824,463	10,783,703

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

<u>UNRESTRICTED:</u>	<u>GENERAL FUND</u>	<u>CRA FUND</u>	<u>OTHER GOVTL FUNDS</u>
Committed			
Stormwater Utility	-	-	5,187,862
Payroll	22,047	-	-
Economic Improvement Program	1,523,734	-	-
Total Committed	<u>1,545,781</u>	-	<u>5,187,862</u>
Assigned			
Subsequent year budget	9,057,588	-	-
Public safety-reserve for special investigations	57,993	-	-
Fire/Streets/Sidewalks	4,989,592	-	-
Total Assigned	<u>14,105,173</u>	-	-
Unassigned	<u>18,645,544</u>	-	-
Total Unrestricted	<u>34,296,498</u>	-	<u>5,187,862</u>
Total Fund Balances	<u>\$ 37,018,227</u>	<u>\$1,824,463</u>	<u>\$15,971,565</u>

E. Revenues, Expenditures, and Expenses

Substantially all governmental funds revenues (including sales taxes, franchise fees, and licenses) are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. In addition, revenue from the Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are measurable and available only when cash is received by the City.

Operating revenues for proprietary operations generally result from providing services in connection with a proprietary fund's principal on-going operation (e.g., electric, water, sewer, sanitation). The principal operating revenue of the proprietary funds is receipts from customers. Operating expenses are costs to provide the service, including salaries, contractual services, depreciation, and administrative expense. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Expenditures are recognized when the related fund liability is incurred except for the following:

- General obligation long-term debt principal and interest and compensated absences are reported, if any, only when due.
- Inventory costs, excluding the Golf Fund, are reported in the period when inventory items are consumed, rather than in the period purchased.

1. Property Taxes

The City is permitted under its charter to levy taxes up to \$10 per \$1,000 of assessed valuation for general government services other than the payment of principal and interest on general long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. Additional taxes assessed for the payment of general long-term debt issues of the City must be approved by the public. The tax rate assessed by the City for the year ended September 30, 2017 was \$6.6177 per \$1,000 of assessed property value. Current tax collections (inclusive of legally available early payment discounts) for the City were approximately 96.2% of the total tax levy. The property tax calendar provides for the tax revenue to be billed and collected within the applicable fiscal year.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues, Expenditures, and Expenses (Continued)

Under Florida law, the assessment of all properties and the collection of all county, municipal, special district, and school board property taxes are provided by the County’s Property Appraiser and Tax Collector, who are elected County officials. State Statutes provide for tax discounts for installment payments or full payments before certain dates. Installment prepayment dates and discounts of each installment (one-fourth of estimated taxes) are: June 30 – 6%, September 30 – 4.5%, December 31 – 3%, and March 31 – 0%, Full payment dates and discounts are: November 30 – 4%, December 31 – 3%, January 31 – 2%, February 28 – 1% and March 31 – 0%.

The property tax calendar for revenues billed and received for fiscal year ended September 30, 2017 is shown as follows:

Lien Date	January 1, 2016
Certification of Taxable Value	July 1, 2016
Final public hearing to adopt proposed millage rate	September 13, 2016
Certification of final Taxable Value	October 3, 2016
Beginning of fiscal year for tax assessment	October 1, 2016
Tax bills rendered	November 1, 2016
Property Tax Payable:	
Maximum Discount by	November 30, 2016
Due Date	March 31, 2017
Delinquent on	April 1, 2017
Tax Certificates issued for delinquent taxes by	May 31, 2017

2. Operating Subsidies, Grants, and Impact Fees

Program and capital grants received by governmental funds are recorded in the applicable governmental fund as receivables and revenues at the time reimbursable costs are incurred and all significant grant restrictions are satisfied. Grant revenues received in advance of meeting all major grant restrictions are deferred.

Capital grants received by proprietary funds are also recorded as revenues and receivables when reimbursable project costs are incurred or as deferred credits if the grant money is received in advance of project expenditures. Subsidies and grants to proprietary funds, which finance either capital or current operations, are recorded as non-operating revenue when earned.

Water and Sewer impact fees are restricted. These fees represent a capacity charge for the proportionate share of the cost of expanding, over-sizing, separating or constructing new additions to the Water or Sewer systems. The City is obligated to expend these funds only to provide expanded capacity to the systems.

Deposits received which reserve capacity in the City’s future water or sewer systems are recorded as a liability upon receipt.

3. Excess of Expenditures Over Appropriations in Individual Funds

The City has no excess of expenditures over appropriations in the General Fund or major special revenue funds. The non-major governmental funds may reflect immaterial excesses of expenditures over appropriations (less than \$15,000). There was none at the end of this fiscal year.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

Following the governmental fund balance sheet is a reconciliation between fund balances of total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

B. Explanation of certain differences between the governmental statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Following the governmental fund statement of revenues expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances, total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

An annual budget is prepared for all governmental and proprietary funds. The City Council annually adopts the budget through a Budget Resolution. Budgetary control is legally maintained at the fund level. The budget amounts presented in the accompanying financial statements for the governmental funds are as originally adopted, or as legally amended, by the City Council during the year ended September 30, 2017.

The City's Budget Resolution provides transfer authority to the City Manager to transfer budgeted amounts between departments within any fund; however, any budget amendments that alter the total expenditures of any fund must be approved by the City Council. During 2017, the City Council approved various supplemental budget appropriations to provide for unanticipated requirements of the period. Budget appropriations may not be legally exceeded on a fund basis. Appropriations lapse at the end of each fiscal year. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgetary comparisons reflect only those activities for which legally adopted budgets are prepared. For the year ended September 30, 2017, no expenditures exceeded the budget at the fund level.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve a portion of the applicable budget appropriation, is utilized by the governmental funds of the City. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget. See Liabilities Note 11, Commitments and Contingent Liabilities, for a breakdown of significant encumbrances in total by each major fund and nonmajor fund.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Pooling of Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds, except the pension trust funds and certain other funds required to have separate bank accounts. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and investment fund". The investment policy specifies limits by instrument and issue (within instrument) and establishes a diversified investment strategy, minimum credit quality, and authorized institutions available. In addition, investments are held separately by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other City funds.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Pooling of Cash and Investments (Continued)

At September 30, 2017, the carrying amount of the City's deposits was \$13,688,501, not including \$42,065 in cash drawers or petty cash. These deposits, consisting of interest bearing and non-interest bearing demand accounts, were entirely insured by federal deposit insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of the City.

The City maintains a liquid pooled cash fund to meet its obligation needs. Funds not prohibited by bond covenants have pooled their cash balances to maximize investment earnings. The City's banking arrangement provides that the City's balances will be used to offset any monthly direct service charge with excess balances earning interest. During 2017, an interest rate floor was in place due to a low interest rate environment. As of September 30, 2017, the interest rate floor was .05%.

Cash equivalents consist of:

- 1) Amounts placed with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. The City's investment in the amount of \$8,701,544 is reported at amortized cost. The Florida PRIME investment pool had weighted average days to maturity of 51 days as of September 30, 2017.
- 2) Amounts placed with the Florida Local Government Investment Trust (FLGIT) an intergovernmental investment pool created by interlocal agreement under Florida Statute 163.01. Investments in this pool totaled \$5,083,826 as of September 30, 2017. Nest interest rate reset for floating rate securities are used in calculation of weighted average maturities.

The investment pools operate under investment guidelines established by Section 215.47 of the Florida Statutes and are authorized investments under Chapter 218.415. The City's investment in Florida PRIME and FLGIT meets the requirement of a Securities and Exchange Commission Rule "2a7-like" external investment pool. The Florida PRIME fund is rated AAAM by Standard & Poor's and FLGIT is rated AAA.

B. Restricted Assets

The balances in the restricted assets for the enterprise funds as of September 30, 2017 were \$60,221,127. Details of these balances can be found on the City's Statement of Net Position on page 28.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments

The City's investment guidelines, except for pension fund and deferred compensation are defined by City Ordinance and a written investment policy that is approved by the City Council. The investment policy specifies limits by instrument and issuer (within instrument) and establishes a diversified investment strategy, minimum credit quality, and authorized institutions available as counterparties. Implementation and direction of investment strategies, within policy limits, are established by an internal Investment Committee and managed by external money managers.

The fair values of the City's fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate-sensitive instruments may also be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, duration of the instrument and other general market conditions.

Derivatives

The City has no derivative investments in its portfolio at September 30, 2017. As noted below, the City has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized, but limited in use only if the Chief Financial Officer has sufficient understanding or expertise.

General Investment Guidelines

On December 8, 1992, as amended September 5, 1995 and further amended on September 17, 2013, the City of Ocala adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits, issue limits, credit ratings requirements, and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds.

The City's investment policy allows for the following investments: Local Government Investment Pools, United States government securities, United States government agency securities, federal instrumentalities, interest bearing time certificates of deposit or saving accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations or corporate notes, collateralized mortgage obligations (CMOs), mortgage-backed securities (MBS), asset-backed securities (ABS), Yankee securities, Eurodollar securities money market mutual funds, bond funds and any investment security authorized by Florida Statutes 218.415.

The City's investment policy also requires that investments be rated as follows: Corporate notes, State and local government debt, General obligation or revenue bonds rated BBB by Standard & Poor's (S&P) or Moody's Rating Services; Commercial paper rated at least Prime-2 by Moody's or A-3 by S&P; Mortgage and ABS rated AAA or equivalent by Moody's or S & P; Money market mutual funds comprised of only those investment instruments authorized in the policy. The City's policy does not require a minimum rating for U.S. Government securities, agencies or federal instrumentalities.

Third Party Portfolio Managers

Under the City's investment policy, third party managers were set up in a well-diversified pool of three tiers.

Pool I (short-term investments) duration of 1 to 3 years,

Pool II (short intermediate investments) durations of 1 to 5 years,

Pool III (intermediate investments) durations of 1 to 10 years.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

The City uses an independent advisor that provides performance measurement service, which (a) compares individual manager performances to their respective index monthly, (b) compares manager performance to their respective industry peer group quarterly, and (c) reviews portfolio compliance. Each manager has a goal of exceeding their respective benchmark, net of fees, over a market cycle. Each manager has an individual policy limitation that, when combined, does not exceed 10% for each sector. The effective duration of the portfolio shall not exceed 120%, nor be less than 50% of the target benchmark.

The benchmarks for each portfolio were chosen to better reflect the investments held in the account. Pool I is measured against Bank of America Merrill Lynch 1-3 Year Unsubordinated U.S. Treasury/Agencies index, Pool II is benchmarked against Bank of America Merrill Lynch 1-5 Year Government/Corporate index, and Pool III is compared to the Bank of America Merrill Lynch 1-10 Year Domestic Master index.

<u>Security Type</u>	<u>Average Rating</u>	<u>Fair Value</u>	<u>Effective Duration (In Years)</u>
Carrying Value of Cash	n/a	\$ 14,147,747	n/a
Treasury Investment Portfolio	AA+	183,831,124	2.38
SBA Florida PRIME	AAA	8,701,544	51 Days
Florida Local Government Investment Trust	AAA	5,083,826	1.33
Total		\$ 211,764,241	2.10

The City utilizes “effective duration” as a measurement of interest rate risk and as of September 30, 2017 the Treasury investment portfolio had an overall effective duration of 2.39 years. The Treasury investment portfolio had the following investment types and effect duration presented in terms of years at September 30, 2017.

Total Treasury Portfolio (Pools I, II, III)			Weighted Average Maturity Years
<u>Security Type</u>	<u>Average Rating</u>	<u>Fair Value</u>	<u>Years</u>
U.S. Treasury Bond / Note	AA+	\$ 72,740,460	2.74
Federal Agency Bond / Note	AA	15,980,796	1.09
Mortgage Backed Pass-through Security	AA+	14,368,771	5.13
Corporate Notes	A+	63,026,110	2.03
Sovereigns	A+	471,610	0.00
ABS / CMBS	AAA	11,629,436	1.70
GSE Collateralized Mortgage Obligations	AA	1,842,717	0.25
Municipal Bond / Note	AA+	150,029	0.50
Money Market Mutual Fund	A-1	3,621,195	0.00
Total Treasury Portfolio-Pools I, II, and III		\$ 183,831,124	2.39

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

The City's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for the funds and in accordance with debt covenants, but in no event, shall exceed seven years. No more than 50% of the city's total investment portfolio shall be placed in securities maturing more than three years.

POOL I - Short-Term Investments:			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA	\$ 14,212,239	2.36
Federal Agency Bond / Note	AA	8,998,424	1.69
Mortgage Backed Pass-through Security	AA	1,089,768	3.94
Corporate Notes	A	17,973,069	1.66
Municipal Bond / Note	AAA	150,029	0.50
Asset Backed Securities	AAA	7,512,383	3.51
GSE Collateralized Mortgage Obligations	AA	1,842,717	1.68
Sub-total Pool I		\$ 51,778,629	2.17

POOL II - Short Intermediate Investments:			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA	\$ 27,615,000	1.11
Federal Agency Bond / Note	AA	6,982,372	0.32
Mortgage Backed Pass-through Security	AAA	127,009	0.00
Corporate Notes	A	37,887,968	1.38
Money Market Mutual Fund	AAA	3,119,000	0.00
Sub-total Pool II		\$ 75,731,349	1.12

POOL III - Intermediate Investments			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA+	\$ 30,913,221	4.36
Mortgage Backed Securities	AA+	13,151,994	5.28
Corporate Notes	A	7,165,073	6.43
ABS / CMBS	AAA	4,117,053	4.79
Sovereigns	A+	471,610	0.99
Money Market Mutual Fund	A-1	502,195	0.00
Sub-total Pool III		\$ 56,321,146	4.80
Total of Pools I, II, and III		\$ 183,831,124	2.39

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each debt security by a nationally recognized credit rating agency. The City's investment policy limits investments to those described above.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, except for certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of September 30, 2017, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

Concentration of Credit Risk

It is the policy of the City of Ocala to diversify its investment portfolio. Assets held are diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, a specific instrument, a class of instruments, or a dealer through whom these instruments are bought and sold.

The City's investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the City's investment portfolio and must be observed by investment managers.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

	<u>Sector Allocations</u>		Individual Issue/ <u>Fund Limit</u>
	<u>Minimum</u>	<u>Maximum</u>	
U.S. Treasury & Federal Agencies	35%	None	None
Corporate Debt Obligations	None	50%	5%
Mortgage/Asset Backed Securities	None	30%	5%
Municipal Securities	None	20%	5%
Certificates of Deposit	None	20%	5%
Repurchase Agreements	None	25%	15%
Local Government Investment Pools	None	25%	25%
Participation in collateral or otherwise collateralized debt instruments (Issuer Level)	None	20%	5%
Participation in collateral or otherwise collateralized debt instruments (Security Level)	None	None	5%
Money Market Mutual/Trust	None	30%	15%
Yankee and Euro Dollars Securities	None	15%	3%

As of September 30, 2017, the City's investment portfolio was in compliance with all diversification requirements of the City's investment policy.

Foreign Currency Risk – The City is not exposed to this type of risk.

Fair Value Measurement – The City measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the City has the ability to access;
- Level 2: Investments whose inputs – other than quoted market prices – are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following table summarizes the City's investments, excluding the pension funds, with the fair value hierarchy at September 30, 2017:

	Fair Value	Level 1	Level 2
U.S. Treasury Bond / Note	\$ 72,740,460	\$72,740,460	\$ -
Federal Agency Bond / Note	15,980,796	-	15,980,796
Mortgage Backed Pass-through Security	14,368,771	-	14,368,771
Corporate Notes	63,026,110	-	63,025,310
Sovereigns	471,610	-	471,610
ABS / CMBS	11,629,436	-	11,629,436
GSE Collateralized Mortgage Obligations	1,842,717	-	1,842,717
Municipal Bond / Note	150,029	-	150,029
Money Market Mutual Fund	3,621,195	3,621,995	-
Total investments at fair value	<u>\$ 183,831,124</u>	<u>\$76,362,455</u>	<u>\$ 107,468,669</u>

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

D. Pension Trust Funds – Cash and Investments

The City maintains single-employer, Defined Benefit (DB) pension plans which cover its full-time certified law enforcement officers (the Police Officers' Retirement System); its full-time certified firefighters (the Firefighters' Retirement Plan); and some of the City's full-time employees (the General Employees' Retirement System).

The provisions of each of the Plans are established by City Ordinance. Effective October 1, 2013, the City's pension plan for General Employees was restructured. The City moved to a 401a Defined Contribution plan for non-vested and new employees, and 226 out of the 561 employees chose this option as their retirement plan.

The Florida Constitution requires local governments to make the actuarially determined contributions to their DB plans. The Florida Division of Retirement reviews and approves each local government's actuarial report to ensure its appropriateness for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Firefighter Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirements for the most recently complete fiscal year. These on-behalf payments received from the State are recognized as revenue and expense in the General Fund and are used to reduce the City's contribution to the Police and Fire Pensions. On-behalf payments to the City totaled \$964,642 for the fiscal year ended September 30, 2017.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Pension Trust Funds – Cash and Investments (Continued)

Pension plan contributions include provision for normal cost plus an amount sufficient to amortize the past service liability over a twenty-five year period. These plans do not participate in the City's equity in pooled cash and investment fund. The deposits and investments of each plan are held separately from those of other City funds.

Cash and Deposits

At September 30, 2017, the cash carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	\$ 1,312,324
Police Officers' Retirement System	415,538
Firefighters' Retirement Plan	<u>281,912</u>
Total Pension Trust Funds	<u><u>\$ 2,009,774</u></u>

These deposits, consisting of non-interest bearing demand accounts, were entirely insured by federal depository insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of the City.

Investment Guidelines

Each of the three City pension plans are governed by an independent board of directors who have adopted a comprehensive investment policy pursuant to Section 112.661, Florida Statutes that establish permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect their pension plan's cash and investment assets. Each of the plans employs multiple investment managers to manage the various security types used by the plan. These managers along with the plan's investment advisor attempt to attain the plan's stated investment objective, which is to match a benchmark developed from appropriate published security indexes in the same proportions as those asset types occur in the portfolio, as well as to achieve, over the long run, the assumed interest rate used for the plan's actuarial calculations.

Section 215.47, Florida Statutes, limits the types of investments a government pension plan can invest in unless specifically authorized in an investment policy. The investment policies for the three pension plans generally allow for cash and fixed-income instruments similar to those permitted for the City's investment pool, i.e., Local Government Investment Pools, United States government securities, United States government agency securities federal instrumentalities, non-negotiable interest bearing time certificates of deposit or saving accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations or corporate notes, mortgage-backed securities (MBS), asset-backed securities (ABS), and bond funds. The General Employees' plan, Police Officers' plan and the Firefighters' plan are permitted to invest corporate bonds and asset or mortgage-back securities rated at investment grade, BBB or better.

In addition, the investment policies of all three pension plans permit, within plan guidelines, investment in domestic and international equities. All three plans, either by policy requirement or prudent practice, diversify their domestic equity holdings between large and small capitalizations and between growth and value equity securities. The plans are also permitted to invest in pooled real estate vehicles, limited partnerships or other types of real estate investments as determined by the board in consultation with their investment adviser.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Pension Trust Funds – Cash and Investments (Continued)

As of September 30, 2017, the cash and investments of the City’s pension plans are as follows:

Investment Type		% of Portfolio	Credit Rating	Duration (In Years)
<u>General Employees Retirement System:</u>				
Cash Checking	\$ 1,312,324	n/a	n/a	n/a
Cash and Cash Equivalents	1,690,050	1.20%	n/a	n/a
Common Stock	31,171,511	22.06%	n/a	n/a
Real Estate	14,599,491	10.33%	n/a	n/a
Mutual Funds	85,094,246	60.23%	n/a	n/a
Hedge Funds (Mutual Fund)	8,734,602	6.18%	n/a	n/a
Fund total	\$ 142,602,224	100.00%		
<u>Police Officers Retirement System:</u>				
Cash Checking	\$ 415,538	n/a	n/a	n/a
Cash and Cash Equivalents	1,276,384	1.88%	n/a	n/a
Fixed Income	21,731,393	32.01%	AA	3.14
Common Stock	10,923,783	16.09%	n/a	n/a
Mutual Funds: Real Estate	8,929,010	13.15%	n/a	n/a
Mutual Funds: Equities	23,665,646	34.86%	n/a	n/a
Hedge Funds (Mutual Fund)	1,353,696	1.99%	n/a	n/a
Fund total	\$ 68,295,450	100.00%		
<u>Firefighters Retirement Plan:</u>				
Cash Checking	\$ 281,912	n/a	n/a	n/a
Cash and Cash Equivalents	774,976	1.34%	n/a	n/a
Bonds & Notes	9,722,738	16.85%	A	4.40
Common Stock	7,164,079	12.42%	n/a	n/a
Mutual Funds: Real Estate	7,580,450	13.14%	n/a	n/a
Mutual Funds: Equities	32,457,921	56.25%	n/a	n/a
Fund total	\$ 57,982,076	100.00%		
Total pension plan cash and investments	\$ 268,879,750			

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. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair market value to changes in market interest rates. The pension plan investment policies provide specific limits for investment maturities. One method of measuring interest rate risk is “effective duration”. As of September 30, 2017, the securities in the City’s pension plans had the effective durations presented above and were in compliance with their respective investment policies.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Pension Trust Funds – Cash and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each debt security by a nationally recognized credit rating agency. Each of the plans provides guidelines for the credit ratings of specific types of investments. All of the investment policies permit investment only in fully marketable securities rated at institutional investment grade quality or higher by Standard & Poor's or Moody's, with higher quality rating required for specific asset classes. As of September 30, 2017, the three pension plans had the credit exposures listed above as a percentage of total investments. All investments were in compliance with their respective investment policies.

Custodial Credit Risk

Investment securities are exposed to custodial credit risk if they are uninsured and are not registered in the name of the government and are held by either the counterpart or the counterparty's trust department or agent, but not in the government's name. The pension plans' investment policies, pursuant to Section 112.661(10), Florida Statutes, require that the plan's securities shall be held with a third party custodian; and that all securities purchased by, and all collateral obtained by the plan should be properly designated as an asset of the plan. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. As of September 30, 2017, all identifiable investment securities of the pension plan portfolios are registered in the respective plan's name and are held by a third-party custodian as required.

Concentration of Credit Risk

It is the policy of the three City pension plans to diversify their investment portfolios. Assets held are diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, a specific instrument, a class of instruments, or a dealer through whom these instruments are bought and sold. The plan's investment policies have established asset allocation and issuer limits, which are designed to reduce concentration of credit risk and must be observed by Investment Managers. In general, all three investment policies require that investment in the securities of a single issuer cannot exceed 5% of the market value of the portfolio. Compliance with the provisions of the investment policies which are designed to maintain appropriate diversification are monitored on an ongoing basis by the Investment Advisors employed by each plan.

Foreign Currency Risk

Foreign currency risk occurs when securities held in a portfolio are denominated in one or more foreign currencies with the attendant potential risk of loss arising from changes in the exchange rate. While all three of the City's pension plans invest a small portion of their portfolios in international equities, these securities are not denominated in foreign currencies, and thus the plans are not exposed to this risk. The General Employees' Retirement System had an actual allocation to international equity of 23.52% as of September 30, 2017. According to F.S. 215.47, General Employee pension plans may have up to 25% of assets allocated to international equities. The Firefighters' Retirement Plan had an allocation of 15.8% to international equities as of September 30, 2017. According to F.S. 175.071, firefighter pension plans may have up to 25% of assets allocated to international equities. The Police Officers' Retirement System had an allocation of 13.2% to international equities as of September 30, 2017. According to F.S. 185.06, police pension plans may have up to 25% of assets allocated to international equities.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

E. Pension Trust Funds – Cash and Investments (Continued)

Fair Value Measurement – The City measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the City has the ability to access;
- Level 2: Investments whose inputs – other than quoted market prices – are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The following tables summarize the Pension Plan's investments within the fair value hierarchy at September 30, 2017:

General Employees:	Fair Value	Level 1	Level 2	Level 3
Common Stock	\$ 20,084,367	\$ 20,084,367	\$ -	\$ -
Real Estate	14,599,491	-	-	14,599,491
Mutual Funds	81,580,986	38,141,058	43,439,928	-
Emerging Markets	14,600,404	-	-	14,600,404
Hedge Funds (Mutual Fund)	8,734,602	-	8,734,602	-
Total investments at fair value	<u>\$ 139,599,850</u>	<u>\$ 20,084,367</u>	<u>\$ 52,174,530</u>	<u>\$ 29,199,895</u>

Police:	Fair Value	Level 1	Level 2	Level 3
Fixed Income	\$ 21,731,393	\$ 2,877,328	\$ 18,854,065	\$ -
Common Stock	10,923,783	10,923,783	-	-
Mutual Funds: Real Estate	8,929,010	-	-	8,929,010
Mutual Funds: Equities	23,665,646	12,157,082	11,508,564	-
Hedge Funds (Mutual Fund)	1,353,696	963,144	390,552	-
Total investments at fair value	<u>\$ 66,603,528</u>	<u>\$ 26,921,337</u>	<u>\$ 30,753,181</u>	<u>\$ 8,929,010</u>

Fire:	Fair Value	Level 1	Level 2	Level 3
Bonds & Notes	\$ 9,722,738	\$ 801,376	\$ 8,921,362	\$ -
Common Stock	7,164,079	7,164,079	-	-
Mutual Funds	4,087,277	-	4,087,277	-
Real Estate	3,493,173	-	-	3,493,173
Mutual Funds: Equities	32,457,921	16,582,030	15,875,891	-
Total investments at fair value	<u>\$ 56,925,188</u>	<u>\$ 24,547,485</u>	<u>\$ 28,884,530</u>	<u>\$ 3,493,173</u>

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Debt securities categorized as Level 3 are valued based upon unobservable inputs using ASC Topic 820 reporting.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 – RECEIVABLES AND INTERFUND ACTIVITY

A. Due from Other Governments

The following amounts were due from other governments as of September 30, 2017:

	General Government	Business- Type	Totals
Federal Government	\$ 1,447,876	\$ 1,481,147	\$ 2,929,023
State of Florida	3,263,251	4,275,507	7,538,758
Marion County, Florida	349,114	146,985	496,099
Total	<u>\$ 5,060,241</u>	<u>\$ 5,903,639</u>	<u>\$ 10,963,880</u>

B. Interfund Transactions

Interfund transfers for the year ended September 30, 2017 consisted of the following:

Transfers to General Fund from:		
Electric System Revenue Fund		\$ 11,881,579
Water and Sewer Fund		1,972,719
Fiber Network Fund		196,178
Internal Service Fund		1,065,914
Non-major Funds		14,851
Total transfers to General Fund		<u>15,131,241</u>
Transfers to nonmajor governmental funds from:		
Electric System Revenue Fund		362,101
Water and Sewer Fund		205,598
Sanitation Fund		150,624
Municipal Golf Course Fund		173,000
General Fund		2,538,344
Total transfers to nonmajor governmental funds		<u>3,429,667</u>
Transfers to CRA Fund from:		
General Fund		<u>530,129</u>
Transfers to SunTran Fund from:		
General Fund		<u>337,912</u>
Transfers to Electric Fund from:		
Internal Service Fund		<u>746,141</u>
Transfers to Municipal Golf Course Fund from:		
General Fund		508,161
Water and Sewer Fund		66,000
Total transfers to Municipal Golf Course Fund		<u>574,161</u>
Transfers to Water and Sewer Fund from:		
Internal Service Fund		<u>135,474</u>
Transfers to Sanitation Fund from:		
General Fund		37,571
Internal Service Fund		4,260
Total transfers to Sanitation Fund		<u>41,831</u>
Transfers to Internal Service Fund from:		
General Fund		4,894,069
Electric System Revenue Fund		1,300,235
Water and Sewer Fund		260,704
Sanitation Fund		5,600
Airport Fund		38,744
Fiber Network Fund		26,930
Non-major Funds		498,069
Total transfers to Internal Service Fund		<u>7,024,351</u>
Total transfers at the fund level		<u>\$ 27,950,907</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 – RECEIVABLES AND INTERFUND ACTIVITY (Continued)

B. Interfund Transactions (Continued)

Interfund receivables and payables are the result of the allocation of unbilled receivables between utility funds and the elimination of negative equity in pooled cash accounts in funds where grant drawdowns have not yet been received as of the end of the fiscal year. All of these balances are expected to be liquidated within one year.

Interfund advances, which are approved by City Council and usually bear interest, are for the funding of various projects which are too small for bond issuance and for the City's grant matches on some grants.

The composition of interfund balances as of September 30, 2017 is as follows:

	Interfund Receivables/ Payables
Due to General Fund from:	
SunTran Fund	\$ 1,688,235
Total due to General Fund from other funds	1,688,235
 Totals at the fund level	 \$ 1,688,235

Interfund transfers are normally recurring and are approved by City Council during the budget process or by separate resolutions. The transfers from the Enterprise Funds to the General Fund are in support of general government operations. Other transfers are for debt service requirements, for City grant matches, and for capital projects for enterprise funds.

The differences in the interfund transfers represent capital assets, compensated absences and OPEB transferred from enterprise funds to the governmental funds. These items are not recorded in governmental funds but are reported in the government-wide reports.

Reconciliation of Transfers-In & Transfers-Out - Government-Wide Level

	In	Out	
	<u>Governmental</u>	<u>Business-Type</u>	
General Fund	\$ 11,881,579	\$ (11,881,579)	Electric Fund
General Fund	1,972,719	(1,972,719)	Water & Sewer Fund
General Fund	(37,571)	37,571	Sanitation Fund
General Fund	196,178	(196,178)	Fiber Network Fund
General Fund	(508,161)	508,161	Golf Fund.
General Fund	(337,912)	337,912	SunTran Fund
Non-major Funds	362,101	(362,101)	Electric Fund
Non-major Funds	205,598	(205,598)	Water & Sewer Fund
Non-major Funds	150,624	(150,624)	Sanitation Fund
Non-major Funds	173,000	(173,000)	Golf Fund.
Internal Service Funds	554,094	(554,094)	Electric Fund
Internal Service Funds	125,230	(125,230)	Water & Sewer Fund
Internal Service Funds	1,340	(1,340)	Sanitation Fund
Internal Service Funds	38,744	(38,744)	Airport Fund
Internal Service Funds	26,930	(26,930)	Fiber Network Fund
TOTAL TRANSFERS	\$ 14,804,493	\$ (14,804,493)	

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 – RECEIVABLES AND INTERFUND ACTIVITY (Continued)

C. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds including the applicable allowances for uncollectible accounts are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Customers:			
Billed	\$ 1,457,876	\$ 13,210,569	\$ 14,668,445
Unbilled	1,272,838	9,530,000	10,802,838
Miscellaneous	583,657	2,096,025	2,679,682
Gross receivables	<u>3,314,371</u>	<u>24,836,594</u>	<u>28,150,965</u>
Less: allowance for uncollectibles	<u>(156,133)</u>	<u>(1,385,874)</u>	<u>(1,542,007)</u>
Net total receivables	<u>\$ 3,158,238</u>	<u>\$ 23,450,720</u>	<u>\$ 26,608,958</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 22,835,450	483,351	-	61,000	\$ 23,379,801
Intangible (easement, rights of way)	1,922,534	-	-	260	1,922,794
Construction In progress	5,061,413	6,167,717	(110,248)	(7,969,920)	3,148,962
Total capital assets not being depreciated	<u>29,819,397</u>	<u>6,651,068</u>	<u>(110,248)</u>	<u>(7,908,660)</u>	<u>28,451,557</u>
Capital assets being depreciated:					
Buildings and improvements	42,703,200	-	-	6,500,725	49,203,925
Equipment	55,248,711	4,348,318	(1,325,067)	94,611	58,366,573
Intangible (software)	3,882,438	112,856	-	-	3,995,294
Infrastructure (roads and streets)	318,293,854	61,400	-	1,313,324	319,668,578
Total capital assets being depreciated	<u>420,128,203</u>	<u>4,522,574</u>	<u>(1,325,067)</u>	<u>7,908,660</u>	<u>431,234,370</u>
Less accumulated depreciation:					
Buildings and improvements	(16,129,795)	(2,104,867)	-	-	(18,234,662)
Equipment	(34,689,042)	(3,467,527)	1,128,721	-	(37,027,848)
Intangible (Software)	(2,045,862)	(387,218)	-	-	(2,433,080)
Infrastructure (roads and streets)	(224,168,580)	(7,144,267)	-	-	(231,312,847)
Total accumulated depreciation	<u>(277,033,279)</u>	<u>(13,103,879)</u>	<u>1,128,721</u>	<u>-</u>	<u>(289,008,437)</u>
Total capital assets being depreciated-net	<u>143,094,924</u>	<u>(8,581,305)</u>	<u>(196,346)</u>	<u>7,908,660</u>	<u>142,225,933</u>
Governmental activities capital assets-net	<u>\$ 172,914,321</u>	<u>\$ (1,930,237)</u>	<u>\$ (306,594)</u>	<u>\$ -</u>	<u>\$ 170,677,490</u>
Business Type Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 22,756,939	-	-	-	\$ 22,756,939
Intangible (easement, rights of way)	1,152,855	6,000	-	-	1,158,855
Construction in progress	6,832,759	6,831,692	(58,339)	(1,979,179)	11,626,933
Total capital assets not being depreciated	<u>30,742,553</u>	<u>6,837,692</u>	<u>(58,339)</u>	<u>(1,979,179)</u>	<u>35,542,727</u>
Capital assets being depreciated:					
Buildings	28,485,241	181,553	-	-	28,666,794
Improvements other than buildings	572,466,499	3,387,922	(253,889)	1,979,179	577,579,711
Equipment	12,942,371	2,164,235	(120,783)	-	14,985,823
Intangible (software)	5,226,300	11,000	-	-	5,237,300
Total capital assets being depreciated	<u>619,120,411</u>	<u>5,744,710</u>	<u>(374,672)</u>	<u>1,979,179</u>	<u>626,469,628</u>
Less accumulated depreciation:					
Buildings	(17,552,520)	(705,183)	-	-	(18,257,703)
Improvements other than buildings	(276,724,377)	(19,527,486)	242,601	-	(296,009,262)
Equipment	(8,000,458)	(768,487)	30,448	-	(8,738,497)
Intangible (software)	(3,281,181)	(363,595)	-	-	(3,644,776)
Total accumulated depreciation	<u>(305,558,536)</u>	<u>(21,364,751)</u>	<u>273,049</u>	<u>-</u>	<u>(326,650,238)</u>
Total capital assets being depreciated-net	<u>313,561,875</u>	<u>(15,620,041)</u>	<u>(101,623)</u>	<u>1,979,179</u>	<u>299,819,390</u>
Business-type activities capital assets-net	<u>\$ 344,304,428</u>	<u>\$ (8,782,349)</u>	<u>\$ (159,962)</u>	<u>\$ -</u>	<u>\$ 335,362,117</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

	Depreciation Expense
Governmental activities:	
General government	\$ 592,254
Public safety	721,447
Physical environment	733,988
Transportation	754,802
Human services	-
Economic environment	32,014
Infrastructure	6,974,545
Culture and recreation	620,464
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,674,365
Total depreciation expense - governmental activities	\$ 13,103,879
Business-type activities:	
Electric	\$ 8,202,393
Water and sewer	10,787,408
Sanitation	110,709
Golf Course	446,138
Airport	1,007,576
Fiber Network	545,730
SunTran	264,797
Total depreciation expense - business-type activities	\$ 21,364,751

NOTE 7 – 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. Risk Management attempts to identify, define, and evaluate the areas of potential loss to the City so as to reduce their occurrences. Acknowledging that some loss is inevitable, routine or predictable losses are self-insured, while other more unpredictable or catastrophic losses are transferred to insurance companies.

The City has established a self-insurance fund (an internal service fund) to account for the City's self-insured programs. This fund is used to account for the City's workers' compensation, general liability, automobile liability, disability income replacement and medical programs. The City uses a combination of self-insurance and private insurance to protect itself against risks which cannot be eliminated.

The City has general liability insurance with a \$200,000 retention per claimant and \$300,000 retention per occurrence with a \$1,000,000 per occurrence limit. The City has workers' compensation insurance with \$500,000 retention per occurrence with statutory limits per F.S 440. The disability income replacement and auto liability programs are fully self-insured. The City's employee health insurance program was fully self-insured through February 1994, after which it is fully insured except for the prescription program which was fully self-insured through December 1997. Beginning October 1, 2010, the City's employee health insurance program was partially self-insured, with a pooling limit of \$150,000. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2017.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 7 – RISK MANAGEMENT (Continued)

All departments of the City participate in the program. Payments are made by various funds to the Self Insurance Fund based on past experience of the amounts needed to pay current year claims. For the year ended September 30, 2017 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$7,475,909 reported in the Fund at September 30, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued when insured events occur. In addition, there have been no settlements which exceeded the City's insurance coverage in any of the past three fiscal years. Changes in the Fund's claim liability amounts during the past three fiscal years are as follows:

	Beginning-of- Fiscal-Year-Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2014-2015	\$9,726,088	\$1,576,648	\$2,761,353	\$8,541,383
2015-2016	8,541,383	780,117	1,654,015	7,667,485
2016-2017	7,667,485	245,460	437,036	7,475,909

NOTE 8 – LEASES

Operating

On December 7, 2016, the City entered into a lease agreement with Motorola Solutions to upgrade current radios to encrypted APX radios. The payments for this lease are as follows:

Fiscal Year	Payments
2018	\$ 725,189
2019	725,189
2020	725,189
2021	725,190
Total	<u>\$ 2,900,757</u>

Capital – The City has one capital lease. See Note 10 for additional information.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS

A. General Employees Retirement System

Plan Descriptions

The City maintains a single-employer defined benefit (2-tiers) pension plan. The original plan (tier 1) was adopted in 1944. A variable hybrid defined benefit (DBVH) pension plan (tier 2) was added for years of service after September 30, 2013. The original plan was amended through local ordinance on August 6, 2013, with an effective date of October 1, 2013, resulting in a benefit freeze on September 30, 2013. The City also added a 401a Defined Contribution Plan. The sole and exclusive administration of and responsibility for the proper operation of the System and for making effective provisions of this ordinance is hereby vested in a Board of Trustees. The Plan is maintained as a Pension Trust Fund and included as part of the City's reporting entity, hence separate financial statements are not issued. The provisions of each of the Plans are established by City Ordinance. Administrative costs are financed through investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. This plan is closed to any new participants.

The plan is administered by a five member pension Board of Trustees which consist of three members appointed by the City Council, and two members of the Plan, who are elected by a majority of General Employees who are members of the Plan. The City is obligated to fund all Plan costs based upon actuarial valuations. The City is also authorized to establish benefit levels and the Plan's Board of Trustees approves the actuarial assumptions used in the determination of the contribution levels. There are three actuarial assumptions that are defined by Ordinance 2013-48: Mortality Rate, Interest Rate and Amortization Method.

At September 30, 2013, there were 59 employees grandfathered into the defined benefit plan (tier 1) in existence prior to any changes by the ordinance. There were 226 employees that moved to the defined contribution plan and the remaining 276 employees moved into the DBVH plan (tier 2).

At September 30, 2017 the Plan's participants consisted of:

	General	
	2017	2016
Retirees and beneficiaries (Inactive members):		
Currently receiving benefits	721	684
DROP retirees	12	9
Disability Retirees	4	3
Terminated employees entitled to benefits, but not yet receiving them	312	328
	1,049	1,024
Current employees (Active members):		
Vested	187	221
Nonvested	27	29
Total	214	250

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS

General Employees Retirement System (Continued)

Pension Benefits:

The Plan provides retirement, termination, disability and death benefits. Benefits were frozen as of September 30, 2013, and Members began a new “DBVH and Contribution Program” on October 1, 2013. Any Member within 5 years of their Normal Retirement Date was grandfathered into the benefit provisions in effect as of September 30, 2013.

Normal Retirement:

Date: First of the month following the earlier of: 1) age 65 and the completion of 5 years of Credited Service, or 2) 30 years of Credited Service, regardless of age.

Benefit: Credited Service on and after October 1, 2013 for Grandfathered Members (tier 1): 2.55% of Average Final Compensation (AFC) times Credited Service plus \$100 supplement.

Benefit for Credited Service on October 1, 2013 and after (tier 2):

Minimum	1.00%
Maximum	2.55%
Current	1.30% as of 4/1/2016

Early Retirement:

Date: Earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: Same as for Normal Retirement but reduced by 3% for each year that Early Retirement precedes Normal Retirement.

Vesting:

Less than 5 years: Refund of Member Contributions without interest

5 years or more: Vested accrued benefit (determined as for Normal Retirement) paid beginning at the otherwise Normal Retirement Date, or a refund of Member Contributions without interest.

Disability Retirement:

Eligibility: After completion of 5 years of Credited Service, or from date of hire if service incurred.

Benefit: \$50, plus 1% of AFC times Credited Service. Minimum benefit is \$100 per month.

Death Benefits:

Vested or Eligible to Retire: Accrued benefit payable to beneficiary for 10 years.

Non-Vested: Refund of Member Contributions without interest.

Cost of Living Adjustment (COLA) (tier 1) (if employed prior to October 1, 2013):

All Retirees, including Normal, Early, Disability, DROP, and Vested Terminated participants, and their joint pensioners and beneficiaries (but excluding pre-retirement death beneficiaries) shall receive a 3% automatic lifetime COLA, beginning the first October 1 after one year of benefit payments.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Supplemental Benefit (tier 1) (if employed prior to October 1, 2013):

\$100.00 per month, payable for life, to all retirees (including disability retirees).

Contributions:

Remaining amount required to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. The member contribution rate for those grandfathered into the original plan is 8.18% and those in the DBVH plan is set at 3%.

Investment Policy:

The following was the Board’s adopted asset allocation policy as of September 30, 2017:

Asset Class	Target Allocation	
	2017	2016
Equity Securities	20.00%	20.00%
Non US Equity	22.00%	22.00%
Fixed Income Securities	32.00%	32.00%
Hedge Fund of Funds	13.50%	13.50%
Real Estate	12.50%	12.50%
Total	100.00%	100.00%

Concentrations:

The Plan did not hold investments in any one organization that represent 5% or more of the Pension Plan’s fiduciary net position.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Rate of Return:

For the year ended September 30, 2017 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP)

Eligibility: Satisfaction of Normal Retirement requirements (earlier of (1) Age 65 and 5 years of Credited Service, or (2) 30 years of Credited Service, regardless of age).

Participation: Not to exceed 96 months (60 months for members entering DROP from January 31, 2011 through February 11, 2013).

Rate of Return: 6.5% or actual net rate of investment return (total return net of brokerage commissions and transaction costs) credited each fiscal quarter.

The DROP balance as of September 30, 2017 is \$1,737,229.

Annual Pension Cost

The contribution requirement for the General Employees' Retirement System for the 2017 fiscal year, established through and actuarial valuation performed as of October 1, 2015, was \$14,802,319 (107.68% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled \$741,052 (5.22% of current covered payroll); actual employer contributions to the General Employees' Retirement System amounted to \$14,802,319 (103.19% of current covered payroll).

Net Pension Liability

The City has used the alternate measurement date of September 30, 2016 to record the net pension liability, deferred inflows and outflows of resources, and pension expense in its September 30, 2017 financial statements.

	Measurement Date	
	9/30/17	9/30/16
Total Pension Liability	\$ 224,301,899	\$ 217,061,514
Plan Fiduciary Net Position	(143,834,198)	(128,556,359)
Sponsor's Net Pension Liability	\$ 80,467,701	\$ 88,505,155
Plan Fiduciary Net Position as a percentage of Total Pension Liability	64.13%	59.23%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions.

	2017	2016
Inflation	2.00%	2.00%
Salary Increases	3.5% to 14% (Service Based)	5.00% - 6.00%
Investment Rate of Return	7.00%	7.00%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

RP-2000 Combined Healthy with generational projection by scale AA-Sec Distinct. This assumption is mandated by Ordinance 2013-48. Disabled lives: RP2000 Combined Healthy projected to 2012 set forward five years.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 1997-2010.

Pension expense, Deferred Outflows and Deferred Inflows of Resources

For the year ended September 30, 2017, the City recognized pension expense of \$12,434,186 as the result of implementing GASB No. 68. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions based on a measurement date of September 30, 2016 from the following sources:

<u>Deferred outflows</u>	
Difference between expected and actual experience	\$ 3,200,942
Difference between expected and actual earnings on investments	6,458,968
Contributions subsequent to the measurement date	14,795,735
Total deferred outflows	<u>\$ 24,455,645</u>
 <u>Deferred inflows</u>	
Difference between expected and actual earnings on investments	\$ 3,158,613
Total deferred inflows	<u>\$ 3,158,613</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

2018	\$	4,260,763
2019		1,059,821
2020		1,666,851
2021		(486,138)
Thereafter		-
	<u>\$</u>	<u>6,501,297</u>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2017</u>	<u>2016</u>
Equity Securities	6.70%	6.75%
International Equity	7.70%	7.45%
Fixed Income Securities	2.10%	1.75%
Hedge Fund of Funds	3.90%	3.75%
Real Estate	5.20%	4.55%

Discount Rate:

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Measurement Date</u>	<u>Current Discount</u>		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Sponsor's Net Pension Liability 09/30/17 Measurement Date	\$ 108,724,054	\$ 80,467,701	\$ 57,141,426
Sponsor's Net Pension Liability 09/30/16 Measurement Date	\$ 116,299,750	\$ 88,505,155	\$ 65,587,321

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Net Pension Liability

The following table shows the changes in net pension liability along with the breakdown detailing the changes since September 30, 2015.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning balances 9/30/15	\$ 206,223,229	\$ 115,010,138	\$ 91,213,091
Service Cost	1,852,029	-	1,852,029
Interest	14,160,117	-	14,160,117
Differences between Expected and Actual Experience	1,198,983	-	1,198,983
Changes in Assumptions	5,202,901	-	5,202,901
Contributions - Employer	-	14,187,965	(14,187,965)
Contributions - Employee	-	574,059	(574,059)
Net Investment Income	-	10,585,043	(10,585,043)
Benefit Payments	(11,575,745)	(11,575,745)	-
Administrative Expenses	-	(225,101)	225,101
Net Changes	<u>10,838,285</u>	<u>13,546,221</u>	<u>(2,707,936)</u>
Ending balance 9/30/16	<u>\$ 217,061,514</u>	<u>\$ 128,556,359</u>	<u>\$ 88,505,155</u>
Beginning balances 9/30/16	\$ 217,061,514	\$ 128,556,359	\$ 88,505,155
Service Cost	1,567,489	-	1,567,489
Interest	14,832,634	-	14,832,634
Differences between Expected and Actual Experience	1,126,640	-	1,126,640
Change in assumptions	3,182,088	-	3,182,088
Contributions - Employer	-	14,802,319	(14,802,319)
Contributions - Employee	-	740,871	(740,871)
Net Investment Income	-	13,427,988	(13,427,988)
Benefit Payments	(13,468,466)	(13,468,466)	-
Administrative Expenses	-	(224,873)	224,873
Net Changes	<u>7,240,385</u>	<u>15,277,839</u>	<u>(8,037,454)</u>
Ending balance 09/30/17	<u>\$ 224,301,899</u>	<u>\$ 143,834,198</u>	<u>\$ 80,467,701</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

B. General Employees’ 401(a) Defined Contribution Plan

On October 1, 2013, the City implemented a 401 (a) Defined Contribution Plan. Members are 100% vested after their six-month probationary period. The members have a mandatory contribution of 3% of their salary, while the City contributes 8%. Investments are made by the members. The City does not report the balances in this plan on its statements.

C. Police Officers’ Retirement System

Plan Descriptions

The City maintains a single-employer, defined benefit pension plan for the police officers known as the *Police Officers’ Retirement System*. This is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Police Department who is certified as a law enforcement officer in compliance with the provisions of Chapter 943.14 of the Florida Statutes. Florida Statutes Chapter 185 allows contributions to the Plan by the State of Florida. The provisions of this plan are established by City Ordinance. All benefit provisions, including changes in contribution requirements can be amended by City Ordinance. Administrative costs are financed through investment earnings.

The plan is administered by a five member Board of Trustees comprised of: two City residents appointed by the City Council, two Police Officers elected by the majority of covered members, and a fifth member elected by the other four and appointed by City Council (as a ministerial duty).

At September 30, 2017 the Plan’s participants consisted of:

	Police	
	2017	2016
Retirees and beneficiaries (Inactive members):		
Currently receiving benefits	106	94
DROP retirees	14	21
Disability Retirees	5	5
Terminated employees entitled to benefits, but not yet receiving them	12	12
	137	132
Current employees (Active members):		
Vested	70	70
Nonvested	67	63
Total	137	133

Pension Benefits:

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of 1) Age 52 and 10 years of Credited Service, or 2) 25 years of Credited Service regardless of age.

Benefit: 3.33% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 50 and the completion of 10 years of Credited Service.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers’ Retirement System (Continued)

Benefit: Accrued benefit reduced 3% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination):

Less than 10 years of service: Refund of Member Contributions without interest

10 years or more: Accrued benefit payable at otherwise Normal Retirement Date, or a refund of Member Contributions without interest.

Disability Retirement:

Eligibility:

Service Incurred – Covered from Date of Employment

Non-Service Incurred – 10 years of Credited Service.

Benefit: Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 24% of Average Final Compensation (Non-Service Incurred).

Death Benefits:

Vested: Accrued benefit payable at Member’s otherwise Early or Normal Retirement Date to beneficiary for 10 years.

Non-Vested: Refund of Member Contributions without interest to designated beneficiary.

Supplemental Benefit:

Eligibility: Normal and Early Retirees and their joint pensioners or beneficiaries, excluding vested terminated persons.

Benefit: \$10.00 per month, for each full year of Credited Service.

Contributions:

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. The City is required to contribute 36.45% and the members contribute 8.0% of their salaries or wages to the Police Officers’ Retirement System.

Investment Policy:

The following was the Board’s adopted asset allocation policy as of September 30, 2017:

Asset Class	Target Allocation	
	2017	2016
Domestic Equity	37.50%	37.50%
International Equity	15.00%	15.00%
Bonds	27.50%	27.50%
Convertibles	10.00%	10.00%
Private Real Estate	5.00%	5.00%
Master Limited Partnerships	5.00%	5.00%
Total	100.00%	100.00%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers’ Retirement System (Continued)

Concentrations:

The Plan did not hold investments in any one organization that represent 5% or more of the Pension Plan’s fiduciary net position.

Rate of Return:

For the year ended September 30, 2017 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP):

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: At member’s election (may change method once during DROP participation either: a) 6.5% annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.

The DROP balance as of September 30, 2017 is \$3,840,045.

Annual Pension Cost

The contribution requirement for the Police Officers’ Retirement System for the 2017 fiscal year, established through an actuarial valuation performed as of October 1, 2015, was \$3,582,731 (42.84% of current covered payroll). Actual employee contributions to the Police Officers’ Retirement System totaled \$669,044 (8.00% of current covered payroll), actual City contributions were \$3,582,817 (42.84% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$530,026 (6.34% of current covered payroll). Accumulated excess contributions in the Funding Standard (Contribution Surplus) Account were available to assist in funding the City’s contribution requirement for the year.

Net Pension Liability

The City has used the alternate measurement date of September 30, 2016 to record the net pension liability, deferred inflows and outflows of resources, and pension expense in its September 30, 2017 financial statements.

	Measurement Date	
	9/30/17	9/30/16
Total Pension Liability	\$ 85,879,573	\$ 83,876,123
Plan Fiduciary Net Position	(68,327,835)	(62,806,327)
Sponsor's Net Pension Liability	\$ 17,551,738	\$ 21,069,796
Plan Fiduciary Net Position as a percentage of Total Pension Liability	79.56%	74.88%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Police Officers’ Retirement System (Continued)

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2017 using the following actuarial assumptions applied to all measurement periods.

	<u>2017</u>	<u>2016</u>
Inflation	2.70%	2.70%
Salary Increases	3.5% to 14% (Service Based)	4.00% - 6.00%
Investment Rate of Return	7.85%	8.00%

RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the period 1997-2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2017</u>	<u>2016</u>
Domestic Equity	7.00%	8.00%
International Equity	3.70%	3.00%
Bonds	4.00%	4.40%
Convertibles	6.00%	6.40%
Private Real Estate	4.80%	4.60%
Master Limited Partnerships	9.70%	10.40%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers' Retirement System (Continued)

Pension expense, Deferred Outflows and Deferred Inflows of Resources

For the year ended September 30, 2017, the City recognized pension expense of \$2,344,532 as the result of implementing GASB No. 68. At September 30, 2017, based on a measurement date of September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred outflows</u>	
Difference between expected and actual earnings on investments	\$ 3,453,417
Contributions subsequent to the measurement date	4,112,843
Changes in assumptions about future economic or demographic factors	1,393,223
Total deferred outflows	\$ 8,959,483
 <u>Deferred inflows</u>	
Difference between expected and actual experience	\$ 1,164,541
Difference between expected and actual earnings on investments	1,010,356
Total deferred inflows	\$ 2,174,897

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

2018	\$	760,441	
2019		760,442	
2020		1,053,854	
2021		97,006	
Thereafter		-	
		2,671,743	

Discount Rate:

The discount rate used to measure the total pension liability was 7.85 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Current Discount		
	1% Decrease 6.85%	Rate 7.85%	1% Increase 8.85%
Sponsor's Net Pension Liability 09/30/17 Measurement Date	\$ 27,874,414	\$ 17,551,738	\$ 10,260,970
Sponsor's Net Pension Liability 09/30/16 Measurement Date	\$ 30,837,827	\$ 21,069,796	\$ 14,117,632

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers' Retirement System (Continued)

Net Pension Liability

The following table shows the changes in net pension liability along with the breakdown detailing the changes since September 30, 2015.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning balances 9/30/15	\$ 80,880,942	\$ 57,894,276	\$ 22,986,666
Service Cost	1,629,468	-	1,629,468
Interest	6,316,211	-	6,316,211
Change in assumptions	1,741,528	-	1,741,528
Changes in Benefit Terms	(1,150,613)	-	(1,150,613)
Differences between Expected and Actual Experience	(727,086)	-	(727,086)
Contributions - Employer	-	3,469,395	(3,469,395)
Contributions - State	-	516,594	(516,594)
Contributions - Employee	-	672,201	(672,201)
Net Investment Income	-	5,151,384	(5,151,384)
Benefit Payments	(4,814,327)	(4,814,327)	-
Administrative Expenses	-	(83,196)	83,196
Net Changes	2,995,181	4,912,051	(1,916,870)
Ending balance 09/30/16	<u>\$ 83,876,123</u>	<u>\$ 62,806,327</u>	<u>\$ 21,069,796</u>
Beginning balances 9/30/16	\$ 83,876,123	\$ 62,806,327	\$ 21,069,796
Service Cost	1,579,043	-	1,579,043
Interest	6,600,886	-	6,600,886
Differences between Expected and Actual Experience	(252,579)	-	(252,579)
Changes of assumptions	(35,707)	-	(35,707)
Contributions - Employer	-	3,582,817	(3,582,817)
Contributions- State	-	530,026	(530,026)
Contributions - Employee	-	669,044	(669,044)
Net Investment Income	-	6,716,321	(6,716,321)
Benefit Payments	(5,888,193)	(5,888,193)	-
Administrative Expenses	-	(88,507)	88,507
Net Changes	2,003,450	5,521,508	(3,518,058)
Ending balance 9/30/17	<u>\$ 85,879,573</u>	<u>\$ 68,327,835</u>	<u>\$ 17,551,738</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan

Plan Descriptions

The City maintains single-employer, defined benefit pension plan for the firefighters known as the *Firefighters' Retirement Plan*. This is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Fire Department who is certified as a firefighter as a condition of employment in accordance with the provisions of Section 633.35 of the Florida Statutes. Florida Statutes Chapter 175 allows contributions to the Plan by the State of Florida. The provisions of this plan are established by City Ordinance. All benefit provisions, including changes in contribution requirements can be amended by City Ordinance. Administrative costs are financed through investment earnings.

The plan is administered by a five member Board of Trustees comprised of: two City residents appointed by the City Council, two Firefighters elected by the majority of covered members, and a fifth member elected by the other 4 and appointed by City Council (as a ministerial duty).

At September 30, 2017 the Plan's participants consisted of:

	Fire	
	2017	2016
Retirees and beneficiaries (Inactive members):		
Currently receiving benefits	60	58
DROP retirees	15	13
Disability Retirees	12	12
Terminated employees entitled to benefits, but not yet receiving them	3	4
	90	87
Current employees (Active members):		
Vested	45	50
Nonvested	70	67
Total	115	117

Pension Benefits:

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of 1) Age 55 and 10 years of Credited Service, or 2) Rule of 70, or 25 years of Credited Service regardless of age.

Benefit: 3.00% of Average Monthly Earnings (AME) times Credited Service, maximum of 93% of AME.

Early Retirement:

Date: Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit reduced 2% for each year that Early Retirement precedes Normal Retirement.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Vesting (Termination):

Less than 10 years of service: Refund of Member Contributions without interest

10 years or more: Accrued benefit payable at otherwise Normal Retirement Date, or a refund of Member Contributions with interest.

Disability Retirement:

Eligibility:

Service Incurred – Covered from Date of Employment

Non-Service Incurred – 10 years of Credited Service.

Benefit:

Service Incurred – Benefit accrued to date of disability, but not less than 42% of AME.

Non-Service Incurred – If vested, accrued benefit, but not less than 30% of AME.

Death Benefits:

Vested:

Service Incurred – Choice of: 1) accrued benefit payable for 120 months; or 2) 50% of AME to spouse until death.

Non-Service Incurred – If not eligible for either early or normal retirement, same as for Service Incurred Death Benefits. If eligible for either early or normal retirement, choice of 1) accrued benefit for 120 months; or 2) 50% of accrued benefit to spouse until death.

Non-Vested: Refund of Member Contributions without interest to designated beneficiary.

COLA:

Benefit payment schedule to be designed by Board. Funding is from 0.50% of member contributions, market return and 50% of State Premium Tax Revenues in excess of \$240,401 (percentage increased to 100% once the Plan becomes 90% funded). A portion of excess returns on COLA assets will be transferred to the plan until the plan becomes 90% funded.

Contributions:

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. The City is required to contribute 28.90% and the members contribute 7.67% to Regular Retirement Plan and 0.50% to COLA Fund (8.17% total).

Pursuant to Florida Statutes Section 175.101, an excise tax amounting to 1.85% of the gross amount of receipts of premiums from policyholders on all premiums collected on casualty insurance policies covering property within the corporate limits of the City is collected by the Insurance Commissioner. Such amounts collected by the Insurance Commissioner, less expenses, are contributed annually to the plan. For the 2017 fiscal year the amount of these contributions totaled \$434,616; however, the amount available to the plan for the provision of benefits is frozen, in accordance with Chapter 175, Florida Statutes at \$240,401.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2017:

Asset Class	Target Allocation	
	2017	2016
Mutual Funds	25.00%	0.00%
Common Stock	50.00%	0.00%
Fixed Income	15.00%	25.00%
Domestic Equity	10.00%	50.00%
International Equity	0.00%	15.00%
Real Estate	0.00%	10.00%
Total	100.00%	100.00%

Concentrations:

The Plan did not hold investments in any one organization that represent 5% or more of the Pension Plan's fiduciary net position.

Rate of Return:

For the year ended September 30, 2017 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 12.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP):

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: A member shall earn 100 basis points less than the plan's assumed investment rate of return, which would currently be 7.50%.

The DROP balance as of September 30, 2017 is \$2,496,889.

Annual Pension Cost

The contribution requirement for the Firefighters' Retirement Plan for the 2017 fiscal year, established through an actuarial valuation performed as of October 1, 2015, was \$1,996,205 (28.99% of current covered payroll). Actual employee contributions to the Firefighters' Retirement Plan totaled \$582,255 (8.46% of current covered payroll), actual City contributions were \$1,945,055 (28.25% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$434,473. Accumulated excess contributions in the Accrued (Prepaid) Position Account were available to assist in funding the City's contribution requirement for the year.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Net Pension Liability

The City has used the alternate measurement date of September 30, 2016 to record the net pension liability, deferred inflows and outflows of resources, and pension expense in its September 30, 2017 financial statements.

	Measurement Date	
	9/30/17	9/30/16
Total Pension Liability	\$ 70,757,455	\$ 63,079,708
Plan Fiduciary Net Position	(57,954,285)	(51,635,284)
Sponsor's Net Pension Liability	\$ 12,803,170	\$ 11,444,424
Plan Fiduciary Net Position as a percentage of Total Pension Liability	81.91%	81.86%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2017 using the following actuarial assumptions.

	2017	2016
Inflation	3.25%	3.25%
Salary Increases	0.0%-4.0%	3.25%-7.25%
Investment Rate of Return	7.50%	7.75%

RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years). The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study for the period 1997-2010.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Pension expense, Deferred Outflows and Deferred Inflows of Resources

For the year ended September 30, 2017, the City recognized pension expense of \$1,422,558 as the result of implementing GASB No. 68. At September 30, 2017, based on a measurement date of September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows

Difference between expected and actual experience	\$ 310,731
Difference between expected and actual earnings on investments	2,110,418
Contributions subsequent to the measurement date	<u>2,379,671</u>
Total deferred outflows	<u>\$ 4,800,820</u>

Deferred inflows

Difference between expected and actual experience	\$ 645,723
Difference between expected and actual earnings on investments	<u>1,222,168</u>
Total deferred inflows	<u>\$ 1,867,891</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

2018	\$ 255,474
2019	391,596
2020	(311,876)
2021	(74,396)
Thereafter	<u>292,458</u>
	<u>\$ 553,256</u>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	2017	2016
Fixed Income	6.50%	1.00%
Domestic Equity	4.70%	5.80%
Common Stock	5.80%	0.00%
International Equity	0.00%	6.50%
Real Estate	0.00%	4.70%

Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability 09/30/17 Measurement Date	\$ 21,283,712	\$ 12,803,170	\$ 5,230,268
Sponsor's Net Pension Liability 09/30/16 Measurement Date	\$ 18,649,257	\$ 11,444,424	\$ 4,978,155

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Net Pension Liability

The following table shows the changes in net pension liability along with the breakdown detailing the changes since September 30, 2015.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning balances 9/30/15	\$ 59,720,376	\$ 45,589,356	\$ 14,131,020
Service Cost	1,227,874	-	1,227,874
Interest	4,637,901	-	4,637,901
Differences between Expected and Actual Experience	258,882	-	258,882
Changes in Benefit Terms	(556,590)	-	(556,590)
Contributions - Employer	-	2,490,684	(2,490,684)
Contributions - State	-	434,473	(434,473)
Contributions - Employee	-	643,628	(643,628)
Net Investment Income	-	4,770,021	(4,770,021)
Benefit Payments	(2,208,735)	(2,208,735)	-
Administrative Expenses	-	(84,143)	84,143
Net Changes	3,359,332	6,045,928	(2,686,596)
Ending balance 09/30/16	\$ 63,079,708	\$ 51,635,284	\$ 11,444,424
Beginning balances 9/30/16	\$ 63,079,708	\$ 51,635,284	\$ 11,444,424
Service Cost	1,317,786	-	1,317,786
Interest	4,878,081	-	4,878,081
Differences between Expected and Actual Experience	1,862,026	-	1,862,026
Change in assumptions about future economic or demographic factors or other inputs	2,528,873	-	2,528,873
Contributions - Employer	-	1,945,055	(1,945,055)
Contributions- State	-	434,616	(434,616)
Contributions - Employee	-	664,806	(664,806)
Net Investment Income	-	6,250,958	(6,250,958)
Benefit Payments	(2,909,019)	(2,909,019)	-
Administrative Expenses	-	(67,415)	67,415
Net Changes	7,677,747	6,319,001	1,358,746
Ending balance 9/30/17	\$ 70,757,455	\$ 57,954,285	\$ 12,803,170

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

E. Other Pension Plan Information

Summary of Pension Plan Information

Below is a summary of deferred inflows, outflows, and net pension liability for all three employee pension plans:

	General Employees	Police Plan	Firefighters' Plan	Total
Deferred outflows of resources	\$ 24,455,645	\$ 8,959,483	\$ 4,800,820	\$ 38,215,948
Deferred inflows of resources	3,158,613	2,174,897	1,867,891	7,201,401
Net pension liability	88,505,155	21,069,796	11,444,424	121,019,375
Pension expense	12,434,186	2,344,532	1,422,558	16,201,276

The following is the net position for each pension trust fund at September 30, 2017:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Assets				
Cash and cash equivalents	\$ 3,002,374	\$ 1,691,922	\$ 1,056,888	\$ 5,751,184
Receivables:				
Accrued interest receivable	2,113	118,974	89,827	210,914
Accounts receivable	23,274	25,377	-	48,651
Due from other governments	1,333,850	-	-	1,333,850
Prepaid expense	2,269	-	1,112	3,381
Total receivables	<u>1,361,506</u>	<u>144,351</u>	<u>90,939</u>	<u>1,596,796</u>
Investments, at fair value	<u>139,599,850</u>	<u>66,603,528</u>	<u>56,925,188</u>	<u>263,128,566</u>
Total investments	<u>139,599,850</u>	<u>66,603,528</u>	<u>56,925,188</u>	<u>263,128,566</u>
Total Assets	<u>143,963,730</u>	<u>68,439,801</u>	<u>58,073,015</u>	<u>270,476,546</u>
Liabilities				
Accounts payable	<u>151,640</u>	<u>97,406</u>	<u>118,729</u>	<u>367,775</u>
Total liabilities	<u>151,640</u>	<u>97,406</u>	<u>118,729</u>	<u>367,775</u>
Net Position				
Net Position Restricted for Pensions	<u>\$ 143,812,090</u>	<u>\$ 68,342,395</u>	<u>\$ 57,954,286</u>	<u>\$ 270,108,771</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

E. Other Pension Plan Information (Continued)

The following is the statement of changes in net position for each pension trust fund for the fiscal year ended September 30, 2017:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Additions:				
Contributions:				
Employer	\$ 14,802,319	3,582,817	1,945,055	\$ 20,330,191
State	-	530,026	434,616	964,642
Employee	741,052	669,044	664,806	2,074,902
Total contributions	<u>15,543,371</u>	<u>4,781,887</u>	<u>3,044,477</u>	<u>23,369,735</u>
Investment income:				
Investment income (loss)	14,335,490	7,162,255	6,551,793	28,049,538
Less: Investment management fees	(623,044)	(413,485)	(216,329)	(1,252,858)
Net investment income (loss)	<u>13,712,446</u>	<u>6,748,770</u>	<u>6,335,464</u>	<u>26,796,680</u>
Total additions (reductions)	<u>29,255,817</u>	<u>11,530,657</u>	<u>9,379,941</u>	<u>50,166,415</u>
Deductions:				
Pension payments	13,435,989	5,784,305	2,833,447	22,053,741
Refunds to employees	31,735	93,374	75,572	200,681
Administration	224,963	90,172	67,415	382,550
Total deductions	<u>13,692,687</u>	<u>5,967,851</u>	<u>2,976,434</u>	<u>22,636,972</u>
Net Increase (Decrease)	15,563,130	5,562,806	6,403,507	27,529,443
Net Assets Reserved for Employees'				
Pension Benefits:				
Beginning of year	<u>128,248,960</u>	<u>62,779,589</u>	<u>51,550,779</u>	<u>242,579,328</u>
End of year	<u>\$ 143,812,090</u>	<u>\$ 68,342,395</u>	<u>\$ 57,954,286</u>	<u>\$ 270,108,771</u>

NOTE 10 – LONG-TERM OBLIGATIONS

Revenue bonds and other long-term liabilities directly related to and intended to be paid from Proprietary Funds (of the Primary Government) are included in the accounts of such funds. All other long-term indebtedness of the Primary Government is accounted for in the governmental activities column of the government-wide statement of net position. The City's outstanding long-term debt includes bonds payable, notes payable, claims payable and compensated absences payable.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

Schedule Of Long-Term Debt

Long-term liability activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Revenue Bonds and Certificates					
2007B Capital Improvement Certificates	\$ 30,000	\$ -	\$ (15,000)	\$ 15,000	\$ 15,000
2012 Refdg Capital Improvement Certif	6,050,000	-	(820,000)	5,230,000	835,000
2013 Capital Improvement Certificates	4,680,000	-	(1,545,000)	3,135,000	1,555,000
2015 Capital Improvement Certificates	21,440,000	-	-	21,440,000	-
Total Revenue Bonds and Certificates	32,200,000	-	(2,380,000)	29,820,000	2,405,000
Other liabilities:					
Capital Lease Contract Payable	120,948	-	(55,864)	65,084	65,084
Net Pension Liability	83,523,888	-	(5,839,639)	77,684,249	-
Compensated Absences	5,166,503	4,788,640	(4,631,761)	5,323,382	3,013,256
OPEB Liability	2,267,072	266,821	-	2,533,893	-
Claims and Judgments	7,667,485	-	(191,576)	7,475,909	1,819,300
Total other liabilities	98,745,896	5,055,461	(10,718,840)	93,082,517	4,897,640
Total Governmental Activities	<u>\$ 130,945,896</u>	<u>\$ 5,055,461</u>	<u>\$ (13,098,840)</u>	<u>\$ 122,902,517</u>	<u>\$ 7,302,640</u>
Business-type Activities:					
Revenue Bonds					
2007A Utility Systems Bonds	\$ 4,100,000	\$ -	\$ (2,000,000)	\$ 2,100,000	\$ 2,100,000
2007B Utility Systems Bonds	18,695,000	-	(18,695,000)	-	-
2014A Utility Systems Bonds	24,165,000	-	(1,925,000)	22,240,000	1,990,000
2014B Utility Systems Bonds	28,465,000	-	(1,705,000)	26,760,000	1,750,000
2015 Utility Systems Bonds	65,635,000	-	(520,000)	65,115,000	535,000
2017 Utility Systems Bonds	-	18,565,000	-	18,565,000	-
Subtotal	141,060,000	18,565,000	(24,845,000)	134,780,000	6,375,000
Unamortized (Discount) Premium	(82,211)	-	82,211	-	-
Total Revenue Bonds and Certificates	140,977,789	18,565,000	(24,762,789)	134,780,000	6,375,000
Other liabilities:					
Net Pension Liability	44,806,889	-	(1,471,763)	43,335,126	-
Compensated Absences	2,797,712	2,318,426	(2,249,917)	2,866,221	2,062,062
OPEB Liability	1,087,616	119,877	-	1,207,493	-
Total other liabilities	48,692,217	2,438,303	(3,721,680)	47,408,840	2,062,062
Total Business-type Activities	<u>\$ 189,670,006</u>	<u>\$ 21,003,303</u>	<u>\$ (28,484,469)</u>	<u>\$ 182,188,840</u>	<u>\$ 8,437,062</u>

The compensated absences and OPEB payable from the governmental funds are typically liquidated in the General Fund.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

Capital Leases:

The City has one capital lease agreement with Republic First National Corporation for a cleaning truck. This lease qualifies as a capital lease in Governmental activities for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. As of year-end, equipment leased under capital assets consisted of machinery and equipment in the governmental activities of \$334,930 with accumulated depreciation of \$104,201.

Below is the City's obligation for future lease payments:

Fiscal Year Ending September 30 2018	Government Activities
	\$ 66,986
Total Minimum Lease Payments	66,986
Less Amount Representing Interest	(1,902)
Present Value of Minimum Lease Payments	\$ 65,084

Bonds Payable Collateral:

The City has gas tax revenue bonds, capital improvement certificates, water and sewer revenue bonds and utility systems revenue bonds outstanding at year-end. Gas tax revenue bonds are collateralized by a pledge of the City's sixth cent optional gas tax; the capital improvement certificates are collateralized by a pledge of certain non-ad valorem revenues of the City; and the enterprise revenue bonds are collateralized by a pledge of the net revenues generated by the issuing fund or by a pledge of the net revenues of the combined utility systems.

Pledged Revenue:

The City has pledged certain revenues, to repay certain bonds and notes outstanding as of September 30, 2017. Information related to the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amounts of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2017 has been incorporated into the schedules which show the debt service requirements to maturity for the City's bonded indebtedness for the City's governmental activities and for the City's business-type activities.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

The following is a schedule of bonds outstanding at September 30, 2017:

<u>Description Of Bonds</u>	<u>Purpose Of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
Governmental Activities:				
2007B Capital Improvement Certificates	Capital Projects	\$ 40,000	\$ 15,000	4.00%
2012 Refdg Capital Improvement Certif	Refunding	8,405,000	5,230,000	1.72%
2013 Refdg Capital Improvement Certif	Refunding	7,700,000	3,135,000	1.08%
2015 Capital Improvement Certificate	Refunding	21,440,000	<u>21,440,000</u>	3.00%
Total Governmental Activities			<u>\$ 29,820,000</u>	
Business-Type Activities:				
2007A Utility System Bonds	Capital Projects	64,025,000	\$ 2,100,000	5.00%
2014A Utility Systems Bonds	Refunding	24,165,000	22,240,000	3.18%
2014B Utility Systems Bonds	Refunding	28,465,000	26,760,000	2.66%
2015 Utility Systems Bonds	Refunding	65,635,000	65,115,000	3.18%
2017 Utility Systems Bonds	Refunding	18,565,000	<u>18,565,000</u>	2.705%
Total Business-Type Activities			<u>\$ 134,780,000</u>	

For the year ended September 30, 2017, principal and interest payments were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Interest Paid	\$ 783,309	\$ 4,507,063
Principal Paid	<u>2,380,000</u>	<u>6,265,000</u>
	<u>\$ 3,163,309</u>	<u>\$ 10,772,063</u>

For the year ended September 30, 2017, capitalization of net interest costs was as follows:

	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Total</u>
Interest expense	\$ -	\$ 205	\$ 205
Interest income	-	(152)	(152)
Increase in construction in progress	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 53</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

The following schedules show debt service requirements maturity for the City's bonded indebtedness for the City's governmental activities and for the City's business-type activities as well as pledged revenue information:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	
	<u>Capital Improvement Certificates</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,405,000	\$ 751,736
2019	2,625,000	717,091
2020	1,910,000	675,210
2021	1,955,000	628,371
2022	2,005,000	580,299
2023	2,055,000	530,951
2024-2028	7,810,000	1,957,950
2029-2033	9,055,000	695,025
Total	<u>\$ 29,820,000</u>	<u>\$ 6,536,633</u>

Pledged revenue description

Local government half-cent sales tax, franchise fees, business tax receipts, fines and forfeitures, communications services tax, guaranteed entitlement portion of state revenue sharing, mobile home licenses.

Fiscal year 2017 pledged revenues	8,271,340
Fiscal year 2017 principal and interest paid	3,163,309
Outstanding principal and interest	36,356,633
Pledged through fiscal year	2033
Estimated percentage pledged	27.47%

<u>Fiscal Year</u>	<u>Business-Type Activities</u>	
	<u>Utility Systems Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 6,375,000	\$ 3,840,075
2019	6,730,000	3,762,703
2020	7,030,000	3,553,597
2021	7,235,000	3,336,934
2022	7,460,000	3,119,192
2023	7,675,000	2,900,379
2024-2028	41,825,000	10,992,045
2029-2033	50,450,000	4,120,365
Total	<u>\$ 134,780,000</u>	<u>\$ 35,625,291</u>

Pledged revenue description

Net revenues of the combined Electric Revenue System and the Water and Sewer System (as defined in bond resolutions)

Fiscal year 2017 pledged revenues	\$ 25,259,296
Fiscal year 2017 principal and interest paid	\$ 10,772,063
Outstanding principal and interest	\$ 170,405,291
Pledged through fiscal year	2033
Estimated percentage pledged	42.16%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

Bond Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates or pay a calculated penalty. Rebates are paid to the Internal Revenue Service every fifth year after the year of issuance. Within the five-year period, any positive arbitrage (liability) can be offset by any negative arbitrage (non-liability). At September 30, 2017, the City had no arbitrage rebate liability.

Refundings Issued by the City

On July 12, 2017, the City issued \$18,565,000 Utility System Refunding, Series 2017. Proceeds were used to refund \$18,580,000 of the 2007B Utility Bonds.

<u>Bond Series</u>	<u>True Interest Cost</u>	<u>Average Coupon Rate</u>	<u>Maturity Date</u>	<u>Net Proceeds</u>	<u>Cost of Issuance</u>
2017 Utility Systems Bond	2.7050%	2.7050%	10/1/2027	\$ 18,565,000	\$ 104,797

Economic Reasoning for Refunding Bonds

Refunding provides for an irrevocable deposit with an escrow agent (a third party banking institution) of sufficient funds to pay the principal and interest when due, on the refunded bonds to the earliest call date.

On the earliest call date, all bonds outstanding are redeemed, and interest subsequent to the refunding date will cease. Bonds are typically refunded for either economic gain to the governmental unit or enterprise or to eliminate restrictive and antiquated covenants.

The economic rationale to initiate the current year refunding is shown in the following schedule:

<u>2016-2017 Bond Refunding Economic Reasoning</u>	
	<u>Utility Systems Refunding Bonds, Series 2017</u>
Bond Size	
Old Bonds (Outstanding)	\$ 18,580,000
New Bonds (Series 2017)	\$ 18,565,000
Average Annual Savings	\$ 171,624
Net Present Value Savings	\$ 1,716,235
% Savings of refunding bonds	9.24%
Future Value Savings	\$ 1,987,929

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Legal Debt Margin

The City has no legal debt margin requirements set forth by State Statute however; the City's charter limits the aggregate amount of general obligation bonds outstanding to 20% of the assessed valuation of the taxable real and personal property in the City. At September 30, 2017, there was no general obligation debt outstanding.

Synopsis of Revenue Bond Covenants, Revenue Bonds Debt Service and Transfer Requirements

Provisions of revenue bonds require monthly sinking fund contributions for debt service of one-twelfth and one-sixth of the next maturing principal and interest payment, respectively.

Fund Deficits

At September 30, 2017 there were no funds with deficits in total net positions.

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

Various suits and claims arising in the ordinary course of City operations are pending against the City of Ocala. While the ultimate effect of such litigation cannot be ascertained at this time, the City does not expect any of these routine items to have a material impact on the financial condition of the City.

Fire Service Fee – The biggest threat at the present time is the lawsuit related to the Fire Services Fee. In January 2014, Discount Sleep of Ocala LLC d/b/a Mattress Barn and Dale W. Birch filed a lawsuit alleging that the City is illegally charging fire user fees in violation of the State Constitution (Case No: 2014-0426-CA-G). The suit seeks to invalidate a fire user fee established in Section 30, Ocala Code of Ordinances that charges property owners to subsidize fire services. The City receives approximately \$7.9 million annually, and the plaintiffs are seeking \$49 million plus interest, an amount representing the amount charged since the fee's inception on January 1, 2007. On February 13, 2016, the circuit court dismissed in its entirety this lawsuit against the City. The plaintiff has since filed an appeal of this order of dismissal. In January 2018, the court reversed that decision so the matter is headed back to the trial court.

Other Commitments

The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2017, in the respective funds are as follows:

General Fund	\$ 3,164,663
Electric	2,356,395
Water and Sewer	3,655,517
Sanitation Fund	257,601
Airport Fund	148,054
Fiber Network	75,194
Suntran	34,632
Nonmajor Governmental Funds	623,064
CRA Fund	12,000
Total	<u><u>\$ 10,327,120</u></u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

FMPA All Requirements Project (ARP)

The City purchases power exclusively from the Florida Municipal Power Agency (FMPA) through FMPA's All Requirements Power Supply Project (ARP). The City and FMPA have entered into an ARP Power Supply Contract (effective March 22, 1985, as amended on May 24, 1991, and January 22, 1999) which requires: 1) FMPA to sell and deliver to the City, and 2) the City to purchase from FMPA, all electric power that the City requires. The initial term of the ARP contract is October 1, 2030, however, on each October 1st, after the effective date, the contract automatically extends for an additional one-year period unless either party, at least one year prior to such automatic extension date, notifies the other party in writing of its decision not to extend the contract.

The City pays for electric power under the contract at the rates set forth in the rate schedules to the ARP contract, which FMPA may revise from time to time in accordance with the contract. The contract provides the option for the City to withdraw from the All-requirements Project after notice and making the debt payment, provided for in Section 29 of the contract (which, generally, is equal to the City's portion of the ARP Debt and other costs incurred, or expected to be incurred, by the ARP as a result of the City's withdrawal).

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Postemployment benefits extended to retirees include the continued coverage for the retiree and dependents in the City's health insurance plan, dental plan, vision plan and life insurance plan. A portion of the health insurance benefits for family coverage is currently being subsidized by the City, but the subsidy is being phased out over a period of time. No other form of direct subsidy is offered to retirees accepting medical coverage. There are currently 242 retirees participating in the plan. Premiums for insurances other than health insurance are fully paid by the retiree.

Plan Description

The Other Postemployment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs which means that the city is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. Accounting standards call this the "implicit rate subsidy". This subsidy is only available until the retiree becomes Medicare eligible.

Retirees and their dependents are permitted to remain covered under the City's respective medical and insurance plans as long as they pay a full premium applicable to coverage elected, subject to direct subsidies discussed above. The postemployment benefits are extended to retirees and continued at the discretion of the City, which reserves the right (subject to State Statute and any collective bargaining agreements) to change or terminate benefits, and to change contributions required from retirees in the future as circumstances change. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Postemployment Benefit Plan does not issue a stand-alone report.

Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the City Council. Because "funding" the OPEB obligations would involve using an irrevocable trust fund, the City did not "fund" the net OPEB obligation. Contributions are being made based on a pay-as-you-go financing requirement. Each fund was assessed its share of OPEB costs based on the number of employees in the fund divided by the total number of City employees.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer Annual Required Contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize an unfunded actuarial liability (or fund excess) over a period not to exceed thirty years. The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. Since the City's OPEB is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution and equals the total age-adjusted costs paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year).

The following table shows the components of the City's net OPEB obligation to the Other Postemployment Benefit Plan:

Annual required contribution (ARC)	\$ 1,163,590
Interest on net OPEB obligation	134,188
Adjustment to ARC	<u>(162,911)</u>
Annual OPEB cost (expense)	1,134,867
Contributions made	<u>(748,169)</u>
Increase in net OPEB obligation	386,698
Net OPEB obligation - beginning of year	<u>3,354,688</u>
Net OPEB obligation - end of year	<u><u>\$ 3,741,386</u></u>

Schedule of Funding Progress

SCHEDULE OF FUNDING PROGRESS

[a]	[b]	[b] - [a]	[a] / [b]	[c]	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (1) (UAAL)	Funded Ratio	Covered Payroll	
10/1/2014 ⁽¹⁾	\$ -	\$12,395,195	\$12,395,195	0.00%	\$38,129,491	32.51%
10/1/2016	\$ -	\$14,683,430	\$14,683,430	0.00%	\$50,555,510	29.04%

⁽¹⁾ Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Trend Information

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2015	\$ 859,531	\$ 678,872	78.98%	\$ 3,134,205
9/30/2016	902,914	682,431	75.58%	3,354,688
9/30/2017	1,134,867	748,169	65.93%	3,741,386

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The amortization periods are open. The actuarial methods and assumptions used are designed to reduce short term volatility in actuarial value of assets, consistent with the long term perspective of the calculations.

Actuarial valuations involve estimates of the values of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial methods are:

Actuarial Valuation Date	October 1, 2016
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percentage of Payroll
Amortization Period	21 years – Closed
Asset Valuation Method	Unfunded
Investment Rate of Return	4.0%
Projected Annual Salaries Increase	3.5% to 14% (service based)
Inflation Rate	4.0%
Mortality	RP-2000 and Projection Scale BB on a Generational basis for males and females
Healthcare Cost Trend	7.5% initial trend rate dropping to 5% Decreasing 0.5% annually

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 13 – CHANGES IN ACCOUNTING STANDARDS

A. Adoption of New Accounting Standards

The City implemented GASB Statement No. 77, Tax Abatement Disclosures that was issued August 2015. The Statement requires governments to disclosure information about tax abatement agreements entered into with an individual or entity.

B. Future Adoption of New Accounting Standards

The City, where applicable anticipates adopting the following new accounting standards in future years:

GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The objective of the statement is to replace the requirements of GASB Statement No.45. In addition, the statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2018.

GASB Statement No.81, Irrevocable Split-Interest Agreement. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situation in which a government is a beneficiary of the agreement. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2018.

GASB Statement No.85, Omnibus. This statement issued March 2017, addresses topics related to blending component units, goodwill, and postemployment benefits. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues. This statement issued May 2017, is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2018.

C. Restatement of Prior Year Net Position

The beginning net position for Governmental Activities was restated in the amount of \$1,570,272 due to change in accrued interest payable.

NOTE 14- TAX ABATEMENTS

The City currently administers 26 Economic Investment Program agreements with city investments to be paid over a number of years based on company performance. As of September 30, 2017, no agreements are in place that would have an impact on abatements of taxes as required by GASB 77.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 15 – SUBSEQUENT EVENTS

The following events occurred subsequent to fiscal ended September 30, 2017:

Hurricane Irma

In early September 2017, Hurricane Irma reached Florida as a category 4 hurricane on the Saffir-Simpson Wind Scale. In Ocala, winds were estimated at 90 mph. The City incurred debris removal expenditures and damages to City owned electrical poles and wires. The cost of debris removal and repair to city assets is estimated at \$7.3 million. A claim has been filed with the Federal Emergency Management Agency (FEMA). It is anticipated FEMA will reimburse 75 percent of the claim, the State of Florida will reimburse an additional 12.5 percent, and the City will be responsible for the remaining 12.5 percent of the claim.

CITY OF OCALA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	Revenues			
Property tax	\$ 25,840,273	\$ 25,840,273	\$ 26,213,160	\$ 372,887
Utility service tax	8,250,000	8,250,000	9,083,731	833,731
Communication service tax	2,555,888	2,555,888	2,467,314	(88,574)
Other tax	1,227,000	1,227,000	1,391,683	164,683
State shared revenues	6,642,282	6,642,282	6,194,657	(447,625)
Permits and fees	2,043,732	2,043,732	2,860,444	816,712
Intergovernmental revenues	600,376	3,812,852	3,045,097	(767,755)
Charges for services	13,370,550	13,375,550	14,509,918	1,134,368
Fines and forfeitures	440,800	499,052	790,722	291,670
Investment income	563,000	563,000	205,808	(357,192)
Miscellaneous	548,790	745,575	624,041	(121,534)
Total revenues	<u>62,082,691</u>	<u>65,555,204</u>	<u>67,386,575</u>	<u>1,831,371</u>
Expenditures				
Current:				
General government	8,210,908	10,339,526	14,998,495	(4,658,969)
Public safety	48,390,839	49,802,378	43,692,227	6,110,151
Physical Environment	7,049	20,521	-	20,521
Transportation	6,022,460	7,360,860	6,175,901	1,184,959
Economic environment	2,959,562	4,784,006	690,577	4,093,429
Culture and recreation	8,676,496	8,995,580	8,112,809	882,771
Capital outlay	809,431	7,612,791	3,797,250	3,815,541
Total expenditures	<u>75,076,745</u>	<u>88,915,662</u>	<u>77,467,259</u>	<u>11,448,403</u>
Excess (deficiency) of revenues over expenditures	<u>(12,994,054)</u>	<u>(23,360,458)</u>	<u>(10,080,684)</u>	<u>13,279,774</u>
Other Financing Sources (Uses)				
Transfers in	13,749,047	15,129,560	15,131,241	1,681
Transfers out	(7,861,706)	(8,846,186)	(8,846,186)	-
Total other financing sources (uses)	<u>5,887,341</u>	<u>6,283,374</u>	<u>6,285,055</u>	<u>1,681</u>
Net change in fund balance	(7,106,713)	(17,077,084)	(3,795,629)	13,281,455
Fund balance - beginning	<u>40,813,856</u>	<u>40,813,856</u>	<u>40,813,856</u>	<u>-</u>
Fund balance - ending	<u>\$ 33,707,143</u>	<u>\$ 23,736,772</u>	<u>\$ 37,018,227</u>	<u>\$ 13,281,455</u>

CITY OF OCALA, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY (CRA) FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	(GAAP Basis)			Positive
	Original	Final		(Negative)
Revenues				
Property tax	\$ 293,218	\$ 293,107	\$ 293,107	\$ -
Investment income	50,000	50,000	12,625	(37,375)
Miscellaneous			4,800	4,800
Total revenues	<u>343,218</u>	<u>343,107</u>	<u>310,532</u>	<u>(32,575)</u>
Expenditures				
Current:				
Economic Environment	229,588	934,130	320,031	614,099
Capital outlay	327,000	440,316	375,000	65,316
Total expenditures	<u>556,588</u>	<u>1,374,446</u>	<u>695,031</u>	<u>679,415</u>
Excess (deficiency) of revenues over expenditures	<u>(213,370)</u>	<u>(1,031,339)</u>	<u>(384,499)</u>	<u>646,840</u>
Other Financing Sources (Uses)				
Transfers in	411,697	530,129	530,129	-
Total other financing sources (uses)	<u>411,697</u>	<u>530,129</u>	<u>530,129</u>	<u>-</u>
Net change in fund balance	198,327	(501,210)	145,630	646,840
Fund balance - beginning	<u>1,678,833</u>	<u>1,678,833</u>	<u>1,678,833</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,877,160</u>	<u>\$ 1,177,623</u>	<u>\$ 1,824,463</u>	<u>\$ 646,840</u>

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR OPEB
SEPTEMBER 30, 2017**

Other Postemployment Benefits

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (1) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2016	\$ -	\$14,683,430	\$ 14,683,430	0.00%	\$ 50,555,510	29.04%
10/1/2014 ⁽¹⁾	-	12,395,195	12,395,195	0.00%	38,129,491	32.51%
10/1/2012 ⁽¹⁾	-	14,046,180	14,046,180	0.00%	37,381,463	37.58%

⁽¹⁾ Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2017	\$ 1,134,867	\$ 748,169	65.93%	\$ 3,741,386
2016	902,914	682,431	75.58%	3,354,688
2015	859,531	678,872	78.98%	3,134,205
2014	953,497	727,809	76.33%	2,985,410
2013	913,538	728,285	79.72%	2,898,526
2012	1,371,899	763,534	55.66%	2,540,261

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	Measurement Date			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 1,567,489	\$ 1,852,029	\$ 1,955,680	\$ 2,122,184
Interest	14,832,634	14,160,117	13,857,718	13,643,262
Changes of benefit terms	-	-	-	(1,321,935)
Differences between expected and actual experience	1,126,640	1,198,983	1,329,173	-
Changes of assumptions	3,182,088	5,202,901	-	-
Contributions - buy back	-	-	-	114,387
Benefit payments, including refunds of employee contributions	(13,468,466)	(11,575,745)	(13,862,112)	(11,437,247)
Net change in total pension liability	7,240,385	10,838,285	3,280,459	3,120,651
Total pension liability - beginning	217,061,514	206,223,229	202,942,770	199,822,119
Total pension liability- ending	<u>\$ 224,301,899</u>	<u>\$ 217,061,514</u>	<u>\$ 206,223,229</u>	<u>\$ 202,942,770</u>
Plan fiduciary net position				
Contributions - employer	14,802,319	14,187,965	13,053,609	10,253,005
Contributions - employee	740,871	574,059	584,624	675,791
Contributions - buy back	-	-	-	114,387
Net investment income	13,427,988	10,585,043	(2,523,690)	10,569,771
Benefit payments, including refunds of employee contributions	(13,468,466)	(11,575,745)	(13,862,112)	(11,437,247)
Administrative expense	(224,873)	(225,101)	(172,861)	(159,258)
Net change in plan fiduciary net position	15,277,839	13,546,221	(2,920,430)	10,016,449
Plan fiduciary net position - beginning	128,556,359	115,010,138	117,930,568	107,914,119
Plan fiduciary net position - ending	<u>143,834,198</u>	<u>128,556,359</u>	<u>115,010,138</u>	<u>117,930,568</u>
Net pension liability - ending	<u>\$ 80,467,701</u>	<u>\$ 88,505,155</u>	<u>\$ 91,213,091</u>	<u>\$ 85,012,202</u>
Plan fiduciary net position as a percentage of the total pension liability	64.13%	59.23%	55.77%	58.11%
Covered employee payroll	\$ 13,747,075	\$ 14,722,210	\$ 21,970,446	\$ 15,593,924
Net pension liability as a percentage of covered employee payroll	585.34%	601.17%	415.16%	545.16%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**Last 10 Fiscal Years *
(Dollar amounts in thousands)**

	Measurement Date			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 14,802,319	\$ 14,186,322	\$ 13,053,609	\$ 10,253,005
Contributions in relation to the				
Actuarially determined contribution	14,802,319	14,187,965	13,053,609	10,253,005
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (1,643)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 13,747,075	\$ 14,722,210	\$ 21,970,446	\$ 15,593,924
Contributions as a percentage of				
Covered employee payroll	107.68%	96.37%	59.41%	65.75%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 GENERAL EMPLOYEES' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual Money - Weighted Rate of Return				
Net of Investment Expense	10.46%	9.08%	(2.14%)	9.86%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	Measurement Date			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 1,579,043	\$ 1,629,468	\$ 1,639,535	\$ 1,688,742
Interest	6,600,886	6,316,211	6,207,407	5,940,330
Changes of benefit terms	-	(1,150,613)	-	-
Change in Funding Standard Account	-	-	-	56,039
Differences between expected and actual experience	(252,579)	(727,086)	(971,456)	-
Changes of assumptions	(35,707)	1,741,528	-	-
Contributions - buy back	-	-	83,865	-
Benefit payments, including refunds of employee contributions	(5,888,193)	(4,814,327)	(4,062,918)	(4,531,980)
Net change in total pension liability	2,003,450	2,995,181	2,896,433	3,153,131
Total pension liability - beginning	\$ 83,876,123	\$ 80,880,942	77,984,509	74,831,378
Total pension liability- ending	<u>\$ 85,879,573</u>	<u>\$ 83,876,123</u>	<u>\$ 80,880,942</u>	<u>\$ 77,984,509</u>
Plan fiduciary net position				
Contributions - employer	3,582,817	3,469,395	3,111,881	2,961,297
Contributions - State	530,026	516,594	471,520	440,294
Contributions - employee	669,044	672,201	629,554	632,728
Contributions - buy back	-	-	83,865	-
Net investment income	6,716,321	5,151,384	(1,046,879)	5,733,534
Benefit payments, including refunds of employee contributions	(5,888,193)	(4,814,327)	(4,062,918)	(4,531,980)
Administrative expense	(88,507)	(83,196)	(72,024)	(72,694)
Net change in plan fiduciary net position	5,521,508	4,912,051	(885,001)	5,163,179
Plan fiduciary net position - beginning	62,806,327	57,894,276	58,779,277	53,616,098
Plan fiduciary net position - ending	68,327,835	62,806,327	57,894,276	58,779,277
Net pension liability - ending	<u>\$ 17,551,738</u>	<u>\$ 21,069,796</u>	<u>\$ 22,986,666</u>	<u>\$ 19,205,232</u>
Plan fiduciary net position as a percentage of the total pension liability	79.56%	74.88%	71.58%	75.37%
Covered employee payroll	\$ 8,363,052	\$ 8,402,515	\$ 9,288,611	\$ 7,909,106
Net pension liability as a percentage of covered employee payroll	209.87%	250.76%	247.47%	242.82%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' RETIREMENT SYSTEM**

**Last 10 Fiscal Years *
(Dollar amounts in thousands)**

	Measurement Date			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 3,582,731	\$ 3,762,646	\$ 3,505,831	\$ 3,345,551
Contributions in relation to the				
Actuarially determined contribution	4,112,843	3,985,989	3,583,401	3,345,551
Contribution Deficiency (Excess)	<u>\$ (530,112)</u>	<u>\$ (223,343)</u>	<u>\$ (77,570)</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,363,052	\$ 8,402,515	\$ 9,288,611	\$ 7,909,106
Contributions as a percentage of				
Covered employee payroll	49.18%	47.44%	38.58%	42.30%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 POLICE OFFICERS' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual Money - Weighted Rate of Return				
Net of Investment Expense	8.35%	9.78%	(1.76%)	10.63%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT PLAN**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	Measurement Date			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 1,317,786	\$ 1,227,874	\$ 1,121,980	\$ 1,163,818
Interest	4,878,081	4,637,901	4,471,685	4,274,720
Changes of benefit terms	-	(556,590)	-	-
Differences between expected and actual experience	1,862,026	258,882	(904,013)	142,133
Changes of assumptions	2,528,873	-	-	-
employee contributions	<u>(2,909,019)</u>	<u>(2,208,735)</u>	<u>(3,092,921)</u>	<u>(2,901,757)</u>
Net change in total pension liability	7,677,747	3,359,332	1,596,731	2,678,914
Total pension liability - beginning	63,079,708	59,720,376	58,123,645	55,444,731
Total pension liability- ending	<u>\$ 70,757,455</u>	<u>\$ 63,079,708</u>	<u>\$ 59,720,376</u>	<u>\$ 58,123,645</u>
Plan fiduciary net position				
Contributions - employer	1,945,055	2,490,684	2,180,098	2,117,780
Contributions - State	434,616	434,473	467,838	553,787
Contributions - employee	664,806	643,628	554,915	450,140
Net investment income	6,250,958	4,770,021	13,508	3,792,085
Benefit payments, including refunds of employee contributions	(2,909,019)	(2,208,735)	(3,092,921)	(2,901,757)
Administrative expense	(67,415)	(84,143)	(77,503)	(67,517)
Net change in plan fiduciary net position	6,319,001	6,045,928	45,935	3,944,518
Plan fiduciary net position - beginning	51,635,284	45,589,356	45,543,421	41,598,903
Plan fiduciary net position - ending	<u>57,954,285</u>	<u>51,635,284</u>	<u>45,589,356</u>	<u>45,543,421</u>
Net pension liability - ending	<u>\$ 12,803,170</u>	<u>\$ 11,444,424</u>	<u>\$ 14,131,020</u>	<u>\$ 12,580,224</u>
Plan fiduciary net position as a percentage of the total pension liability	81.91%	81.86%	76.34%	78.36%
Covered employee payroll	\$ 6,886,009	\$ 7,333,107	\$ 6,311,053	\$ 6,392,458
Net pension liability as a percentage of covered employee payroll	185.93%	156.07%	223.91%	196.80%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT PLAN**

**Last 10 Fiscal Years
(Dollar amounts in thousands)**

	Measurement Date			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 2,236,606	\$ 2,370,353	\$ 2,355,312	\$ 2,482,131
Contributions in relation to the				
Actuarially determined contribution	2,185,456	2,731,085	2,420,499	2,358,181
Contribution Deficiency (Excess)	<u>\$ 51,150</u>	<u>\$ (360,732)</u>	<u>\$ (65,187)</u>	<u>\$ 123,950</u>
Covered employee payroll	\$ 6,886,009	\$ 7,333,107	\$ 6,507,660	\$ 6,311,053
Contributions as a percentage of				
Covered employee payroll	31.74%	37.24%	37.19%	37.37%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 FIREFIGHTERS' RETIREMENT PLAN**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual Money - Weighted Rate of Return				
Net of Investment Expense	12.80%	10.88%	0.06%	9.31%

* Information prior to fiscal year 2014 is not available.

CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2017

NOTE 1 - BUDGETARY INFORMATION

A. Budgeting Policy

An annual budget is prepared for all governmental and proprietary funds. The City Council annually adopts the budget through a Budget Resolution. Budgetary control is legally maintained at the fund level. The budget amounts presented in the accompanying financial statements for the governmental funds are as originally adopted, or as legally amended, by the City Council during the year ended September 30, 2017.

The City's Budget Resolution provides transfer authority to the City Manager to transfer budgeted amounts between departments within any fund; however, any budget amendments that alter the total expenditures of any fund must be approved by the City Council. During 2016, the City Council approved various supplemental budget appropriations to provide for unanticipated requirements of the period. Budget appropriations may not be legally exceeded on a fund basis. Appropriations lapse at the end of each fiscal year. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgetary comparisons reflect only those activities for which legally adopted budgets are prepared. For the year ended September 30, 2017, no expenditures exceeded the budget at the fund level.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable budget appropriation, is utilized by the governmental funds of the City. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget. See Liabilities Note 11, Other Commitments, for a breakdown of significant encumbrances in total by each major fund and nonmajor fund.

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

GENERAL EMPLOYEES' RETIREMENT SYSTEM:

Valuation Date: October 1, 2015

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method (level percentage of pay).

Amortization Method: Layered 10-year periods.

Remaining Amortization Period: 22 Years (as of 10/01/2015 valuation).

Actuarial Asset Method: The Actuarial Value of Assets is based upon a 5-year straight line recognition of the difference between expected earnings on the net market value of assets and actual earnings on the net market value of assets. The net market value of assets shall be the total fiduciary net position as defined by GASB 67/68, excluding any reserves held which are not designated for currently adopted plan benefits valued as part of the plan liabilities. The resulting value shall be adjusted if it does not fall between 120% and 80% of the market value of assets. This change shall be made assuming that this 5-year recognition method applies to differences between the expected and actual investment returns for the years ending September 30, 2009 and later. This method is mandated by the proposed ordinance.

CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2017

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

GENERAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

Prior Method: The Actuarial Value of Assets was brought forward using the historical five-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in an insignificant bias that is above or below the Market Value.

Inflation: 3.0% per year.

Salary Increases: 6% per year for the first 10 years of Credited Service, and 5% for all years of Credited Service greater than 10.

Payroll Increase: None

Interest Rate: 7% per year, compounded annually, net of investment related expenses. The interest rate is mandated by Ordinance 2013-48.

Cost of Living Increases: 3% automatic lifetime COLA, beginning one year after retirement for all categories except pre-retirement death. Applies to future retirees on and after October 1, 2008 to the frozen accrued benefit as of September 30, 2013 only. The grandfathered Members maintain this provision on their entire benefit. No COLA on the variable benefit earned for Credited Service on and after October 1, 2013.

Normal Retirement:	<u>Number of Years after First</u>	
	<u>Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0	40%
	1	40%
	2	100%

Members with at least 30 years of Credited Service are assumed to retire immediately.

Early Retirement: Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 2% per year.

Termination Rates: See Table Below.

Disability Rates: See Table Below. 75% of disablements are assumed to be service incurred.

Mortality: RP-2000 Combined Healthy with generational projection by AA- Sex Distinct. This assumption is mandated by Ordinance 2013-48. Disabled lives are valued using the RP-2000 Combined Healthy projected to 2012 with Schedule AA – Sex Distinct set forward 5 years.

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating</u>	<u>% Becoming Disabled During</u>
	<u>During the Year</u>	<u>the Year</u>
20	20.0%	0.051%
30	12.0%	0.058%
40	8.0%	0.121%
50	6.0%	0.429%
60	5.0%	1.611%

**CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2017**

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

POLICE OFFICERS' RETIREMENT SYSTEM

Valuation Date: October 1, 2015

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost

Amortization Method: Level percentage of pay, closed.

Remaining Amortization Period: 29 Years (as of 10/01/2015 valuation).

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 5-year average Market Value return and is then diminished by the Funding Standard Account Credit Balance and further adjusted for the Administrative Expense Account. It is possible that over time this technique will produce an insignificant bias that is above or below the Market Value.

Inflation: 3% per year.

Salary Increases:	<u>Years of Credited Service</u>	<u>Salary Scale</u>
	<10	6.0%
	10-15	5.5%
	15-20	5.0%
	20-25	4.5%
	>25	4.0%

Partial Lump Sums: For valuation purposes, no future retirees are assumed to opt for a partial lump sum.

Payroll Increase: 1.3% (previously 2.0%)

Interest Rate: 8% per year, compounded annually, net of investment related expenses.

Retirement Age: Earlier of 1) Age 52 and 10 years of service or 2) 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Early Retirement: Commencing with the earliest Retirement Age, Members are assumed to retire with an immediate benefit at the rate of 5% per year.

Termination Rates: See Table Below.

Disability Rates: See Table Below. 75% of disablements are assumed to be service related.

Mortality: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

**CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2017**

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

POLICE OFFICERS' RETIREMENT SYSTEM (Continued)

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	8.0%	0.14%
30	5.5%	0.18%
40	3.3%	0.30%
50	1.4%	1.00%

FIREFIGHTERS' RETIREMENT PLAN:

Valuation Date: October 1, 2015

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Method

Amortization Method: Level percentage of pay, closed. Remaining Amortization

Period: 22 Years (as of 10/01/2015 valuation).

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 5-year average Market Value return and is then diminished by the Funding Standard Account Credit Balance and further adjusted for the Administrative Expense Account. It is possible that over time this technique will produce an insignificant bias that is above or below the Market Value.

Inflation: 3.25% per year plus the below salary increases.

<u>Salary Increases:</u>	<u>Age</u>	<u>Salary scale</u>
	<30	4.0%
	35	3.0%
	40	2.0%
	45	1.0%
	50 & greater	0%

Partial Lump Sums: For valuation purposes, no future retirees are assumed to opt for a partial lump sum.

Payroll Increase: 1.9% (previously 3.25%).

Interest Rate: 7.75% per year, net of investment expenses.

Retirement Age: Age 55 and 10 years of service, Rule of 70, or 25 years of service.

Early Retirement: Age 50 and 10 years of credited service. Benefits are reduced by 2% for each year prior to normal retirement date.

**CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2017**

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

FIREFIGHTERS' RETIREMENT PLAN (Continued)

Termination Rates: See Table Below.
Disability Rates: See Table Below. 75% of disablements are assumed to be service related.
Mortality: Healthy - RP-2000 Mortality Table, projected to 2020.
Disabled: RP-2000 Mortality Table for Disabled Lives, projected to 2020.
Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	6.68%	0.10%
30	4.18%	0.14%
40	2.28%	0.29%
50	0.98%	0.92%



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**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

SPECIAL REVENUE FUNDS:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditure for specific purposes. Special revenue funds used by the City are:

Downtown Development Fund - This fund accounts for property taxes levied against downtown property owners.

Local Gasoline Tax Fund - This fund accounts for street related maintenance and improvement projects financed by the City's share of local gasoline taxes. These taxes are required by law to be used to maintain streets.

Stormwater Utility Fund - This fund accounts for resources collected that are to be used for additions to, improvements to and maintenance of the storm drainage system.

SHIP Local Housing Assistance Fund - This fund accounts for the receipt and uses of funds received from the Florida "local housing assistance trust fund" for the State Housing Initiative Partnership (low income housing).

Infrastructure Sales Surtax Fund – This fund accounts for Public Safety capital needs and road projects.

DEBT SERVICE FUNDS:

Debt service funds are used to account for the accumulation of resources for the payment of principal, interest and related costs of the City's general long-term debt. Debt service funds used by the City are:

2007A/2015 Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Revenue Certificates, Series 2015, which refunded the Capital Improvement Revenue Certificates, Series 2007A.

2007B Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2007B.

2012 Improvement Certificates Fund - This fund is used for payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2012.

2013 Improvement Certificates Fund - This fund is used for payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2013.

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2017**

CAPITAL PROJECTS FUNDS:

The Capital Projects Funds are used to account for resources earmarked for the acquisition and construction of major capital facilities and other project oriented activities other than those financed by proprietary funds. Capital project funds used by the City are:

2002 Capital Improvement Fund - This fund is used to account for the resources earmarked for the acquisition and construction of certain capital improvements funded by the Capital Improvement Revenue Certificates, Series 2002.

2007A Capital Improvement Fund - This fund is used to account for the resources earmarked for the acquisition and construction of certain capital improvements funded by the Capital Improvement Revenue Certificates, Series 2007A.



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**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash with fiscal agent	\$ -	\$ 2,467,207	\$ -	\$ 2,467,207
Equity in pooled cash fund	12,199,759	321,600	-	12,521,359
Accounts and notes receivables	1,247,486	-	-	1,247,486
Accrued interest receivable	39,300	-	-	39,300
Due from other funds	-	-	-	-
Prepaid Expenses	1,920	-	-	1,920
Due from other governments	1,479,339	-	-	1,479,339
Total assets	14,967,804	2,788,807	-	17,756,611
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	650,750	-	-	650,750
Retainage on contracts	56,176	-	-	56,176
Escrow/Deposits	1,008,065	-	-	1,008,065
Total liabilities	1,714,991	-	-	1,714,991
Deferred inflows of resources				
Deferred inflows from future revenues	70,055	-	-	70,055
Total deferred inflows of resources	70,055	-	-	70,055
Fund Balances:				
Restricted	7,994,896	2,788,807	-	10,783,703
Committed	5,187,862	-	-	5,187,862
Total fund balances	13,182,758	2,788,807	-	15,971,565
Total liabilities and fund balances	\$ 14,967,804	\$ 2,788,807	\$ -	\$ 17,756,611

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property tax	\$ 73,272	\$ -	\$ -	\$ 73,272
Local option gas tax	3,523,965	-	-	3,523,965
Infrastructure Sales Surtax	4,780,395	-	-	4,780,395
Intergovernmental revenues	2,603,755	-	-	2,603,755
Charges for services	5,528,091	-	-	5,528,091
Investment income	52,013	4,788	-	56,801
Miscellaneous	108,969	-	-	108,969
Total revenues	<u>16,670,460</u>	<u>4,788</u>	<u>-</u>	<u>16,675,248</u>
Expenditures				
Current:				
Physical environment	5,065,131	-	-	5,065,131
Public safety	-	-	-	-
Transportation	4,132,012	-	-	4,132,012
Economic environment	214,742	-	-	214,742
Culture and recreation	-	-	-	-
Capital outlay	3,016,854	-	-	3,016,854
Debt service:				
Principal payments	-	2,380,000	-	2,380,000
Interest and fees	-	783,863	-	783,863
Total expenditures	<u>12,428,739</u>	<u>3,163,863</u>	<u>-</u>	<u>15,592,602</u>
Excess (deficiency) of revenues over expenditures	<u>4,241,721</u>	<u>(3,159,075)</u>	<u>-</u>	<u>1,082,646</u>
Other financing sources (uses)				
Transfers in	257,053	3,172,614	-	3,429,667
Transfers out	(508,070)	(4,234)	(616)	(512,920)
Total other financing sources (uses)	<u>(251,017)</u>	<u>3,168,380</u>	<u>(616)</u>	<u>2,916,747</u>
Net change in fund balances	3,990,704	9,305	(616)	3,999,393
Fund balances - beginning	9,192,054	2,779,502	616	11,972,172
Fund balances - ending	<u>\$ 13,182,758</u>	<u>\$ 2,788,807</u>	<u>\$ -</u>	<u>\$ 15,971,565</u>

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017**

	<u>Downtown Development</u>	<u>Local Gasoline Tax</u>
Assets		
Equity in pooled cash and investment fund	\$ 214,303	\$ 3,699,682
Accrued interest receivable	705	12,175
Accounts and notes receivable	-	5,595
Prepaid Expenses	-	-
Due from other governments	1,048	559,768
Total assets	<u>216,056</u>	<u>4,277,220</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued liabilities	3,322	266,036
Retainage on contracts	-	4,495
Escrow	-	1,008,065
Total liabilities	<u>3,322</u>	<u>1,278,596</u>
Deferred inflows of resources		
Deferred inflows from future revenues	-	-
Total deferred inflows from resources	<u>-</u>	<u>-</u>
Fund Balances:		
Restricted	212,734	2,998,624
Committed	-	-
Total fund balances	<u>212,734</u>	<u>2,998,624</u>
Total liabilities and fund balances	<u>\$ 216,056</u>	<u>\$ 4,277,220</u>

Stormwater Utility	SHIP Local Housing Assistance	Infrastructure Sales Surtax	Total
\$ 4,159,324	\$ 388,982	\$ 3,737,468	\$ 12,199,759
12,841	1,280	12,299	39,300
1,166,593	75,298	-	1,247,486
1,920	-	-	1,920
193,241	-	725,282	1,479,339
<u>5,533,919</u>	<u>465,560</u>	<u>4,475,049</u>	<u>14,967,804</u>
295,313	79	86,000	650,750
50,744	937	-	56,176
-	-	-	1,008,065
<u>346,057</u>	<u>1,016</u>	<u>86,000</u>	<u>1,714,991</u>
-	70,055	-	70,055
-	<u>70,055</u>	-	<u>70,055</u>
-	394,489	4,389,049	7,994,896
5,187,862	-	-	5,187,862
<u>5,187,862</u>	<u>394,489</u>	<u>4,389,049</u>	<u>13,182,758</u>
<u>\$ 5,533,919</u>	<u>\$ 465,560</u>	<u>\$ 4,475,049</u>	<u>\$ 14,967,804</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Downtown Development</u>	<u>Local Gasoline Tax</u>
Revenues		
Property taxes	\$ 73,272	\$ -
Local option gas tax	-	3,523,965
Infrastructure sales surtax	-	-
Intergovernmental revenues	-	571,555
Charges for services	-	-
Investment income	1,128	22,154
Miscellaneous	-	74,068
Total revenues	<u>74,400</u>	<u>4,191,742</u>
Expenditures		
Current:		
Physical environment	-	-
Transportation	-	4,132,012
Economic environment	33,982	-
Capital outlay	-	186,980
Total expenditures	<u>33,982</u>	<u>4,318,992</u>
Excess (deficiency) of revenues over expenditures	<u>40,418</u>	<u>(127,250)</u>
Other financing sources (uses)		
Transfers in	-	-
Transfers out	(10,000)	(300,377)
Total other financing sources (uses)	<u>(10,000)</u>	<u>(300,377)</u>
Net change in fund balances	30,418	(427,627)
Fund balances - beginning	<u>182,316</u>	<u>3,426,251</u>
Fund balances - ending	<u>\$ 212,734</u>	<u>\$ 2,998,624</u>

<u>Stormwater Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Infrastructure Sales Surtax</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 73,272
-	-	-	3,523,965
-	-	4,780,395	4,780,395
1,649,572	382,628	-	2,603,755
5,528,091	-	-	5,528,091
18,664	1,548	8,519	52,013
29,415	5,486	-	108,969
<u>7,225,742</u>	<u>389,662</u>	<u>4,788,914</u>	<u>16,670,460</u>
5,065,131	-	-	5,065,131
-	-	-	4,132,012
-	180,760	-	214,742
2,430,009	-	399,865	3,016,854
<u>7,495,140</u>	<u>180,760</u>	<u>399,865</u>	<u>12,428,739</u>
<u>(269,398)</u>	<u>208,902</u>	<u>4,389,049</u>	<u>4,241,721</u>
257,053	-	-	257,053
(197,693)	-	-	(508,070)
<u>59,360</u>	<u>-</u>	<u>-</u>	<u>(251,017)</u>
(210,038)	208,902	4,389,049	3,990,704
<u>5,397,900</u>	<u>185,587</u>	<u>-</u>	<u>9,192,054</u>
<u>\$ 5,187,862</u>	<u>\$ 394,489</u>	<u>\$ 4,389,049</u>	<u>\$ 13,182,758</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 73,272	\$ 72,377	\$ 895
Investment income	1,128	2,000	(872)
Total revenues	<u>74,400</u>	<u>74,377</u>	<u>23</u>
Expenditures			
Current:			
Economic Environment	33,982	45,511	11,529
Capital outlay	-	-	-
Total expenditures	<u>33,982</u>	<u>45,511</u>	<u>11,529</u>
Excess of revenues over expenditures	<u>40,418</u>	<u>28,866</u>	<u>11,552</u>
Other financing (uses)			
Transfers out	(10,000)	(10,000)	-
Total other financing (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	30,418	18,866	11,552
Fund balance - beginning	<u>182,316</u>	<u>182,316</u>	<u>-</u>
Fund balance - ending	<u>\$ 212,734</u>	<u>\$ 201,182</u>	<u>\$ 11,552</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LOCAL GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local option gas tax	\$ 3,523,965	\$ 3,444,768	\$ 79,197
Intergovernmental revenues	571,555	2,613,260	(2,041,705)
Investment income	22,154	70,000	(47,846)
Miscellaneous	74,068		74,068
Total revenues	<u>4,191,742</u>	<u>6,128,028</u>	<u>(1,936,286)</u>
Expenditures			
Current:			
Transportation	4,132,012	4,459,865	327,853
Capital outlay	186,980	3,158,346	2,971,366
Total expenditures	<u>4,318,992</u>	<u>7,618,211</u>	<u>3,299,219</u>
Excess (deficiency) of revenues over expenditures	<u>(127,250)</u>	<u>(1,490,183)</u>	<u>1,362,933</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(300,377)	(300,377)	-
Total other financing sources (uses)	<u>(300,377)</u>	<u>(300,377)</u>	<u>-</u>
Net change in fund balance	(427,627)	(1,790,560)	1,362,933
Fund balance - beginning	<u>3,426,251</u>	<u>3,426,251</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,998,624</u>	<u>\$ 1,635,691</u>	<u>\$ 1,362,933</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 1,649,572	\$ 2,604,611	\$ (955,039)
Charges for services	5,528,091	5,183,948	344,143
Investment income	18,664	70,000	(51,336)
Other	29,415	-	29,415
Total revenues	<u>7,225,742</u>	<u>7,858,559</u>	<u>(632,817)</u>
Expenditures			
Current:			
Physical environment	5,065,131	8,193,178	3,128,047
Capital outlay	2,430,009	4,240,512	1,810,503
Total expenditures	<u>7,495,140</u>	<u>12,433,690</u>	<u>4,938,550</u>
Excess (deficiency) of revenues over expenditures	<u>(269,398)</u>	<u>(4,575,131)</u>	<u>4,305,733</u>
Other financing (uses)			
Transfers in	257,053	257,053	-
Transfers out	(197,693)	(197,693)	-
Total other financing (uses)	<u>59,360</u>	<u>59,360</u>	<u>-</u>
Net change In fund balance	(210,038)	(4,515,771)	4,305,733
Fund balance - beginning	<u>5,397,900</u>	<u>5,397,900</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,187,862</u>	<u>\$ 882,129</u>	<u>\$ 4,305,733</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SHIP LOCAL HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 382,628	\$ 382,628	\$ -
Investment income	1,548	-	1,548
Other	5,486	-	5,486
Total revenues	<u>389,662</u>	<u>382,628</u>	<u>7,034</u>
Expenditures			
Current:			
Economic environment	180,760	564,198	383,438
Total expenditures	<u>180,760</u>	<u>564,198</u>	<u>383,438</u>
Net change in fund balance	208,902	(181,570)	390,472
Fund balance - beginning	<u>185,587</u>	<u>185,587</u>	<u>-</u>
Fund balance - ending	<u>\$ 394,489</u>	<u>\$ 4,017</u>	<u>\$ 390,472</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
INFRASTRUCTURE SALES SURTAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 4,780,395	\$ 6,009,023	\$ (1,228,628)
Investment income	8,519	-	8,519
Total revenues	<u>4,788,914</u>	<u>6,009,023</u>	<u>(1,220,109)</u>
Expenditures			
Current:			
Capital outlay	399,865	558,127	158,262
Total expenditures	<u>399,865</u>	<u>558,127</u>	<u>158,262</u>
Excess (deficiency) of revenues over expenditures	<u>4,389,049</u>	<u>5,450,896</u>	<u>(1,061,847)</u>
Net change in fund balance	4,389,049	5,450,896	(1,061,847)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,389,049</u>	<u>\$ 5,450,896</u>	<u>\$ (1,061,847)</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
 SEPTEMBER 30, 2017**

	<u>2007A/2015 Improvement Certificates</u>	<u>2007B Improvement Certificates</u>	<u>2012 Refunded Improvement Certificates</u>	<u>2013 Refunded Improvement Certificates</u>	<u>Total</u>
Assets					
Cash with fiscal agent	\$ -	\$ 15,300	\$ 879,978	\$ 1,571,929	\$ 2,467,207
Equity in pooled cash and investment fund	<u>321,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,600</u>
Total restricted assets	<u><u>321,600</u></u>	<u><u>15,300</u></u>	<u><u>-</u></u>	<u><u>1,571,929</u></u>	<u><u>2,788,807</u></u>
Fund Balances					
Fund Balances: Restricted	<u>321,600</u>	<u>15,300</u>	<u>879,978</u>	<u>1,571,929</u>	<u>2,788,807</u>
Total fund balances	<u><u>\$ 321,600</u></u>	<u><u>\$ 15,300</u></u>	<u><u>\$ 879,978</u></u>	<u><u>\$ 1,571,929</u></u>	<u><u>\$ 2,788,807</u></u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>2007A/2015 Improvement Certificates</u>	<u>2007B Improvement Certificates</u>	<u>2012 Refunded Improvement Certificates</u>	<u>2013 Refunded Improvement Certificates</u>	<u>Total</u>
Revenues					
Investment income	\$ 750	\$ 31	\$ 1,152	\$ 2,855	\$ 4,788
Total Revenues	<u>750</u>	<u>31</u>	<u>1,152</u>	<u>2,855</u>	<u>4,788</u>
Expenditures					
Debt service:					
Principal payments	-	15,000	820,000	1,545,000	2,380,000
Interest and paying agents' fees	643,800	900	97,008	42,155	783,863
Total expenditures	<u>643,800</u>	<u>15,900</u>	<u>917,008</u>	<u>1,587,155</u>	<u>3,163,863</u>
(Deficiency) of revenues over expenditures	<u>(643,050)</u>	<u>(15,869)</u>	<u>(915,856)</u>	<u>(1,584,300)</u>	<u>(3,159,075)</u>
Other financing sources (uses)					
Transfers in	643,200	15,600	924,956	1,588,858	3,172,614
Transfers out	(150)	(31)	(1,152)	(2,901)	(4,234)
Total other financing sources (uses)	<u>643,050</u>	<u>15,569</u>	<u>923,804</u>	<u>1,585,957</u>	<u>3,168,380</u>
Net change in fund balances	-	(300)	7,948	1,657	9,305
Fund balances - beginning	<u>321,600</u>	<u>15,600</u>	<u>872,030</u>	<u>1,570,272</u>	<u>2,779,502</u>
Fund balances - ending	<u>\$ 321,600</u>	<u>\$ 15,300</u>	<u>\$ 879,978</u>	<u>\$ 1,571,929</u>	<u>\$ 2,788,807</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A/2015 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 750	\$ 4,120	\$ (3,370)
Total revenues	<u>750</u>	<u>4,120</u>	<u>(3,370)</u>
Expenditures			
Debt service:			
Interest and paying agents' fees	643,800	643,800	-
Total expenditures	<u>643,800</u>	<u>643,800</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(643,050)</u>	<u>(639,680)</u>	<u>(3,370)</u>
Other financing sources (uses)			
Transfers in	643,200	643,200	-
Transfers out	(150)	(3,520)	3,370
Total other financing sources (uses)	<u>643,050</u>	<u>639,680</u>	<u>3,370</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>321,600</u>	<u>321,600</u>	<u>-</u>
Fund balance - ending	<u>\$ 321,600</u>	<u>\$ 321,600</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007B IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 31	\$ 1,250	\$ (1,219)
Total revenues	<u>31</u>	<u>1,250</u>	<u>(1,219)</u>
Expenditures			
Debt service:			
Principal payments	15,000	15,000	-
Interest and paying agents' fees	900	1,500	600
Total expenditures	<u>15,900</u>	<u>16,500</u>	<u>600</u>
Excess (deficiency) of revenues over expenditures	<u>(15,869)</u>	<u>(15,250)</u>	<u>(619)</u>
Other financing sources (uses)			
Transfers in	15,600	15,600	-
Transfers out	(31)	(650)	619
Total other financing sources (uses)	<u>15,569</u>	<u>14,950</u>	<u>619</u>
Net change in fund balance	(300)	(300)	-
Fund balance - beginning	<u>15,600</u>	<u>15,600</u>	<u>-</u>
Fund balance - ending	<u>\$ 15,300</u>	<u>\$ 15,300</u>	<u>\$ -</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2012 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 1,152	\$ 5,000	\$ (3,848)
Total revenues	<u>1,152</u>	<u>5,000</u>	<u>(3,848)</u>
Expenditures			
Debt service:			
Principal payments	820,000	820,000	-
Interest and paying agents' fees	97,008	97,008	-
Total expenditures	<u>917,008</u>	<u>917,008</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(915,856)</u>	<u>(912,008)</u>	<u>(3,848)</u>
Other financing sources (uses)			
Transfers in	924,956	924,956	-
Transfers out	(1,152)	(5,000)	3,848
Total other financing sources (uses)	<u>923,804</u>	<u>919,956</u>	<u>3,848</u>
Net change In fund balance	7,948	7,948	-
Fund balance - beginning	<u>872,030</u>	<u>872,030</u>	<u>-</u>
Fund balance - ending	<u>\$ 879,978</u>	<u>\$ 879,978</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2013 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 2,855	\$ 12,000	\$ (9,145)
Total revenues	<u>2,855</u>	<u>12,000</u>	<u>(9,145)</u>
Expenditures			
Debt service:			
Principal payments	1,545,000	1,545,000	-
Interest and paying agents' fees	42,155	42,201	46
Total expenditures	<u>1,587,155</u>	<u>1,587,201</u>	<u>46</u>
Excess (deficiency) of revenues over expenditures	<u>(1,584,300)</u>	<u>(1,575,201)</u>	<u>(9,099)</u>
Other financing sources (uses)			
Transfers in	1,588,858	1,588,858	-
Transfers out	(2,901)	(12,000)	9,099
Total other financing sources (uses)	<u>1,585,957</u>	<u>1,576,858</u>	<u>9,099</u>
Net change in fund balance	1,657	1,657	-
Fund balance - beginning	<u>1,570,272</u>	<u>1,570,272</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,571,929</u>	<u>\$ 1,571,929</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2017

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
Assets			
Equity in pooled cash and investment fund	\$ -	\$ -	\$ -
Total assets	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities			-
Retainage on contracts		-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted			-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
Revenues	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:			
Transportation	-	-	-
Public safety	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Debt proceeds	-	-	-
Bond premium (discount)	-	-	-
Transfers in	-	-	-
Transfers out	(7)	(609)	(616)
Total other financing sources (uses)	<u>(7)</u>	<u>(609)</u>	<u>(616)</u>
Net change in fund balances	(7)	(609)	(616)
Fund balances - beginning	<u>7</u>	<u>609</u>	<u>616</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 2002 CAPITAL IMPROVEMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:			
Transportation	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources			
Transfers in	-	-	-
Transfers out	(7)	-	7
Total other financing sources	<u>(7)</u>	<u>-</u>	<u>7</u>
Net change in fund balance	(7)	-	7
Fund balance - beginning	<u>7</u>	<u>7</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:	-	-	-
Transportation	-	-	-
Public safety	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Other financing (uses)			
Transfers out	(609)	-	(609)
Total other financing (uses)	<u>(609)</u>	<u>-</u>	<u>(609)</u>
Net change in fund balance	(609)	-	(609)
Fund balance - beginning	<u>609</u>	<u>609</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ (609)</u>



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**CITY OF OCALA, FLORIDA
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017**

INTERNAL SERVICE FUNDS:

The Internal Service Funds account for the operation of departments which exist solely to provide services to other City departments. The revenues of the Internal Service Funds are derived from user fees and self-insurance premiums charged to other City funds. The Internal Service Funds used by the City are:

Fleet & Facilities and Information Technology Management Fund - This fund accounts for the operation of the fleet and facilities management department, which is responsible for replacing, specifying, acquiring, maintaining and disposing of approximately 1,400 units of fuel-driven vehicles and equipment, as well as approximately 100 facilities. This fund also accounts for capital purchases for all areas.

Self-Insurance Fund - This fund accounts for the operation of the risk management department and for the costs of the City's insurance and self-insurance plans.

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017**

	Fleet, Facilities and Information Technology Management	Self- Insurance	Total
Assets			
Current Assets:			
Equity in pooled cash and investment fund	\$ 2,667,471	\$ 27,992,632	\$ 30,660,103
Accrued interest receivable	13,475	91,630	105,105
Prepays	-	74,608	74,608
Total current assets	<u>2,680,946</u>	<u>28,158,870</u>	<u>30,839,816</u>
Capital Assets, Net	<u>17,019,213</u>	<u>-</u>	<u>17,019,213</u>
Total assets	<u>19,700,159</u>	<u>28,158,870</u>	<u>47,859,029</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	164,671	796,892	961,563
Claims payable	-	1,819,300	1,819,300
Capital lease	65,084	-	65,084
Unearned revenue	-	1,380	1,380
Total current liabilities	<u>229,755</u>	<u>2,617,572</u>	<u>2,847,327</u>
Noncurrent Liabilities:			
Claims payable	-	5,656,609	5,656,609
Total noncurrent liabilities	<u>-</u>	<u>5,656,609</u>	<u>5,656,609</u>
Total liabilities	<u>229,755</u>	<u>8,274,181</u>	<u>8,503,936</u>
Net Position			
Net invested in capital assets	16,954,129	-	16,954,129
Unrestricted	2,516,275	19,884,689	22,400,964
Total net position	<u>\$ 19,470,404</u>	<u>\$ 19,884,689</u>	<u>\$ 39,355,093</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Fleet, Facilities and Information Technology Management	Self- Insurance	Total
Operating Revenues:			
Fees and rentals	\$ -	\$ -	\$ -
City insurance contributions	-	9,788,369	9,788,369
Employee insurance contributions	-	2,699,696	2,699,696
Other	120,550	692,627	813,177
Total operating revenues	<u>120,550</u>	<u>13,180,692</u>	<u>13,301,242</u>
Operating Expenses:			
Insurance, administration and other	2,120,868	10,152,308	12,273,176
Depreciation	2,674,365	-	2,674,365
Total operating expenses	<u>4,795,233</u>	<u>10,152,308</u>	<u>14,947,541</u>
Operating income (loss)	<u>(4,674,683)</u>	<u>3,028,384</u>	<u>(1,646,299)</u>
Non-Operating Revenues:			
Investment income	19,520	144,124	163,644
Interest expense	(3,534)	-	(3,534)
Total non-operating revenues	<u>15,986</u>	<u>144,124</u>	<u>160,110</u>
Income before operating transfers	<u>(4,658,697)</u>	<u>3,172,508</u>	<u>(1,486,189)</u>
Transfers:			
Transfers in	7,024,351	-	7,024,351
Transfers out	(1,951,789)	-	(1,951,789)
Total transfers	<u>5,072,562</u>	<u>-</u>	<u>5,072,562</u>
Change in net position	<u>413,865</u>	<u>3,172,508</u>	<u>3,586,373</u>
Net position - October 1	<u>19,056,539</u>	<u>16,712,181</u>	<u>35,768,720</u>
Net position - September 30	<u>\$ 19,470,404</u>	<u>\$ 19,884,689</u>	<u>\$ 39,355,093</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Fleet, Facilities and Information Technology Management	Self- Insurance	Total
Cash Flows from Operating Activities:			
Cash received from employees	\$ -	\$ 2,701,076	\$ 2,701,076
Cash received from customers	120,550	692,627	813,177
Cash paid to suppliers for goods and services	(2,257,971)	(1,236,784)	(3,494,755)
Cash received from other funds	-	9,788,369	9,788,369
Cash paid for insurance claims	-	(9,125,628)	(9,125,628)
Net cash provided by operating activities	<u>(2,137,421)</u>	<u>2,819,660</u>	<u>682,239</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	7,024,351	-	7,024,351
Transfers out	(1,951,789)	-	(1,951,789)
Net cash used in non-capital financing activities	<u>5,072,562</u>	<u>-</u>	<u>5,072,562</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital lease and notes payable	(55,864)	-	(55,864)
Interest paid on capital lease and notes payable	(3,534)	-	(3,534)
Proceeds from sale of capital assets	115,335	-	115,335
Acquisition and construction of capital assets	(3,777,037)	-	(3,777,037)
Net cash used in capital and related financing activities	<u>(3,721,100)</u>	<u>-</u>	<u>(3,721,100)</u>
Cash Flows from Investing Activities:			
Investment income	14,390	112,749	127,139
Net cash provided by investing activities	<u>14,390</u>	<u>112,749</u>	<u>127,139</u>
Net increase (decrease) in cash and cash equivalents	(771,569)	2,932,409	2,160,840
Cash and cash equivalents, beginning	<u>3,439,040</u>	<u>25,060,223</u>	<u>28,499,263</u>
Cash and cash equivalents, ending	<u>\$ 2,667,471</u>	<u>\$ 27,992,632</u>	<u>\$ 30,660,103</u>

(Continued)

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Fleet, Facilities and Information Technology Management	Self- Insurance	Total
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:			
Operating income (loss)	\$ (4,674,683)	\$ 3,028,384	\$ (1,646,299)
Adjustment to reconcile operating income to cash flows provided by operating activities:			
Depreciation	2,674,365	-	2,674,365
Other (expense)	-	-	-
Loss (gain) on capital asset disposal	-	-	-
(Increase) decrease in assets:			
Accounts and notes receivable	-	1,380	1,380
Other current assets	-	(74,608)	(74,608)
Increase (decrease) in liabilities:			
Accounts payable	(137,103)	56,080	(81,023)
Compensated absences payable	-	(191,576)	(191,576)
Claims payable	-	-	-
	<u>\$ (2,137,421)</u>	<u>\$ 2,819,660</u>	<u>\$ 682,239</u>
Net cash provided by operating activities	<u>\$ (2,137,421)</u>	<u>\$ 2,819,660</u>	<u>\$ 682,239</u>

**CITY OF OCALA, FLORIDA
STATISTICAL SECTION
Description of Schedules**

This part of the City of Ocala, Florida’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents	<u>Pages</u>
Financial Trends	154-162
These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	163-168
These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity	169-175
These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	176-179
These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating Information	180-184
These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF OCALA, FLORIDA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net invested in capital assets	\$ 128,759,607	\$ 146,661,774	\$ 141,149,863	\$ 139,025,810
Restricted	26,539,950	10,589,689	19,911,292	21,083,016
Unrestricted	54,148,084	63,224,481	70,447,522	66,879,269
Total governmental activities net position	<u>209,447,641</u>	<u>220,475,944</u>	<u>231,508,677</u>	<u>226,988,095</u>
Business-type activities				
Net invested in capital assets	232,698,752	250,066,606	257,326,336	252,616,203
Restricted	28,358,718	32,252,690	38,519,090	23,487,318
Unrestricted	66,983,643	65,557,333	48,567,143	58,444,825
Total business-type activities net position	<u>328,041,113</u>	<u>347,876,629</u>	<u>344,412,569</u>	<u>334,548,346</u>
Primary government				
Net invested in capital assets (1) (2)	361,458,359	396,728,380	398,476,199	391,642,013
Restricted (4)	54,898,668	42,842,379	58,430,382	44,570,334
Unrestricted (3)	121,131,727	128,781,814	119,014,665	125,324,094
Total primary government net position	<u>\$ 537,488,754</u>	<u>\$ 568,352,573</u>	<u>\$ 575,921,246</u>	<u>\$ 561,536,441</u>

(1) Fiscal year 2012 net invested in capital assets has been restated due to the implementation of GASB 63 and 65.

(2) Fiscal year 2013 net invested in capital assets has been restated due to adjustment of the City's capital assets.

(3) Fiscal year 2014 unrestricted net position has been restated due to the implementation of GASB 68.

(4) Fiscal year 2016 unrestricted net position has been restated due to change in accrued interest payable.

2012	2013	2014	2015	2016	2017
\$ 143,798,547	\$ 141,311,511	\$ 138,868,835	\$ 136,345,185	\$ 142,447,242	\$ 142,579,197
15,804,304	14,389,998	16,443,002	14,253,874	8,975,960	13,711,945
61,671,543	64,263,573	(11,486,172)	(6,091,460)	(4,629,276)	(2,697,810)
<u>221,274,394</u>	<u>219,965,082</u>	<u>143,825,665</u>	<u>144,507,599</u>	<u>146,793,926</u>	<u>153,593,332</u>
238,797,203	232,258,907	217,624,156	226,332,226	228,909,169	205,989,676
18,151,713	16,814,430	14,661,259	12,975,219	12,966,465	33,647,458
76,551,821	80,593,174	54,698,310	56,262,159	49,974,407	45,357,530
<u>333,500,737</u>	<u>329,666,511</u>	<u>286,983,725</u>	<u>295,569,604</u>	<u>291,850,041</u>	<u>284,994,664</u>
382,595,750	373,570,418	356,492,991	362,677,411	371,356,411	348,568,873
33,956,017	31,204,428	31,104,261	27,229,093	21,942,425	47,359,403
138,223,364	144,856,747	43,212,138	50,170,699	45,345,131	42,659,720
<u>\$ 554,775,131</u>	<u>\$ 549,631,593</u>	<u>\$ 430,809,390</u>	<u>\$ 440,077,203</u>	<u>\$ 438,643,967</u>	<u>\$ 438,587,996</u>

CITY OF OCALA, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental Activities:				
General government	\$ 7,347,987	\$ 10,239,676	\$ 16,752,242	\$ 24,264,441
Public safety	37,270,168	37,143,770	34,749,900	38,347,627
Public works	15,599,695	13,839,479	16,158,833	-
Physical environment	120,691	51,956	95,797	2,926,147
Transportation	519,577	583,024	544,636	15,289,841
Economic environment	1,199,010	1,391,668	1,141,505	1,693,471
Human services	181,926	202,033	210,689	344,194
Culture and recreation	5,290,461	4,937,571	4,459,167	5,688,221
Interest on long-term debt	2,238,101	2,219,848	2,130,575	1,973,381
Total Governmental Activities	<u>69,767,616</u>	<u>70,609,025</u>	<u>76,243,344</u>	<u>90,527,323</u>
Business-type Activities:				
Electric	166,633,502	167,299,569	159,685,595	141,265,888
Water and sewer	26,199,859	25,677,661	24,979,015	26,910,448
Sanitation	11,249,757	9,490,485	9,226,066	8,300,874
Municipal golf courses	3,201,620	2,835,780	2,750,571	1,864,304
Municipal trailer park	185,069	313,027	1,585	-
International airport	1,276,023	1,152,341	1,065,738	1,319,583
Adult athletic complex	249,338	321,388	-	-
Communications	1,290,286	1,326,462	1,692,881	1,918,905
SunTran	2,385,529	2,279,470	2,424,357	2,552,321
Total Business-type Activities	<u>212,670,983</u>	<u>210,696,183</u>	<u>201,825,808</u>	<u>184,132,323</u>
Total Expenses	<u>282,438,599</u>	<u>281,305,208</u>	<u>278,069,152</u>	<u>274,659,646</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	4,786,682	2,640,352	6,188,395	11,554,007
Public safety	7,776,470	8,223,438	8,195,210	8,132,401
Physical environment	-	-	-	-
Public works	5,105,758	4,642,705	4,614,709	-
Economic environment	-	-	-	29,006
Human services	83,612	-	-	-
Culture and recreation	708,726	494,433	493,733	393,910
Housing and urban development	89,845	18,502	43,933	-
Operating grants and contributions	8,932,926	3,914,934	4,274,901	4,768,303
Capital grants and contributions	350,420	4,105,649	3,540,911	1,474,530
Total governmental activities	<u>27,834,439</u>	<u>24,040,013</u>	<u>27,351,792</u>	<u>26,352,157</u>
Business-type Activities:				
Charges for services:				
Electric	176,235,678	177,960,026	173,550,081	139,919,007
Water and sewer	29,897,392	26,352,644	26,212,019	26,417,073
Sanitation	10,722,931	10,367,214	10,227,176	10,143,158
Municipal golf courses	1,988,105	1,423,620	1,813,360	1,167,391
Municipal trailer park	119,587	46,646	-	-
International airport	793,948	874,514	693,157	727,728
Adult athletic complex	155,461	140,640	-	-
Communications	1,861,780	1,890,773	2,178,868	2,297,997
SunTran	258,529	298,481	312,821	357,467
Operating grants and contributions	672,437	4,157,687	2,124,323	2,084,740
Capital grants and contributions	4,931,655	6,734,016	2,042,164	2,582,497
Total Business-type Activities	<u>227,637,503</u>	<u>230,246,261</u>	<u>219,153,969</u>	<u>185,697,058</u>
Total Program Revenues	<u>\$ 255,471,942</u>	<u>\$ 254,286,274</u>	<u>\$ 246,505,761</u>	<u>\$ 212,049,215</u>

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	21,121,585	\$ 19,281,318	\$ 19,534,066	\$ 12,098,361	\$ 11,597,693	\$ 15,103,102
	38,601,843	37,679,867	40,478,307	39,867,780	42,665,312	42,095,725
	-	-	-	-	-	-
	3,371,441	3,360,975	3,237,167	4,827,696	6,154,252	6,413,857
	16,209,344	13,965,893	13,795,747	16,251,420	17,375,706	18,046,664
	1,421,490	1,307,330	1,161,368	2,145,278	3,778,358	1,182,204
	295,471	24,280	16,097	2,825	5,247	5,113
	5,532,341	5,277,119	6,344,312	5,982,171	7,159,916	8,747,638
	1,901,112	1,539,021	1,081,931	768,408	2,417,186	863,436
	<u>88,454,627</u>	<u>82,435,803</u>	<u>85,648,995</u>	<u>81,943,939</u>	<u>91,153,670</u>	<u>92,457,740</u>
	131,739,257	138,811,204	139,883,927	131,540,076	136,853,553	144,857,424
	27,502,689	28,609,880	29,073,065	29,444,099	30,830,593	32,970,648
	8,403,943	7,882,244	8,500,528	8,218,564	8,933,087	9,271,356
	1,838,581	1,677,306	1,713,929	1,791,935	1,938,067	1,999,735
	-	-	-	-	-	-
	2,133,709	2,118,046	1,559,991	1,718,391	1,838,267	1,829,899
	-	-	-	-	-	-
	1,718,074	1,920,583	1,867,882	2,472,288	2,695,714	3,315,091
	<u>2,723,710</u>	<u>3,218,583</u>	<u>3,064,160</u>	<u>3,213,971</u>	<u>3,059,382</u>	<u>3,118,029</u>
	<u>176,059,963</u>	<u>184,237,846</u>	<u>185,663,482</u>	<u>178,399,324</u>	<u>186,148,663</u>	<u>197,362,182</u>
	<u>264,514,590</u>	<u>266,673,649</u>	<u>271,312,477</u>	<u>260,343,263</u>	<u>277,302,333</u>	<u>289,819,922</u>
	11,756,605	12,120,493	12,573,121	11,976,789	12,961,644	13,247,342
	8,180,181	8,633,327	9,222,433	9,316,289	9,401,196	9,790,569
	-	-	-	6,621	128	442
	-	-	-	-	-	-
	30,604	63,899	73,697	33,269	61,865	103,597
	-	-	-	-	-	-
	387,020	391,944	615,502	625,997	585,640	547,225
	-	-	-	-	-	-
	4,531,360	3,576,996	1,730,087	2,080,103	2,429,040	3,941,191
	<u>290,385</u>	<u>2,453,222</u>	<u>2,055,142</u>	<u>101,321</u>	<u>1,867,635</u>	<u>1,707,662</u>
	<u>25,176,155</u>	<u>27,239,881</u>	<u>26,269,982</u>	<u>24,140,389</u>	<u>27,307,148</u>	<u>29,338,028</u>
	139,183,371	150,344,736	149,081,307	143,366,578	143,790,825	149,362,971
	26,575,860	26,228,504	26,343,265	26,665,395	28,267,876	28,841,424
	10,049,016	10,035,141	10,226,021	10,212,366	10,598,109	11,235,445
	1,113,876	1,141,808	1,162,307	1,014,454	1,227,082	1,456,241
	-	-	-	-	-	-
	674,507	767,090	771,685	988,125	1,065,576	1,103,267
	-	-	-	-	-	-
	2,437,730	2,530,414	2,709,641	3,100,306	3,588,651	4,095,942
	371,062	361,693	381,085	430,559	365,528	420,010
	2,039,616	2,936,061	2,096,501	2,495,443	2,027,718	2,739,807
	<u>738,514</u>	<u>1,479,180</u>	<u>3,105,852</u>	<u>7,548,606</u>	<u>2,879,731</u>	<u>5,390,271</u>
	<u>183,183,552</u>	<u>195,824,627</u>	<u>195,877,664</u>	<u>195,821,832</u>	<u>193,811,096</u>	<u>204,645,378</u>
\$	<u>208,359,707</u>	<u>\$ 223,064,508</u>	<u>\$ 222,147,646</u>	<u>\$ 219,962,221</u>	<u>\$ 221,118,244</u>	<u>\$ 233,983,406</u>

CITY OF OCALA, FLORIDA
CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue:				
Governmental Activities	\$ (41,933,177)	\$ (46,569,012)	\$ (48,891,552)	\$ (64,175,166)
Business-type Activities	14,966,520	19,550,078	17,328,161	1,564,735
Total net expense	<u>(26,966,657)</u>	<u>(27,018,934)</u>	<u>(31,563,391)</u>	<u>(62,610,431)</u>
General Revenues				
Governmental Activities:				
Property taxes	21,102,963	20,978,586	21,677,666	21,631,286
Utility service tax	12,468,590	13,209,971	13,327,736	10,866,057
Other taxes	1,111,427	4,504,911	5,718,242	5,808,190
Unrestricted revenues	4,897,376	4,752,300	4,341,188	4,250,585
Investment income	2,646,691	5,898,766	3,149,151	1,504,673
Miscellaneous	1,391,588	1,241,128	677,770	1,521,444
Transfers	11,250,144	7,011,653	11,032,532	14,072,349
Total governmental revenues and transfers	<u>54,868,779</u>	<u>57,597,315</u>	<u>59,924,285</u>	<u>59,654,584</u>
Business-type Activities:				
Investment income	4,761,503	7,297,091	3,217,987	2,643,391
Transfers	(11,250,144)	(7,011,653)	(11,032,532)	(14,072,349)
Total business-type activities	<u>(6,488,641)</u>	<u>285,438</u>	<u>(7,814,545)</u>	<u>(11,428,958)</u>
Total primary government	<u>48,380,138</u>	<u>57,882,753</u>	<u>52,109,740</u>	<u>48,225,626</u>
Change in Net Position				
Governmental Activities	12,935,602	11,028,303	11,032,733	(4,520,582)
Business-type Activities	8,477,879	19,835,516	9,513,616	(9,864,223)
Total Change in Net Position	<u>\$ 21,413,481</u>	<u>\$ 30,863,819</u>	<u>\$ 20,546,349</u>	<u>\$ (14,384,805)</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (63,278,472)	\$ (55,195,922)	\$ (59,379,013)	\$ (57,803,550)	\$ (63,846,522)	\$ (63,119,712)
7,123,589	11,586,781	10,214,182	17,422,508	7,662,433	7,283,196
<u>(56,154,883)</u>	<u>(43,609,141)</u>	<u>(49,164,831)</u>	<u>(40,381,042)</u>	<u>(56,184,089)</u>	<u>(55,836,516)</u>
21,480,323	21,305,973	21,894,229	22,160,053	25,500,381	26,579,539
11,406,395	8,599,445	8,664,000	9,786,858	9,144,899	9,083,731
5,582,859	8,972,446	7,689,252	7,494,498	7,470,991	12,163,357
4,624,982	4,840,855	5,163,266	5,465,229	5,917,854	6,194,657
2,069,520	82,061	1,061,063	1,424,026	1,760,743	438,878
1,226,162	1,009,236	375,033	1,339,232	853,394	654,463
11,174,530	11,232,009	14,789,361	10,815,588	13,914,315	14,804,493
<u>57,564,771</u>	<u>56,042,025</u>	<u>59,636,204</u>	<u>58,485,484</u>	<u>64,562,577</u>	<u>69,919,118</u>
3,003,332	762,696	1,507,101	1,978,959	2,532,319	665,920
<u>(11,174,530)</u>	<u>(11,232,009)</u>	<u>(14,789,361)</u>	<u>(10,815,588)</u>	<u>(13,914,315)</u>	<u>(14,804,493)</u>
<u>(8,171,198)</u>	<u>(10,469,313)</u>	<u>(13,282,260)</u>	<u>(8,836,629)</u>	<u>(11,381,996)</u>	<u>(14,138,573)</u>
<u>49,393,573</u>	<u>45,572,712</u>	<u>46,353,944</u>	<u>49,648,855</u>	<u>53,180,581</u>	<u>55,780,545</u>
(5,713,701)	846,103	257,191	681,934	716,055	6,799,406
<u>(1,047,609)</u>	<u>1,117,468</u>	<u>(3,068,078)</u>	<u>8,585,879</u>	<u>(3,719,563)</u>	<u>(6,855,377)</u>
<u>\$ (6,761,310)</u>	<u>\$ 1,963,571</u>	<u>\$ (2,810,887)</u>	<u>\$ 9,267,813</u>	<u>\$ (3,003,508)</u>	<u>\$ (55,971)</u>

CITY OF OCALA, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ 296,457
Reserved	-	-	233,683	-
Restricted	-	-	-	2,623,303
Committed	-	-	-	2,757,930
Assigned	-	-	-	20,392,709
Unassigned	-	-	-	15,065,839
Unreserved	<u>27,070,783</u>	<u>31,278,522</u>	<u>38,771,465</u>	<u>-</u>
Total general fund	<u><u>27,070,783</u></u>	<u><u>31,278,522</u></u>	<u><u>39,005,148</u></u>	<u><u>41,136,238</u></u>
CRA fund				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total CRA fund	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
All other governmental funds				
Restricted	-	-	-	19,147,131
Committed	-	-	-	5,398,490
Reserved	27,659,497	22,914,895	22,065,677	-
Unreserved, reported in:				
Special revenue funds	<u>4,671,581</u>	<u>4,337,328</u>	<u>4,697,335</u>	<u>-</u>
Total all other governmental funds	<u><u>\$ 32,331,078</u></u>	<u><u>\$ 27,252,223</u></u>	<u><u>\$ 26,763,012</u></u>	<u><u>\$ 24,545,621</u></u>

Note: Prior to 2011 amounts have not been restated for the implementation of GASB statement 54.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 357,305	\$ 312,239	\$ 356,272	\$ 269,708	\$ 545,193	\$ 1,147,780
-	-	-	-	-	-
2,698,762	2,250,114	2,244,478	2,247,645	1,097,701	1,573,949
2,231,685	2,075,156	2,111,603	2,150,167	1,521,527	1,545,781
18,439,496	19,470,337	21,092,119	25,530,135	20,553,148	14,105,173
15,196,270	17,366,628	17,566,179	15,535,866	17,096,287	18,645,544
-	-	-	-	-	-
<u>38,923,518</u>	<u>41,474,474</u>	<u>43,370,651</u>	<u>45,733,521</u>	<u>40,813,856</u>	<u>37,018,227</u>
<u>3,685,413</u>	<u>3,854,480</u>	<u>4,054,507</u>	<u>4,251,696</u>	<u>1,678,833</u>	<u>1,824,463</u>
<u>3,685,413</u>	<u>3,854,480</u>	<u>4,054,507</u>	<u>4,251,696</u>	<u>1,678,833</u>	<u>1,824,463</u>
13,856,726	11,466,604	12,696,455	8,789,576	6,574,272	10,783,703
5,344,244	5,825,062	5,235,565	5,830,170	5,397,900	5,187,862
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 19,200,970</u>	<u>\$ 17,291,666</u>	<u>\$ 17,932,020</u>	<u>\$ 14,619,746</u>	<u>\$ 11,972,172</u>	<u>\$ 15,971,565</u>

CITY OF OCALA, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:				
Property tax	\$ 21,102,963	\$ 20,978,586	\$ 21,677,666	\$ 21,631,286
Utility service tax	12,468,590	13,209,971	13,327,736	10,866,057
Communication service tax				
Local option gas tax	1,111,427	4,504,911	5,718,242	5,808,190
Other tax	-	-	-	-
Infrastructure Sales Surtax	-	-	-	-
State revenue sharing	4,897,376	4,752,300	4,341,188	4,250,585
Other intergovernmental revenue	9,267,258	5,475,893	7,602,864	6,242,833
Parking meters and facilities	55,009	59,354	-	-
Licenses, permits and fees	1,869,393	948,981	2,063,405	2,127,999
Fines and forfeitures	461,016	582,352	495,370	493,956
Charges for services	15,453,587	14,637,036	16,977,204	17,487,369
Investment income	2,093,104	4,199,163	2,152,552	1,028,367
Gifts	547,044	1,840,756	212,949	137,589
Miscellaneous	1,391,588	1,241,128	677,770	1,383,855
Total revenues	<u>70,718,355</u>	<u>72,430,431</u>	<u>75,246,946</u>	<u>71,458,086</u>
Expenditures:				
General government	14,354,658	10,170,481	16,052,937	19,524,363
Public safety	36,498,069	37,118,704	34,806,006	35,713,344
Public works	9,695,188	8,979,723	9,643,723	-
Physical environment	81,207	22,228	-	2,540,183
Transportation	545,969	630,474	552,731	7,841,187
Economic environment	1,184,083	1,389,402	1,144,566	1,623,516
Human services	164,528	197,435	205,492	252,015
Culture and recreation	5,157,138	5,144,054	4,395,486	5,122,702
Capital outlay	10,551,340	11,171,184	10,348,794	7,033,957
Debt service				
Principal payments	3,020,000	3,368,600	3,318,601	3,135,000
Issuance Costs	-	-	-	-
Interest and fees	1,894,751	2,204,915	2,117,452	2,023,321
Total expenditures	<u>83,146,931</u>	<u>80,397,200</u>	<u>82,585,788</u>	<u>84,809,588</u>
Excess of revenues over (under) expenditures	<u>(12,428,576)</u>	<u>(7,966,769)</u>	<u>(7,338,842)</u>	<u>(13,351,502)</u>
Other financing sources (uses):				
Transfers in	20,330,785	18,677,751	21,747,904	19,144,620
Transfers out	(10,192,662)	(11,582,098)	(7,171,647)	(5,879,419)
Issuance of debt	20,707,201	-	-	-
Bond premium (discount)	(378,596)	-	-	-
Payment to bond escrow agent	(4,195,219)	-	-	-
Total other financing sources (uses)	<u>26,271,509</u>	<u>7,095,653</u>	<u>14,576,257</u>	<u>13,265,201</u>
Net change in fund balances	<u>\$ 13,842,933</u>	<u>\$ (871,116)</u>	<u>\$ 7,237,415</u>	<u>\$ (86,301)</u>
Debt service as a percentage of noncapital expenditures	6.77%	8.05%	7.53%	6.63%

	2012	2013	2014	2015	2016	2017
\$	21,480,323	\$ 21,305,973	\$ 21,894,229	\$ 22,160,053	\$ 25,500,381	\$ 26,579,539
	11,406,395	8,599,445	8,664,000	9,786,858	9,144,899	9,083,731
		3,284,777	2,950,539	2,695,896	2,643,849	2,467,314
	5,582,859	4,742,861	3,848,278	3,866,844	3,453,019	3,523,965
	-	944,808	890,435	931,758	1,374,123	1,391,683
	-	-	-	-	-	4,780,395
	4,624,982	4,840,855	5,163,266	5,465,229	5,917,854	6,194,657
	3,617,375	4,721,562	4,015,546	2,485,782	4,286,325	5,648,852
	-	-	-	-	-	-
	1,968,607	1,961,915	2,322,118	2,263,047	2,306,800	2,860,444
	551,217	525,780	662,904	795,029	544,354	790,722
	17,834,586	18,721,968	19,269,414	18,462,867	20,169,669	20,038,009
	1,451,612	15,094	745,075	939,000	1,223,380	275,234
	1,204,370	70,747	113,672	72,643	-	-
	1,226,162	917,713	258,860	1,304,467	789,782	737,810
	<u>70,948,488</u>	<u>70,653,498</u>	<u>70,798,336</u>	<u>71,229,473</u>	<u>77,354,435</u>	<u>84,372,355</u>
	18,349,850	17,510,262	17,883,219	12,551,399	11,709,642	14,998,495
	36,171,183	36,209,453	39,180,970	41,668,300	43,252,530	43,692,227
	-	-	-	-	-	-
	2,954,633	2,959,543	3,142,876	4,181,600	4,992,613	5,065,131
	8,169,030	5,901,177	5,897,941	8,652,943	9,853,517	10,307,913
	1,293,888	1,172,458	1,162,813	2,149,273	3,746,782	1,225,350
	284,499	18,507	10,119	-	-	-
	5,002,921	4,791,829	5,301,046	5,744,114	6,659,803	8,112,809
	7,764,972	5,498,520	5,426,673	4,590,914	12,397,566	7,189,104
	3,905,000	5,280,000	765,000	2,300,000	2,340,000	2,380,000
	-	-	-	143,920	-	-
	2,139,000	1,768,039	1,043,746	1,051,611	640,869	783,863
	<u>86,034,976</u>	<u>81,109,788</u>	<u>79,814,403</u>	<u>83,034,074</u>	<u>95,593,322</u>	<u>93,754,892</u>
	<u>(15,086,488)</u>	<u>(10,456,290)</u>	<u>(9,016,067)</u>	<u>(11,804,601)</u>	<u>(18,238,887)</u>	<u>(9,382,537)</u>
	16,776,990	15,802,925	16,020,763	15,532,524	14,284,779	19,091,037
	(5,602,460)	(4,570,916)	(4,268,138)	(4,595,045)	(6,185,994)	(9,359,106)
	8,405,000	7,700,000	-	21,440,000	-	-
	-	-	-	-	-	-
	<u>(8,365,000)</u>	<u>(7,665,000)</u>	<u>-</u>	<u>(21,325,093)</u>	<u>-</u>	<u>-</u>
	11,214,530	11,267,009	11,752,625	11,052,386	8,098,785	9,731,931
\$	<u>(3,871,958)</u>	<u>\$ 810,719</u>	<u>\$ 2,736,558</u>	<u>\$ (752,215)</u>	<u>\$ (10,140,102)</u>	<u>\$ 349,394</u>
	7.72%	9.32%	2.43%	4.27%	3.58%	3.65%

**CITY OF OCALA, FLORIDA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
 OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year Ended Sept. 30, ⁽²⁾	Residential Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property	Vacant Land/Other
2008	\$ 2,949,994,448	\$ 482,610,648	\$ 93,641,860	\$ 307,406,690	\$ 481,497,048	\$ 268,788,561
2009	2,965,292,837	533,735,948	100,123,252	324,414,667	490,801,375	271,011,673
2010	2,556,679,147	477,635,303	100,123,252	324,414,667	503,103,052	223,798,124
2011	2,181,585,419	435,601,285	73,955,610	294,136,778	476,559,144	180,770,925
2012	1,968,142,445	417,870,693	78,020,561	288,016,230	463,576,509	177,245,591
2013	1,810,585,718	408,603,966	75,116,698	284,089,821	454,817,624	162,167,340
2014	1,790,978,723	412,041,209	75,561,748	293,035,789	444,745,227	145,917,091
2015	1,865,190,878	414,249,269	82,114,250	341,278,836	495,473,914	148,895,802
2016	1,936,663,122	425,141,543	80,989,470	459,505,926	433,974,369	141,256,751
2017	2,075,318,777	429,896,092	71,907,136	466,059,673	425,331,897	139,970,995

Source: Marion County, Florida, Property Appraiser

Notes:

⁽¹⁾ Property in the City of Ocala is reassessed each year by the Marion County Property Appraiser.

Tax rates are per \$1,000 of assessed value.

⁽²⁾ All property assessed value for the specified fiscal year-end are obtained from the previous year's tax roll.

⁽³⁾ Includes tax-exempt property

Total Real Estate Property	Tangible Personal Property	Total Tax Exempt	Total Assessed Value	Direct 2017 Rate ⁽¹⁾	Estimated Actual Taxable Value	Assessed Value ⁽³⁾ as a Percentage of Actual Value
\$ 4,583,939,255	\$ 614,223,942	\$ 1,739,792,892	\$ 3,458,370,305	4.529	\$ 3,561,658,399	97.10%
6,032,349,509	653,897,260	1,959,757,717	4,726,489,052	4.529	4,818,031,653	98.10%
5,543,544,948	597,457,634	1,724,507,750	4,416,494,832	4.966	4,420,915,748	99.90%
4,845,623,544	545,408,952	1,485,187,355	3,905,845,141	5.618	3,997,794,412	97.70%
3,392,872,029	500,461,641	1,372,659,330	2,520,674,340	5.933	2,574,743,963	97.90%
3,195,381,167	498,291,991	1,296,059,078	2,397,614,080	6.150	2,400,014,094	99.90%
3,162,279,787	528,584,657	1,273,547,950	2,417,316,494	6.250	2,499,810,232	96.70%
3,347,202,949	528,032,771	1,401,872,609	2,473,363,111	6.164	2,625,650,861	94.20%
3,477,531,181	586,397,669	1,388,167,060	2,675,761,790	6.617	2,825,514,034	94.70%
3,608,484,570	588,586,529	1,408,960,525	2,788,110,574	6.618	2,947,262,763	94.60%

**CITY OF OCALA, FLORIDA
PROPERTY TAX RATES AND LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

(rate per \$1,000 of assessed value)

MILLAGE RATES

Fiscal Year ⁽¹⁾	Direct	Overlapping			Total
	City	County	School	Water Mgmt Districts	
2008	4.53	3.49	7.61	0.42	16.04
2009	4.53	3.89	7.50	0.42	16.33
2010	4.97	3.90	7.48	0.42	16.76
2011	5.62	3.89	7.49	0.42	17.42
2012	5.93	3.89	7.71	0.33	17.86
2013	6.15	3.89	7.67	0.33	18.04
2014	6.25	3.90	7.34	0.33	17.82
2015	6.16	3.90	7.30	0.32	17.67
2016	6.62	3.90	8.17	0.30	18.99
2017	6.62	3.89	7.90	0.29	18.70

Source: Marion County, Florida, Property Appraiser.

Note:

- ⁽¹⁾ All property valuations for the specified fiscal year-end are obtained from the previous year's tax roll.

The Florida Constitution limits the City millage capacity (non debt related) to 10.000 mills.

**CITY OF OCALA, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2017			2008		
	Taxable Assessed Valuation Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value
Marion County Hospital District	\$ 120,007,978	1	3.36%	\$ -	-	-
Sprint-Florida, Inc.	-	-	-	72,471,128	1	1.54%
Marion Community Hospital	58,785,151	2	1.65%	52,887,649	3	1.12%
K-Mart Corporation	52,084,723	3	1.46%	60,715,681	2	1.29%
Paddock Mall Associates	42,342,891	4	1.19%	35,754,395	5	0.76%
Carlton Arms Apartments	31,320,117	5	0.88%	37,421,736	4	0.79%
AGM Paddock Park	29,067,964	6	0.81%	-	-	0.00%
Wal-Mart	28,078,918	7	0.79%	30,801,459	7	0.65%
Closetmaid Corporation	-	-	-	32,467,491	6	0.69%
Ocala FL Apartment Partners	25,817,924	8	0.72%	-	-	-
Bre Piper MF Heathbrook FL	25,793,775	9	0.72%	-	-	-
Ocala Tarragon LLC	-	-	-	21,234,447	8	0.45%
Embarq Florida Inc	21,685,235	10	0.61%	-	-	-
Highlands Apartments LLC	-	-	-	20,938,424	9	0.44%
Cheney Brothers Inc.	-	-	-	20,390,222	10	0.43%
Total	<u>\$ 434,984,676</u>		<u>7.18%</u>	<u>\$ 385,082,632</u>		<u>8.17%</u>

Source: Marion County Property Appraiser

Note: City of Ocala taxpayers pay City, County, School Board and certain water district levies.

Only the City levy is shown here.

Excludes property tax levies of the Downtown Development Districts.

**CITY OF OCALA, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended September 30</u>	<u>Taxes Levied For Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collection to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2008	\$ 21,372,488	\$ 20,544,371	96.13%	\$ 231,458	\$ 20,775,829	97.21%
2009	21,405,324	20,394,711	95.28%	191,247	20,585,958	96.17%
2010	21,950,174	21,057,371	95.93%	232,430	21,289,801	96.99%
2011	21,944,215	21,221,107	96.70%	99,890	21,320,997	97.16%
2012	21,891,859	20,865,755	95.31%	133,400	20,999,155	95.92%
2013	21,791,532	20,808,891	95.49%	243,563	21,052,454	96.61%
2014	22,285,641	21,479,733	96.38%	152,997	21,632,730	97.07%
2015	22,630,418	21,803,282	96.35%	97,409	21,900,691	96.78%
2016	26,103,617	25,107,454	96.18%	122,978	25,230,432	96.65%
2017	27,099,003	25,794,595	95.19%	140,037	25,934,632	95.70%

Source: Marion County, Florida, Property Appraiser and City of Ocala Office of Business and Financial Services.

Note: Property in the City of Ocala is reassessed each year by the Marion County Property Appraiser. Actual tax collections received in each fiscal year are from the prior year's tax levy.

Excludes property tax levies of the Downtown Development Commission.

CITY OF OCALA, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Improvement Certificates	Optional Gas Tax Bonds	Capital Lease	Total	Utility Systems Revenue Bonds	Water and Sewer Revenue Bonds	Total			
2008	\$ 44,575	\$ 9,515	\$ -	\$ 54,090	\$ 144,170	\$ 27,605	\$ 171,775	\$ 225,865	14.66%	\$ 4,164
2009	43,215	7,780	-	50,995	143,520	24,165	167,685	218,680	13.58%	3,991
2010	41,805	6,145	-	47,950	142,860	20,575	163,435	211,385	12.77%	3,754
2011	40,355	4,460	3,150,982	3,195,797	139,220	16,830	156,050	3,351,847	194.85%	59,278
2012	38,230	2,720	3,150,982	3,191,932	154,380	-	154,380	3,346,312	192.83%	58,665
2013	35,427	-	2,406,665	2,442,092	153,137	-	153,137	2,595,229	143.62%	45,223
2014	34,940	-	1,296,196	1,331,136	145,795	-	145,795	1,476,931	78.07%	25,688
2015	34,540	-	175,226	209,766	146,545	-	146,545	356,311	17.76%	6,106
2016	32,200	-	120,948	153,148	141,060	-	141,060	294,208	13.71%	4,926
2017	29,820	-	65,084	94,904	134,780	-	134,780	229,684	10.25%	3,849

Source: The City of Ocala Office of Business and Financial Services.

Per Capita Income - Florida Research and Economic Database.

Population - The City of Ocala Office of Budget and Finance, Bureau of Economic and Business Research, University of Florida.

**CITY OF OCALA, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

The City of Ocala had no outstanding general obligation debt during the fiscal years ending September 30, 2008-2017.

**CITY OF OCALA, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
SEPTEMBER 30, 2017**

<u>Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Applicable to City of Ocala</u>	
		<u>Percent ⁽²⁾</u>	<u>Amount</u>
Marion County Limited Ad Valorem Refunding Tax Bonds, Series 1998	\$ 740,000	26.24%	\$ 194,142
Total Overlapping Debt			<u>194,142</u>
The City's total direct debt			<u>29,820,000</u>
Total direct and overlapping debt			<u><u>\$ 30,014,142</u></u>

(1) The City of Ocala had no outstanding general obligation debt during the fiscal year ended September 30, 2017.

(2) Represents the fraction of assessed valuation of taxable property in the City of Ocala over the assessed valuation of taxable property in the governmental unit.

**CITY OF OCALA, FLORIDA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed Value (100% at market as of January 1, 2016)	<u>\$ 4,712,043,212</u>	<u>\$ 4,726,489,052</u>	<u>\$ 4,416,494,782</u>	<u>\$ 3,905,845,141</u>
Debt Limit: 20% of Assessed Value	942,408,642	945,297,810	883,298,956	781,169,028
Amount of General Obligation Debt Outstanding	-	-	-	-
Legal Debt Margin	<u>\$ 942,408,642</u>	<u>\$ 945,297,810</u>	<u>\$ 883,298,956</u>	<u>\$ 781,169,028</u>

In accordance with Article IX, §9.02 of the City of Ocala Charter, the "aggregate amount of general obligation bonds of the City outstanding at any one time shall not be greater than twenty percent (20%) of the assessed valuation of the taxable real and personal property in the City according to the latest assessment of such real and personal property."

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>\$ 3,689,722,224</u>	<u>\$ 3,543,221,693</u>	<u>\$ 3,565,587,027</u>	<u>\$ 3,671,502,621</u>	<u>\$ 3,944,515,628</u>	<u>\$ 4,094,928,360</u>
737,944,445	708,644,339	713,117,405	734,300,524	788,903,126	818,985,672
-	-	-	-	-	-
<u>\$ 737,944,445</u>	<u>\$ 708,644,339</u>	<u>\$ 713,117,405</u>	<u>\$ 734,300,524</u>	<u>\$ 788,903,126</u>	<u>\$ 818,985,672</u>

**CITY OF OCALA, FLORIDA
PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Capital Improvement Bonds and Certificates:				
Net revenue available for debt service	\$ 8,733,751	\$ 9,907,154	\$ 8,463,599	\$ 8,223,166
Debt Service payments:				
Principal	1,325,000	1,360,000	1,410,000	1,450,000
Interest	1,580,000	1,915,464	1,878,711	1,837,357
Total debt service payments	<u>\$ 2,905,000</u>	<u>\$ 3,275,464</u>	<u>\$ 3,288,711</u>	<u>\$ 3,287,357</u>
Coverage (times)	3.01	3.02	2.57	2.50
Optional Gas Tax Bonds:				
Net revenue available for debt service	\$ 2,892,928	\$ 2,900,317	\$ 2,840,703	\$ 2,664,586
Debt Service payments:				
Principal	1,520,000	1,555,000	1,600,000	1,650,000
Interest	328,436	281,365	231,779	179,724
Total debt service payments	<u>\$ 1,848,436</u>	<u>\$ 1,836,365</u>	<u>\$ 1,831,779</u>	<u>\$ 1,829,724</u>
Coverage (times)	1.57	1.58	1.55	1.46
Electric System Bonds:				
Gross revenues	\$ 175,441,091	\$ 177,960,026	\$ 174,289,475	\$ 141,324,385
Less: operating expenses	159,954,673	161,634,774	152,595,345	131,538,100
Net revenue available for debt service	<u>15,486,418</u>	<u>16,325,252</u>	<u>21,694,130</u>	<u>9,786,285</u>
Water & Sewer Bonds:				
Gross revenues	\$ 27,064,562	\$ 26,352,644	\$ 27,855,619	\$ 27,109,092
Less: operating expenses	13,475,885	13,015,589	12,100,557	13,963,526
Net revenue available for debt service	<u>13,588,677</u>	<u>13,337,055</u>	<u>15,755,062</u>	<u>13,145,566</u>
Debt Service payments:				
Principal	3,295,000	3,440,000	3,590,000	3,745,000
Interest	1,951,105	1,120,591	969,335	807,685
Total debt service payments	<u>\$ 5,246,105</u>	<u>\$ 4,560,591</u>	<u>\$ 4,559,335</u>	<u>\$ 4,552,685</u>
Coverage (times)	2.59	2.92	3.46	2.89
Utility System Bonds:				
Net revenue available for debt service	\$ 23,828,990	\$ 25,101,716	\$ 32,889,857	\$ 18,379,166
Debt Service payments:				
Principal	640,000	650,000	660,000	685,000
Interest	4,431,856	6,835,339	6,818,629	6,799,444
Total debt service payments	<u>\$ 5,071,856</u>	<u>\$ 7,485,339</u>	<u>\$ 7,478,629</u>	<u>\$ 7,484,444</u>
Coverage (times)	4.70	3.35	4.40	2.46

Source: The City of Ocala Office of Business and Financial Services.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

2012	2013	2014	2015	2016	2017
\$ 8,241,933	\$ 8,167,557	\$ 8,261,105	\$ 8,333,770	\$ 8,359,167	\$ 8,271,340
1,490,000	2,560,000	765,000	2,300,000	2,340,000	2,380,000
1,791,234	1,701,799	1,043,246	1,088,305	639,269	783,309
\$ 3,281,234	\$ 4,261,799	\$ 1,808,246	\$ 3,388,305	\$ 2,979,269	\$ 3,163,309
2.51	1.92	4.57	2.46	2.81	2.61
\$ 2,547,557	\$ 2,471,488	-	-	-	-
1,740,000	2,720,000	-	-	-	-
123,105	63,290	-	-	-	-
\$ 1,863,105	\$ 2,783,290	\$ -	\$ -	\$ -	\$ -
1.37	0.89	N/A	N/A	N/A	N/A
\$ 140,511,811	\$ 150,413,508	\$ 149,817,925	\$ 144,341,225	145,415,283	149,789,455
122,286,613	128,161,245	129,528,370	121,428,949	126,925,324	134,847,261
18,225,198	22,252,263	20,289,555	22,912,276	18,489,959	14,942,194
\$ 27,994,759	\$ 26,291,964	\$ 26,974,511	\$ 27,477,111	28,907,441	29,008,377
13,708,115	14,441,410	14,908,787	15,383,110	17,069,840	19,278,182
14,286,644	11,850,554	12,065,724	12,094,001	11,837,601	9,730,195
-	-	-	-	-	-
145,495	-	-	-	-	-
\$ 145,495	\$ -	\$ -	\$ -	\$ -	\$ -
98.19	N/A	N/A	N/A	N/A	N/A
\$ 32,366,347	\$ 34,102,817	\$ 32,355,279	\$ 35,006,277	\$ 30,327,560	\$ 24,672,389
1,670,000	5,095,000	5,245,000	5,360,000	5,485,000	6,265,000
6,758,853	6,880,763	6,763,874	6,146,150	3,787,146	4,507,063
\$ 8,428,853	\$ 11,975,763	\$ 12,008,874	\$ 11,506,150	\$ 9,272,146	\$ 10,772,063
3.84	2.85	2.69	3.04	3.27	2.29

**CITY OF OCALA, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income ⁴	Median Household Income ^{3,4}	County Unemployment Rate ³
2008	54,462	\$ 1,608,190,168	\$ 29,529	\$ 41,644	5.4%
2009	54,800	1,658,625,128	30,267	43,727	8.6%
2010	56,315	1,747,091,441	31,024	45,913	13.2%
2011	56,545	1,798,082,530	31,799	48,209	13.9%
2012	57,041	1,836,528,091	32,197	49,414	12.4%
2013	57,387	1,870,763,977	32,599	50,649	9.8%
2014	57,494	1,958,593,423	34,066	51,915	7.6%
2015	58,355	2,077,404,623	35,599	53,213	7.3%
2016	59,720	2,221,667,745	37,201	54,543	6.7%
2017	59,668	2,319,621,270	38,875	55,907	4.9%

¹ The City of Ocala Office of Business and Financial Services, Bureau of Economic and Business Research, University of Florida.

² Amount computed from population and per capita personal income statistics for Marion County, Florida.

³ Bureau of Labor Statistics. Amounts indicated are for Marion County, Florida.

⁴ Estimated Per Capita and Median Household Income.

**CITY OF OCALA, FLORIDA
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO**

<u>Employer</u>	<u>September 30, 2017</u>			<u>September 30, 2008</u>		
	<u>Total Employees</u>	<u>Rank</u>	<u>Percent of Total City/County Employment</u>	<u>Total Employees</u>	<u>Rank</u>	<u>Percent of Total City/County Employment</u>
Marion County School Board	6,070	1	5.04%	6,000	1	4.68%
Munroe Regional Medical Center	2,648	2	2.20%	2,500	3	1.95%
State of Florida	2,600	3	2.16%	4,187	2	3.27%
Wal-Mart	2,370	4	1.97%	2,456	4	1.92%
Ocala Regional Medical Center and West Marion Community Hospital	2,200	5	1.83%	1,301	8	1.01%
Publix Supermarkets	1,488	6	1.24%	1,467	6	1.14%
Marion County Board of Commissioners	1,368	7	1.14%	1,400	7	1.09%
AT&T	1,000	8	0.83%	1,000	10	0.78%
City of Ocala	1,051	9	0.87%	1,111	9	0.87%
Lockheed Martin	981	10	0.82%	-	-	-
US Government	-	-	-	2,011	5	1.57%
Total	<u>21,776</u>		<u>18.09%</u>	<u>23,433</u>		<u>18.28%</u>
Ocala MSA Labor Force			<u>120,357</u>			<u>128,200</u>

Source: Ocala/Marion County Chamber & Economic Partnership.

Note: Total labor force for Marion County which includes the City of Ocala.

**CITY OF OCALA, FLORIDA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
 BY FUNCTION
 LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Legislative.....	6.00	6.00	6.00	6.00
Executive.....	26.00	25.00	23.00	19.00
Business and Financial Services.....	22.00	21.00	23.00	19.00
Purchasing.....	13.00	14.00	-	-
Human Resources and Risk.....	7.00	7.00	5.00	9.00
Development Services.....				
Planning.....	10.50	10.00	32.00	33.00
Building.....	26.00	30.00	-	-
Police				
Officers.....	171.00	171.00	159.00	170.00
Civilians.....	86.25	85.50	84.00	88.00
Fire				
Firefighters and Officers.....	133.00	133.00	131.00	130.00
Civilians.....	13.00	12.00	15.00	17.00
Engineering.....	67.00	62.00	59.00	27.00
Recreation.....	64.75	30.50	53.00	58.00
Public Works.....	141.00	154.50	97.00	101.00
Fleet/Facilities.....	32.00	31.00	38.00	39.00
Airport.....	5.00	5.00	5.00	5.00
Golf.....	31.00	27.50	13.00	8.00
Water & Sewer.....	76.75	76.75	72.00	79.00
Telecommunications.....	6.00	6.00	6.00	6.00
Electric.....	181.00	173.00	161.00	165.00
Stormwater.....	8.00	8.00	8.00	18.00
Information & Technology.....	17.00	17.00	16.00	17.00
Community Programs.....	5.00	5.00	2.00	2.00
Total	1,148.25	1,110.75	1,008.00	1,016.00

Source: The City of Ocala Office of Business and Financial Services

Note: All numbers are assumed to be FTEs for all reporting categories

2012	2013	2014	2015	2016	2017
6.00	6.00	6.00	6.00	6.00	6.00
16.00	13.75	14.00	14.00	18.00	23.00
21.00	23.50	23.63	26.63	28.00	30.00
-	-	-	-	-	-
10.00	9.00	7.00	8.00	9.00	9.00
38.00	40.25	35.25	36.38	40.68	44.55
-	-	-	-	-	1.00
-	-	-	-	-	-
161.00	164.00	164.00	151.64	147.19	155.00
95.00	89.50	81.50	96.00	103.00	103.19
127.00	129.00	125.00	129.63	128.88	130.00
21.00	15.00	6.00	4.00	4.00	4.00
26.00	22.00	19.00	19.00	19.00	30.00
66.00	64.00	53.41	63.41	58.25	71.66
115.00	99.00	107.00	101.25	102.00	110.00
37.00	31.75	28.56	22.04	36.43	39.43
5.00	5.00	5.00	5.00	5.00	5.38
8.00	-	-	-	-	-
78.00	77.25	89.30	84.70	85.40	91.10
6.00	7.00	7.00	7.00	11.00	15.00
165.00	155.75	153.25	150.55	159.80	159.00
-	-	-	-	-	-
17.00	17.00	15.00	14.00	12.00	21.00
1.00	1.00	1.25	1.50	1.55	2.50
1,019.00	969.75	941.15	940.73	975.18	1,050.81

CITY OF OCALA, FLORIDA
SCHEDULE OF AIRPORT SUBSIDY CASH FLOW ANALYSIS
FOR THE LAST SEVEN FISCAL YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Leases at Airport:			
Sports Complex Lease	\$ 132,512	\$ 132,512	\$ 132,512
Water & Sewer Lease	10,805	-	-
Total Value of City Leases	<u>143,317</u>	<u>132,512</u>	<u>132,512</u>
 City Payment For Leases at Airport:			
Water & Sewer Lease	<u>10,805</u>	<u>-</u>	<u>-</u>
Total Payments For City Leases	<u>10,805</u>	<u>-</u>	<u>-</u>
 City Leases - Less Payments made:	<u>(132,512)</u>	<u>(132,512)</u>	<u>(132,512)</u>
 City Funds Expended on Behalf of Airport:			
Grant Match	<u>167,885</u>	<u>-</u>	<u>-</u>
Total City Funds Expended on Behalf of Airport	<u>167,885</u>	<u>-</u>	<u>-</u>
 Net Subsidy	<u>\$ 35,373</u>	<u>\$ (132,512)</u>	<u>\$ (132,512)</u>

Pursuant to an agreement with the Federal Aviation Administration (FAA), the City has agreed to include a schedule of the subsidy to the Airport Fund annually in the CAFR.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>TOTAL</u>
\$ 132,512	\$ 160,960	\$ 165,760	\$ 165,788	\$ 1,188,344
-	-	-	-	
<u>132,512</u>	<u>160,960</u>	<u>165,760</u>	<u>\$ 165,788</u>	<u>1,188,344</u>
-	-	-	-	10,805
-	-	-	-	10,805
<u>(132,512)</u>	<u>(160,960)</u>	<u>(165,760)</u>	<u>(165,788)</u>	<u>(1,177,539)</u>
-	-	-	-	167,885
-	-	-	-	167,885
<u>\$ (132,512)</u>	<u>\$ (160,960)</u>	<u>\$ (165,760)</u>	<u>\$ (165,788)</u>	<u>\$ (1,009,654)</u>

**CITY OF OCALA, FLORIDA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS***

	2012	2013	2014	2015	2016	2017
Police						
Number of calls for service	233,500	239,167	233,516	272,552	249,085	251,326
Traffic citations issued	12,841	11,887	14,114	12,210	12,306	13,139
Cases investigated	5,825	6,099	7,208	10,010	5,672	4,756
Arrests	2,804	2,959	3,105	2,766	3,398	4,028
Fire						
Number of calls for service	11,192	19,802	17,309	19,238	24,358	21,369
Fires reported	238	178	262	238	337	306
Inspections	2,038	2,469	2,816	2,595	2,416	2,565
Building Permits						
Building permits issued	1,526	1,616	1,630	1,738	1,840	2,030
Value of permits issued (in thousands)	\$79,351,004	\$68,726,914	\$ 169,265,866	\$ 111,252,423	\$82,956,019	\$ 285,787,964
New Construction - Units and Value:						
Commercial - Number of Units	54	31	41	49	28	54
Commercial - Value	\$ 36,029,542	\$ 11,551,770	\$ 76,095,142	\$ 10,050,568	\$14,365,711	\$ 98,543,017
Residential - Number of Units	31	76	81	121	91	208
Residential - Value	\$ 4,652,855	\$ 17,730,674	\$ 22,875,600	\$ 29,516,113	\$17,725,394	\$ 56,686,440
Streets and Drainage						
Street Resurfacing (miles)	-	2.50	4.60	9.77	19	11
Potholes repaired	463	566	745	1,345	731	394
Parks and Recreation						
Athletic field permits issued	79	116	83	177	95	81
Participants using the pools	25,450	26,130	39,733	28,705	28,109	25,066
Golf rounds	83,607	83,612	81,746	73,580	81,846	83,786
Fleet Maintenance						
Vehicles owned by the City	1,207	1,213	1,223	1,274	1,447	1,462
Percent maintained by Fleet	58	40	51	96	99	99
Preventive maintenance completed	1,069	854	1,255	693	1,268	1,274
Solid Waste						
Number of customers	15,022	15,312	15,236	15,486	15,668	15,928
Residential refuse collected (in tons)	16,086	14,655	15,079	15,154	13,484	13,927
Residential recyclables collected (in tons)	2,323	3,788	3,925	3,777	3,804	3,481
Commercial refuse collected (in tons)	34,448	35,902	37,289	38,052	39,187	40,032
Electric						
Avg. Number of active customers	50,552	50,769	48,834	49,439	49,975	50,541
Avg. Monthly Consumption (in KWH)	1,956	1,954	2,037	2,086	2,140	2,064
Water						
Number of customers	23,386	23,699	23,250	23,353	23,696	24,052
Max. daily plant capacity (in gallons)	24,420	24,420	24,420	24,420	24,420	24,420
Avg. monthly consumption	14,212	10,419	10,455	10,726	11,230	10,726
Wastewater						
Number of customers	27,909	28,429	27,509	26,880	28,463	27,948
Sanitary/Storm Mains Cleaned (ft.)	152,797	156,398	16,029	29,887	25,992	28,072

Source: The City of Ocala

* Operating Indicators information not available prior to 2012



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**CITY OF OCALA, FLORIDA
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

FUNCTION:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Area: Land (square miles)	44.48	44.48	44.48	44.72
Miles of Streets, Sidewalks and Bike Paths				
Streets - Paved	292.32	296.10	296.10	297.12
Streets - Unpaved	6.26	4.81	4.81	4.81
Sidewalks	76.20	225.58	228.38	233.28
Bike Paths	32.41	33.21	36.46	36.46
Miles of Sewers				
Storm	80.95	264.60	380.05	281.80
Sanitary	317.31	340.00	341.30	343.10
Force Main	82.80	79.60	80.00	81.20
Water Lines	356.4	530.0	534.0	536.0
Number of Lift Stations	118	118	119	121
Building Permits: (includes plumbing, gas, (electric, water , heating & air conditioning)				
Permits Issued	2,159	1,826	1,676	1,524
Permit Value	\$ 189,168,148	\$ 77,215,703	\$ 82,992,944	\$ 66,223,835
New Construction - Units and Value:				
Commercial - Number of Units	134	52	38	52
Commercial - Value	\$ 133,422,696	\$ 26,693,633	\$ 23,428,680	\$ 33,214,686
Residential - Number of Units	253	67	106	39
Residential - Value	\$ 38,741,704	\$ 10,916,289	\$ 18,038,057	\$ 7,753,050
Fire Protection				
Stations	6	6	6	6
Employees - Sworn	133	133	131	130
Employees - Civilian	12	12	15	17
Fire and rescue response time (minutes)	4.5	6.7	6.8	6.8
Police Protection				
Stations	6	6	5	5
Employees - Sworn	158	158	159	170
Employees - Civilian	86	86	84	88
Vehicular Patrol Units - Marked Vehicles	113	113	119	119
Vehicular Patrol Units - Motorcycles	9	9	8	8
Vehicular Patrol Units - Other Vehicles	78	78	82	82
Recreation				
Land area (acres)	693	693	424	424
Activity centers	6	6	6	9
Pools	2	2	2	2
Playgrounds (not reported prior to 2004)	17	17	17	19

2012	2013	2014	2015	2016	2017
44.72	44.72	44.79	44.79	44.79	46.95
335.00	338.00	339.35	339.70	398.73	374.19
3.38	3.38	3.38	3.38	2.3	2.3
233.30	223.30	242.20	242.20	242.2	242.2
18.62	18.62	27.30	27.30	27.3	53.33
285.36	277.20	277.20	280.00	283	283.83
349.76	353.45	352.68	360.30	379.12	373.9
89.00	91.50	90.00	90.00	96.82	96.97
555.5	562.5	568.2	575.5	589.16	539.85
122	123	129	129	132	132

Moved to Operating Indicators

Moved to Operating Indicators

5	5	6	6	6	6
127	129	129	129	130	130
21	3	4	4	4	4
5.8	6.3	6.3	6.7	6	5.4
4	4	4	4	4	4
161	164	164	165	165	165
95	96	96	100	100	102
114	124	124	126	125	135
7	6	6	6	4	9
81	80	80	78	78	78
795	805	837	837	837	837
5	5	5	5	6	6
2	2	2	2	2	2
18	18	20	23	24	24



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

**CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR 2017**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
FEDERAL AWARDS			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-12-0029	84,909
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-12-0029	117,647
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-12-0029	83,515
<i>Total CDBG-Entitlement Grants</i>			286,070
<i>Passed through Marion County, Florida:</i>			
HOME Investment Partnership Program	14.239	MC-13-DC-13-0232	106,994
HOME Investment Partnership Program	14.239	MC-14-DC-14-0232	46,811
HOME Investment Partnership Program	14.239	MC-15-DC-15-0232	5,176
HOME Investment Partnership Program	14.239	MC-16-DC-16-0232	9,750
<i>Total HOME Investment Partnership Program Grants</i>			168,731
Total U.S. Department of Housing and Urban Development			454,802
U.S. Department of Justice:			
<i>Passed through State Office of Attorney General:</i>			
Crime Victim Assistance	16.575	VOCA-2016-Ocala Police Department-00524	50,835
Bulletproof Vest Partnership Program	16.607	2015-BUBX-15077899	6,085
Bulletproof Vest Partnership Program	16.607	2016-BUBX-16081100	829
<i>Total Bulletproof Vest Partnership Program Grants</i>			6,914
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0452	5,100
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1038	27,440
<i>Passed through Florida Department of Law Enforcement</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JAGC-MARI-1-F9-019	23,012
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>			55,553
Equitable Sharing Program	16.922	FL0420100	76,048
<i>Total Equitable Sharing Program</i>			76,048
Total U.S. Department of Justice			189,350
US. Department of Transportation:			
Airport Improvement Program	20.106	3-12-0055-025-2016	264,925
Airport Improvement Program	20.106	3-12-0055-026-2017	32,281
<i>Total Airport Improvement Program</i>			297,206
<i>Passed through Florida Department of Transportation:</i>			
<i>Highway Planning & Construction</i>			
FM #430252-1-54-01	20.205	ARG51	185,352
FM #439331-1-14-01	20.205	G0A96	423,841
<i>Total Highway Planning & Construction</i>			609,193
<i>Passed through Florida Department of Transportation:</i>			
<i>Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research</i>			
FM# 422440-1-14-23	20.505	AQN78	91,181
<i>Total Metropolitan Planning Program</i>			91,181
Federal Transit Formula Grants	20.507	FL-90-X821	31,400
Federal Transit Formula Grants	20.507	FL-90-X857	130,041
Federal Transit Formula Grants	20.507	FL-90-X892	999,738
Federal Transit Formula Grants	20.507	FL-90-X914	790,167
<i>Total Federal Transit Formula Grants</i>			1,951,346
<i>Passed through Florida Department of Transportation:</i>			
National Priority Safety Programs	20.616	G0F13	2,978
National Priority Safety Programs	20.616	G0F20	19,551
<i>Total State and Community Highway Safety</i>			22,529
Total U.S. Department of Transportation			2,971,454

CITY OF OCALA, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR 2017
 (CONTINUED)

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Environmental Protection Agency</u>			
<i>Passed through Florida Department of Environmental Protection:</i>			
Nonpoint Source Implementation Grant	66.460	C9-99451515-0	219,548
Total U.S. Environmental Protection Agency			<u>219,548</u>
<u>U.S. Department of Homeland Security</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4337DR-FL	212,124
Total U.S. Department of Homeland Security			<u>212,124</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS:			<u><u>4,047,278</u></u>

CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR 2017
(CONCLUDED)

State Grantor/ Pass-Through Grantor/Program Title	State CSFA Number	Pass-Through Grantor Number	State Expenditures
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Environmental Protection:</u>			
Florida Recreation Development Assistance Program	37.017	A5146	21,795
<i>Total Florida Recreation Development Assistance Program</i>			<u>21,795</u>
Statwide Surface Water Restoration and Wastewater Projects	37.039	NS004	8,418
Statwide Surface Water Restoration and Wastewater Projects	37.039	S0860	104,681
Statwide Surface Water Restoration and Wastewater Projects	37.039	S0870	421,926
Statwide Surface Water Restoration and Wastewater Projects	37.039	S0915	329,357
Statwide Surface Water Restoration and Wastewater Projects	37.039	G0428	122,417
<i>Total Statewide Surface Water Restoration and Wastewater Projects</i>			<u>986,799</u>
<i>Passed through St. Johns River Water Management District</i>			
Florida Springs Grant Program	37.052	28128	1,095,967
<i>Total Florida Springs Grant Program</i>			<u>1,095,967</u>
Total Florida Department of Environmental Protection			<u>2,104,561</u>
<u>Florida Housing Finance Corporation:</u>			
State Housing Initiatives Partnership Program	40.901	SHIP	180,760
Total Florida Housing Finance Corporation			<u>180,760</u>
<u>Florida Department of State:</u>			
Aquisition, Restoration of Historic Properties	45.032	SC623	260,081
Total Florida Department of State			<u>260,081</u>
<u>Florida Department of Transportation:</u>			
Florida Commission for the Transportation Disadvantaged (CTD) Planning Grant Program FM# 432029-1-14-01	55.002	G0242	10,607
<i>Total Commission for the Transportation Disadvantaged Planning Grant</i>			<u>10,607</u>
Aviation Grant Programs FM# 414447-1-94-01	55.004	AR160	3,348
Aviation Grant Programs FM# 437609-1-94-01	55.004	G0101	1,953
Aviation Grant Programs FM# 431586-1-94-01	55.004	G0102	59,143
<i>Total Aviation Grant Programs</i>			<u>64,445</u>
Public Transit Block Grant Program FM# 424123-1-84-01	55.010	ARP19	563,186
<i>Total Public Transit Block Grant Program</i>			<u>563,186</u>
Total Florida Department of Transportation			<u>638,238</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:			<u>3,183,640</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE:			<u>7,230,917</u>

Notes:

(1) The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Ocala, Florida and is presented on the accrual basis of accounting. The City has elected not to apply the 10% de minimis indirect cost rate. There are no outstanding loan balances at the end of the audit period. The information in this schedule is presented in accordance with the requirements of Federal OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

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

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ocala, Florida (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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The Honorable Members of the City Council
City of Ocala
Ocala, Florida

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain other matters that we have reported to management in a separate letter dated March 23, 2018.

The City's responses to the Management Letter Comments identified in our audit are described in the accompanying schedule. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



March 23, 2018
Ocala, Florida

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited City of Ocala, Florida's (the City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the requirements described in the Department of Financial Services, *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal award programs and state projects for the year ended September 30, 2017. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state projects. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2017.

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The Honorable Members of the City Council
City of Ocala
Ocala, Florida

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)**

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project, and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



March 23, 2018
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
CITY OF OCALA, FLORIDA**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards and State Projects

Internal Control over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of Auditors' Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with CFR 200.516(A), or Chapter 10.557 for Local Government Entities, or 10.565 for Nonprofit and for-Profit Organizations?	No
Identification of Major Programs:	

Federal Program or Cluster

U.S. Department of Transportation: Federal Transit Formula Grants	CFDA No. 20.507
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State Projects

Florida Department of Environmental Protection: Florida Springs Grant Program	CFSA No. 37.052
Florida Department of Transportation: Public Transit Black Grant Program	CFSA No. 55.010
Dollar Threshold Used to Distinguish Between Type A and Type B Programs – Federal Programs	\$750,000
Dollar threshold used to distinguish between Type A and Type B programs – State Projects	\$300,000

Auditee Qualified as Low-Risk Auditee Pursuant to the Uniform Guidance?	Yes
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Other Issues

The following statement, as applicable to the situation, may be required in the Schedule of Findings and Questioned Costs:

- No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal Programs or State projects.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

We have examined the City of Ocala, Florida's (the City) compliance with requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2017, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, including examining on a test basis evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specific requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members, and applicable management, and is not intended to be and should not be used by anyone other than those specified parties.

Purvis, Gray and Company, LLP

March 23, 2018
Ocala, Florida

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MANAGEMENT LETTER

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Ocala, Florida (the City) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 23, 2018.

Auditors' Responsibility

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for each Major Federal Program and State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 23, 2018, should be considered in conjunction with this Management Letter.

Prior Audit Findings

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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in the Management Letter, unless disclosed in the notes to the financial statements (see Note 1 of the City's basic financial statements as of and for the year ended September 30, 2017, for this information).

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The Honorable Members of the City Council
City of Ocala
Ocala, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and communicate the results of our determination as to whether or not the City has 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management (see management letter comments).

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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 year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Honorable Mayor and City Council, and management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, accompanying reports, or other matters.



March 23, 2018
Ocala, Florida

MANAGEMENT LETTER COMMENTS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

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

2017-01 Airport Vendor Revenues

During our audit, we noted that the City receives commission revenues from various vendor sales at the airport. The City has agreements with these vendors that have financial terms, which include a percentage of monthly gross receipt and fuel sales be remitted to the City each month. Based on our review and the work of the City's Internal Auditor, it appears that the Airport staff were unable to verify the accuracy of commission revenues for some vendors. As a result, there is a risk that commission revenue may be understated due to potentially inaccurate monthly summary sales being reported to the City. This condition could lead to incorrect billings and lost revenues to the City.

The City's Internal Audit department has previously reviewed this and in their Report, Project 2016-11 issued November 8, 2016, it was noted that all agreements do not contain provisions for inspections of records and right to audit and noted that supporting documentation is not sufficient to verify the accuracy of the payments in all cases.

We recommend that Airport staff work with the vendors to obtain additional documentation for support of commission revenues and that management determine if it is possible to amend existing contracts to require additional documentation and the right to audit commission sales. The City should also continue its ongoing Internal Audits of this area.

Our Management Letter Comments are intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

March 23, 2018
Ocala, Florida

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**FINANCE DEPARTMENT
201 SE 3RD STREET
OCALA, FLORIDA 34471**

City's Response to Auditor's Recommendations

Current Year Comments:

2017-01 Airport Vendor Revenues

Staff concurs with the Auditor's recommendation. Airport staff are continuing to work with the vendors regarding commission revenues supporting documentation. Internal Audit will continue to provide appropriate audits of Airport Vendor Revenues.

Also, new car rental vendor contracts have been drafted with significant changes that include:

- re-defining commission-type revenues and gross receipts requirements;
- changing revenue payment calculation methodology with annual submission of a gross receipts schedule that are prepared in accordance with generally accepted accounting principles and accompanied by an opinion of an independent Certified Public Accountant (CPA) within 90 days of the end of the lease year; and
- a right to audit clause of car rental vendors' relevant records and accounts.