

*CITY OF OCALA, FLORIDA*

*Comprehensive Annual Financial Report*

*For September 30, 2014*



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*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, 2014

Prepared by:

**Office of Business and Financial Services**

Diane C. Reichard, CPA, CGMA, CGFO, CPFO

**CFO/Assistant City Manager**

Mary Ann Davis, CGFM

**Finance Director**



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**CITY OF OCALA, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

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Find your place

OFFICE OF BUSINESS AND FINANCIAL SERVICES  
110 SE WATULA AVENUE  
OCALA, FLORIDA 34471

May 19, 2015

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, 2014. 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, 2014, 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



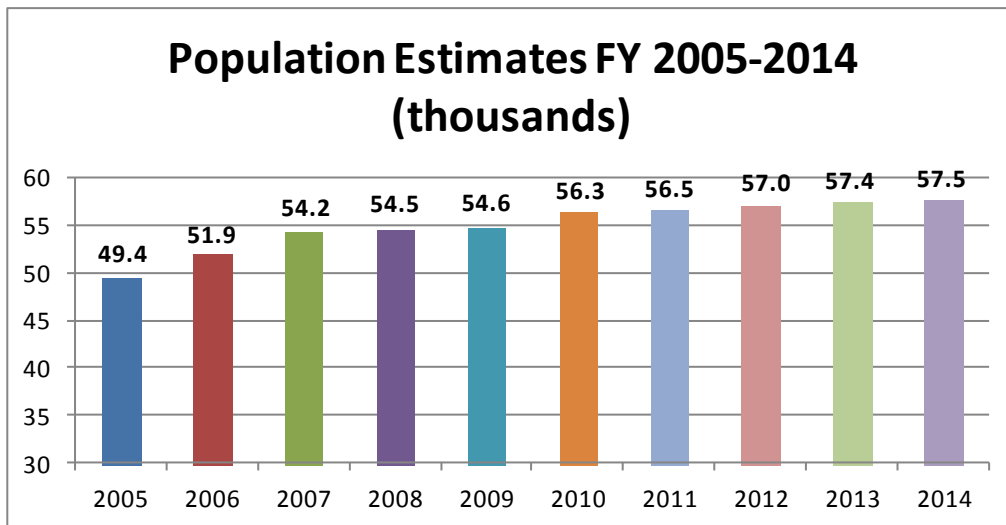
independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City’s financial statements for the fiscal year ended September 30, 2014, as fairly presented in conformity with GAAP. The independent auditor’s report is presented as the 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 16<sup>th</sup> 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 44 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, 2014, the official population estimate was 57,494.



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
- ✓ Telecommunications
- ✓ 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 shows signs of strengthening, with a 3.4% increase in real property valuations (the first such increase in five years), 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.** Horse breeding, dominated by Thoroughbreds and Arabians, is a major industry in the Ocala area. 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. In addition, Ocala has become a center for manufacturing, logistics, and distribution companies, and continues to market the Airport Business Park.

The City has aggressively, but strategically, continued sowing the seeds for tomorrow's economic recovery. The City's strategic investments in economic development, made over the past three to four years, are beginning to yield meaningful results. FedEx Ground Package Systems, Inc., a fortune 100 company, broke ground on 150 acres to construct a \$135 million regional hub located in the recently completed Ocala/Marion County Commerce Park.

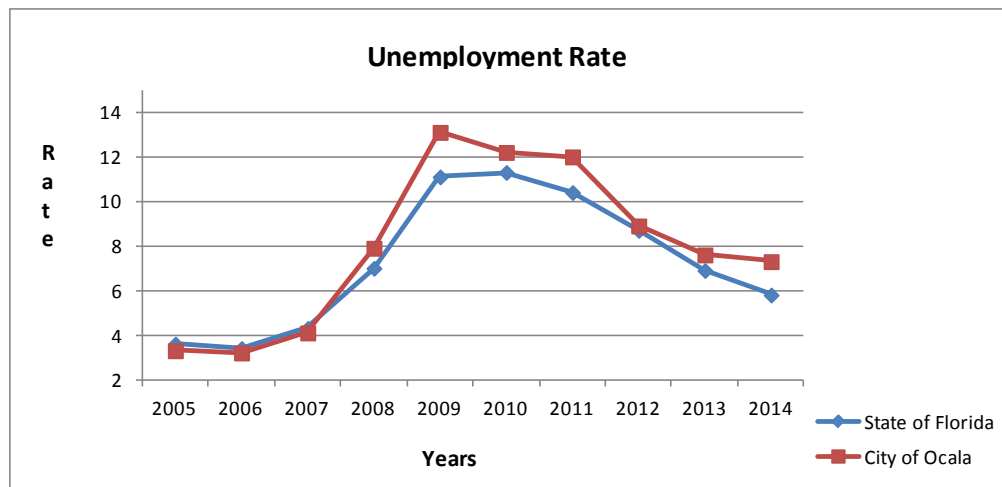
The City's Enterprise Zone, which covers a 10-square mile area, has been very well received. The 2014 results were:

- 44 New Businesses
- 121 New Jobs
- \$4.52 Million in Local Public Funds
- \$2.96 Million in Leveraged Resources

The City has also invested in a number of smaller scale economic development projects that focus on assisting existing business with expansion. The Façade Grant program has been very successful in improving the exterior view of buildings for the following businesses: Infinite Ale Works, La Cuisine, Madison Commons, Osceola Ave Complex, Murphy Block, and Shannon Roth. The total public investment of \$98,900, matched with a total private investment of \$285,476, assisted these businesses in giving their exterior a “face lift,” elevating the surrounding areas, and spurring additional economic investment.

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. It is expected that the City’s economic investments will continue to spur economic growth and fiscal sustainability.

The City’s unemployment rate decreased from 7.6% at this time last year to 7.3%, which is higher than the state and national averages of 5.8% and 5.9% respectively.



**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:

- Wayfinding signage program
- 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
- New Fire Administration Building

**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 Commission for Florida Law Enforcement Accreditation Inc. awarded the Ocala Police Department Accredited Agency Status in February 2014. The Accreditation status is valid for a period of three years. Since its first award in 2008, the department has been evaluated on 250 separate standards and ultimately received re-accreditation. Accreditation is a highly recognized means of acquiring and maintaining standards of competency, proficiency, professionalism, and service to the community.

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, 2013. This was the thirtieth 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.

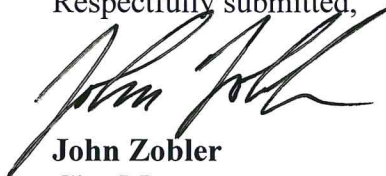
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. 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, 2013, making the twenty-fourth 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 Finance Director, Mary Ann Davis. Special recognition is given to the employees of the Office of Business and Financial Services 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 Zobler**  
City Manager



**Diane Reichard, CPA, CGMA, CGFO, CPFO**  
Chief Financial Officer/ACM



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, 2013**

Executive Director/CEO

**CITY OF OCALA, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**CITY COUNCIL – Elected Officials**

R. Kent Guinn, Mayor  
John M. McLeod, President  
Jay A. Musleh, President Pro-Tem  
James Hilty, Sr.  
Brent Malever  
Mary Sue Rich

**APPOINTED OFFICIALS**

City Manager  
City Attorney  
City Clerk  
Internal Auditor

Matthew J. Brower  
Patrick G. Gilligan  
Angel Jacobs  
Jeanne Covington

**CABINET MEMBERS**

Assistant City Manager Public Services  
Assistant City Manager Community Development  
Assistant City Manager Utility Services  
Chief Financial Officer/Assistant City Manager  
Assistant City Manager/Chief of Staff Support Services

Catherine Zimmer  
Marc Mondell  
Larry Novak  
Diane Reichard  
Sandra R. Wilson

**Finance Staff**

Finance Director  
Senior Accountant  
Senior Treasury Analyst  
Accountant II  
Accountant II  
Accountant I  
Accounts Payable  
Accounts Receivable  
Payroll Manager  
Payroll Specialist  
Pension Benefits Coordinator

Mary Ann Davis  
Raymond Bachik  
Maribel Lozada  
Anthony Webber  
Johnna Agin  
Jackie Cooper  
Linda Wright  
Debbie Crews  
Lisa Mauldin  
Tracy Gillyard  
Alicia Gaither

**Budget Staff**

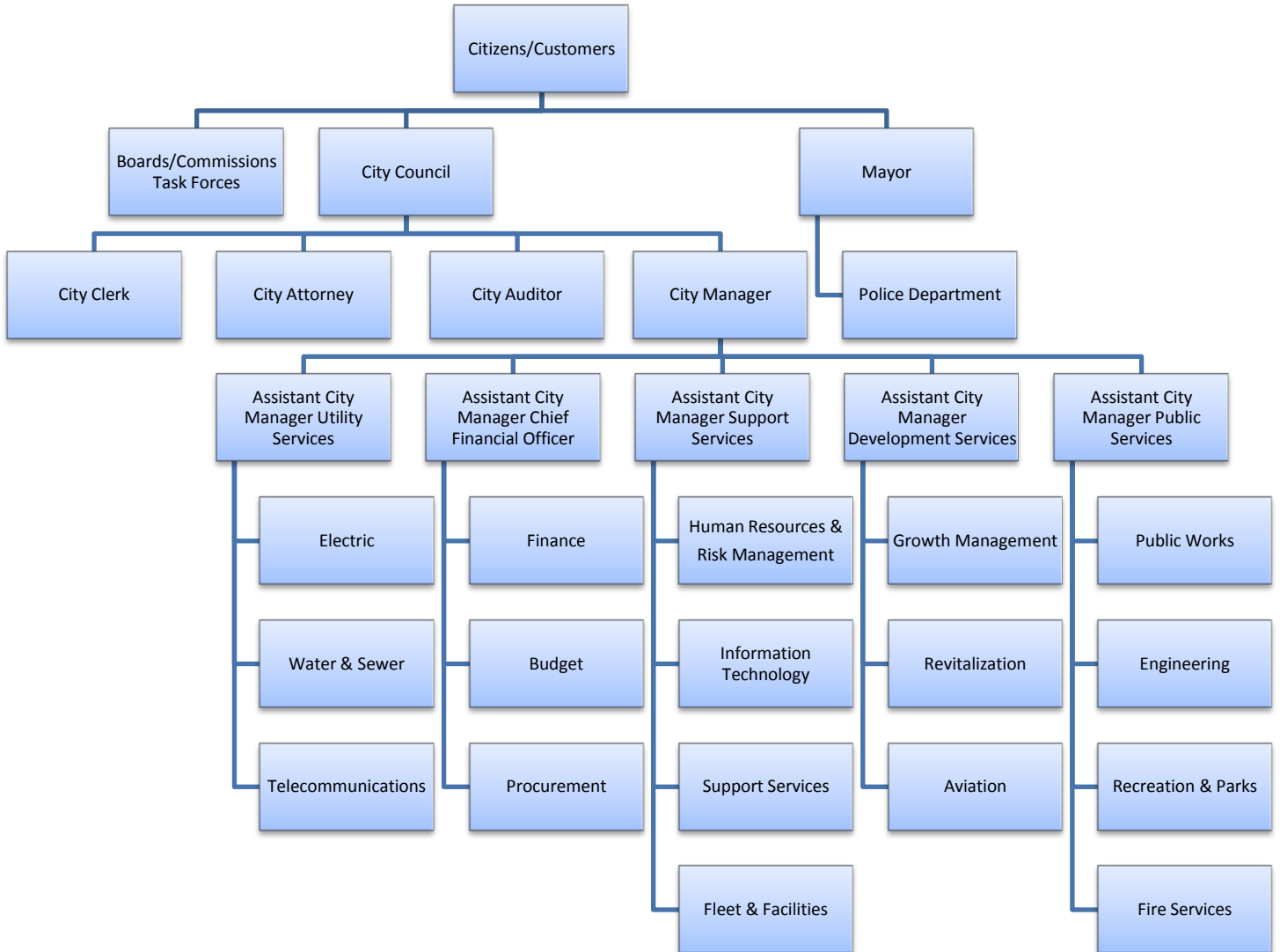
Deputy CFO/Budget Director  
Grants Coordinator  
Senior Budget Analyst  
Budget Analyst  
Fiscal Administrator

Cindy Kelley  
Tammi Haslam  
Rita Conn  
Marie Brooks  
Lisa Greer





CITY OF OCALA, FLORIDA  
ORGANIZATIONAL CHART



# **FINANCIAL SECTION**

# REPORT OF INDEPENDENT AUDITORS

## 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, 2014, 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.

### 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

**INDEPENDENT AUDITORS' REPORT**  
*(Continued)*

**Adoption of New Accounting Standards**

As discussed in notes to the financial statements, for the year ending September 30, 2014, the City adopted new accounting guidance as follows:

- Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*. Implementation of this pronouncement improves the disclosures regarding pension plans in the notes to the financial statements.

Our opinion is not modified with respect to this matter.

**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), the major fund budgetary comparison schedules, 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 GASB, 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, 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 MD&A, and certain pension and Other Postemployment Benefits trend information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The major fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the major fund budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*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 as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis, and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state projects is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *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, 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 April 15, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Purvis, Gray and Company, LLP*

April 15, 2015  
Ocala, Florida

# MANAGEMENT'S DISCUSSION AND ANALYSIS



**CITY OF OCALA, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
**Unaudited**

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, 2014. 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 \$546,820,706 (*net position*).
- Unrestricted net position totals \$159,223,454 and may be used to meet the government's ongoing obligations to citizens and creditors.
- Government general revenue and transfers-in totaled \$85,906,186 compared to \$83,281,906 in 2013, or a 3% increase over the prior year. Expenses totaled \$85,648,995 compared to \$82,435,803 in 2013 or a 4% increase over the prior year.
- At the close of the fiscal year, the City' governmental activities reported combined ending net position of \$220,222,273 as compared to \$219,965,082 (restated), an increase of \$257,191 in comparison with the prior year. Of the fiscal year ended net position, \$64,910,436 was unrestricted.
- The business-type activities revenue totaled \$197,384,765 as compared to \$196,587,323 for a 0.4% increase over the prior year and expenses and transfers-out totaled \$200,452,843 as compared to \$195,469,855 in 2013, for a 2.5% increase over the prior year. The result produced a decrease in business-type net assets of \$3,068,078 as compared to an increase of \$1,117,468 in the prior year.
- The City's total outstanding long-term debt decreased \$4,288,945 or 2% during the current fiscal year. This decrease in long-term debt is due to principal payments made.
- 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**  
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**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 20-22 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 courses, 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 23-26 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 fund, which are considered to be major funds. Data from the ten governmental funds are combined into a single, aggregated presentation.

**CITY OF OCALA, FLORIDA**  
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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.

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, information technology and 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 27-36 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 35-36 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 39-97 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 98-117 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 118 to 141 of this report.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014  
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**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 2014 as compared to 2013.

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 \$546,820,706 at the close of the most recent fiscal year.

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

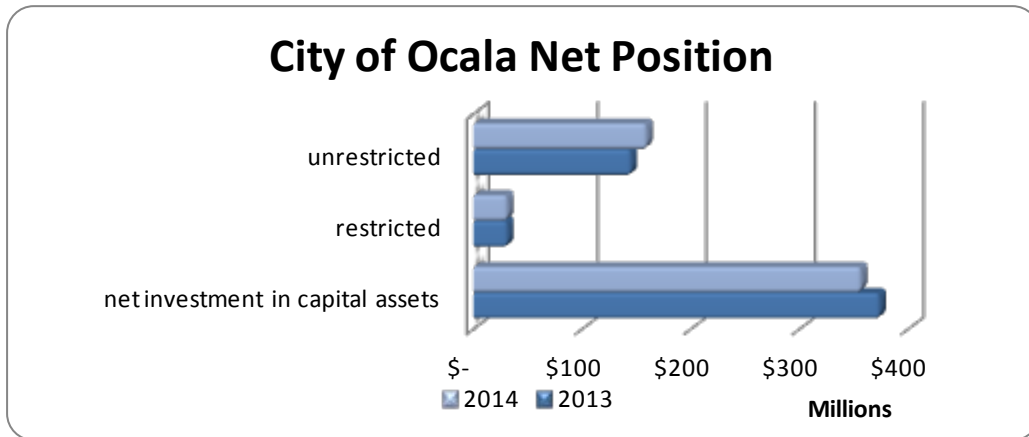
<b>City of Ocala Statement of Net Position As of September 30</b>						
	<b>Governmental Activities</b>		<b>Business -type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013*</b>	<b>2014</b>	<b>2013*</b>	<b>2014</b>	<b>2013*</b>
Current and other assets	\$ 109,832,916	\$ 103,718,818	\$ 181,864,295	\$ 189,505,948	\$ 291,697,211	\$ 293,224,766
Capital assets (net)	172,956,682	176,631,742	350,880,138	357,308,423	523,836,820	533,940,165
Total Assets	282,789,598	280,350,560	532,744,433	546,814,371	815,534,031	827,164,931
Total deferred outflows of resources	153,614	172,816	3,055,355	2,853,432	3,208,969	3,026,248
Long-term liabilities outstanding	53,006,734	52,700,949	162,469,145	167,063,875	215,475,879	219,764,824
Other liabilities	9,438,469	7,512,675	24,930,639	25,439,450	34,369,108	32,952,125
Total Liabilities	62,445,203	60,213,624	187,399,784	192,503,325	249,844,987	252,716,949
Total deferred inflows of resources	275,736	344,670	21,801,571	27,497,966	22,077,307	27,842,636
<b>Net Position:</b>						
Net investment in capital assets	138,868,835	141,311,511	217,624,156	232,258,908	356,492,991	373,570,419
Restricted	16,443,002	14,389,998	14,661,259	16,814,430	31,104,261	31,204,428
Unrestricted	64,910,436	64,263,573	94,313,018	80,593,174	159,223,454	144,856,747
<b>Total Net Position</b>	<b>\$ 220,222,273</b>	<b>\$ 219,965,082</b>	<b>\$ 326,598,433</b>	<b>\$ 329,666,512</b>	<b>\$ 546,820,706</b>	<b>\$ 549,631,594</b>

\* Restated

By far, the largest portion of the City's net position 65% 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  
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An additional portion of the City's net position equal to 6% represents resources that are subject to external restrictions on how they may be used. The remaining 29% 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 \$257,191 from the prior fiscal year for an ending balance of \$220,222,273. The majority of the increase in the overall net position is the result of an increase to the transfers in.

**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 \$326,598,433. The total net position for the business-type activities decreased by \$3,068,078 as compared to an increase of \$1,117,468 in the prior year. The decrease is attributed to an increase in transfers to other funds from \$11,232,009 in 2013 to \$14,789,361 in 2014. Transfers included cost allocations, which was revised in the 2015 fiscal year budget to record as operating expenses. Airport expenses decreased by \$558,055. Capital assets for all enterprises are aging resulting in a decreasing net position.

**CITY OF OCALA, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**  
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**Statement of Activities.** The City's net position for governmental activities increased by \$257,191 during the current fiscal year and business-type activity net position decreased by \$3,068,078. The city's operations for the past two fiscal years are summarized as follows:

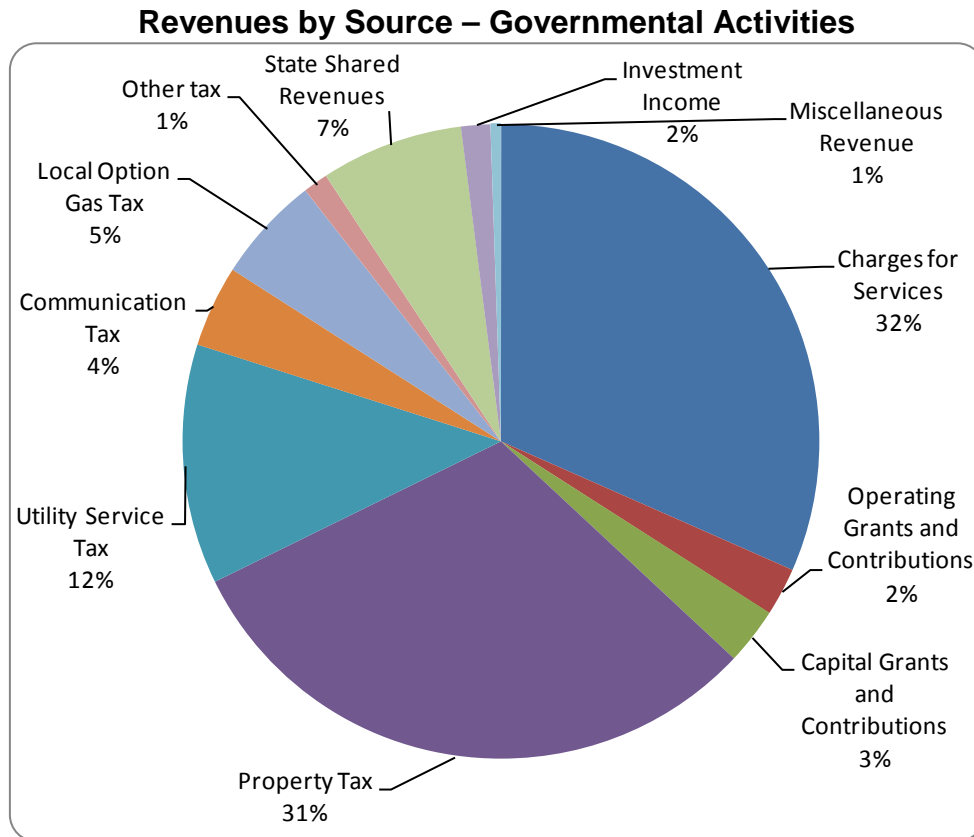
**CITY OF OCALA**  
**Changes in Net Position**  
**For the Year Ended September 30**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Program revenues:						
Charges for services	\$ 22,484,753	\$ 21,209,663	\$ 190,675,311	\$ 191,409,386	\$ 213,160,064	\$ 212,619,049
Operating grants and contributions	1,730,087	3,576,996	2,096,501	2,936,061	3,826,588	6,513,057
Capital grants and contributions	2,055,142	2,453,222	3,105,852	1,479,180	5,160,994	3,932,402
General revenues:						
Property taxes	21,894,229	21,305,973	-	-	21,894,229	21,305,973
Other taxes	16,353,252	17,571,891	-	-	16,353,252	17,571,891
State shared revenues	5,163,266	4,840,855	-	-	5,163,266	4,840,855
Other	1,436,096	1,091,297	1,507,101	762,696	2,943,197	1,853,993
<b>Total Revenues</b>	<b>71,116,825</b>	<b>72,049,897</b>	<b>197,384,765</b>	<b>196,587,323</b>	<b>268,501,590</b>	<b>268,637,220</b>
Program expenses:						
General government	19,534,066	19,281,318	-	-	19,534,066	19,281,318
Public safety	40,478,307	37,679,867	-	-	40,478,307	37,679,867
Physical environment	3,237,167	3,360,975	-	-	3,237,167	3,360,975
Transportation	13,795,747	13,965,893	-	-	13,795,747	13,965,893
Economic Environment	1,161,368	1,307,330	-	-	1,161,368	1,307,330
Human services	16,097	24,280	-	-	16,097	24,280
Culture and recreation	6,344,312	5,277,119	-	-	6,344,312	5,277,119
Interest on long term debt	1,081,931	1,539,021	-	-	1,081,931	1,539,021
Electric	-	-	139,883,927	138,811,204	139,883,927	138,811,204
Water and sewer	-	-	29,073,065	28,609,880	29,073,065	28,609,880
Sanitation	-	-	8,500,528	7,882,244	8,500,528	7,882,244
Municipal golf courses	-	-	1,713,929	1,677,306	1,713,929	1,677,306
International airport	-	-	1,559,991	2,118,046	1,559,991	2,118,046
Communications	-	-	1,867,882	1,920,583	1,867,882	1,920,583
Suntran	-	-	3,064,160	3,218,583	3,064,160	3,218,583
<b>Total Expenses</b>	<b>85,648,995</b>	<b>82,435,803</b>	<b>185,663,482</b>	<b>184,237,846</b>	<b>271,312,477</b>	<b>266,673,649</b>
Change in net position before transfers	(14,532,170)	(10,385,906)	11,721,283	12,349,477	(2,810,887)	1,963,571
Transfers	14,789,361	11,232,009	(14,789,361)	(11,232,009)	-	-
<b>Increase (Decrease) in net position</b>	<b>\$ 257,191</b>	<b>\$ 846,103</b>	<b>\$ (3,068,078)</b>	<b>\$ 1,117,468</b>	<b>\$ (2,810,887)</b>	<b>\$ 1,963,571</b>

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Unaudited**

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.

The City's overall net position decreased \$2,810,887 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.



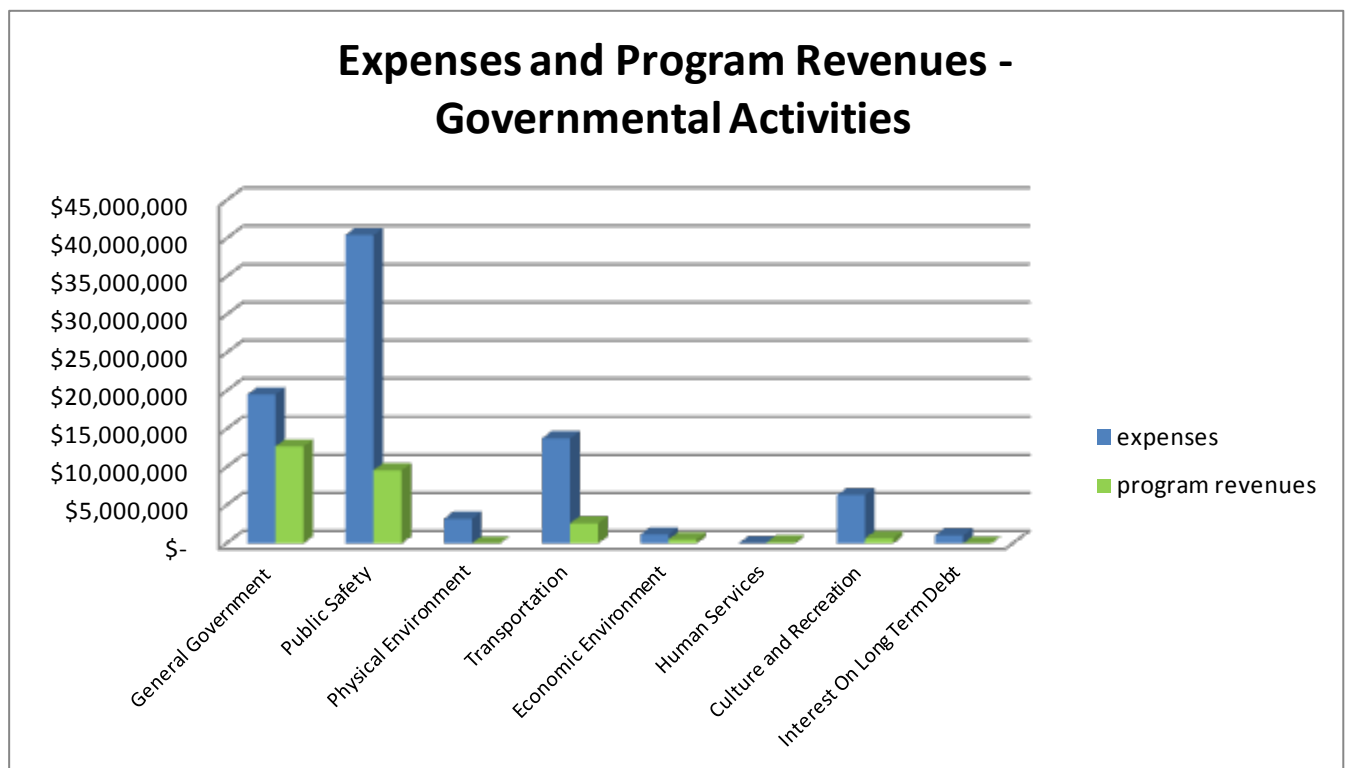
**Key Elements of Revenues of Governmental Activities:**

- Property taxes, which provided 31% of governmental revenues, increased by \$588,256. In FY 2014, the City's millage rate was 6.2502 per \$1000 of taxable property. This rate was the rolled-back rate.
- Charges for services provided 32% of governmental revenues. Charge for services increased \$1,275,090, an increase of 6%.
- Utility services taxes provided 12% of governmental revenues. Utility services taxes totalled \$8,664,000 for FY 2014. Utility service taxes increased \$64,555, an increase of 1%.
- Operating and capital grants and contributions accounts for 5% of governmental revenues.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Key Element of Expenses of Governmental Activities**

In FY 2014, expenses for Governmental Activities increased 4% to \$85,648,995. General Government increased \$252,748, mostly due to adjustments made to capital assets. Public Safety had the largest increase of \$2,798,440. This was mostly due to increases in salaries and other payroll related expenses. Culture and Recreation increased 20% due to multiple grants, while the expenses for Physical Environment, Transportation, Economic Environment and Human Services all decreased at lesser amounts. As seen in the graph, the majority of governmental activities are not supported by program revenues.



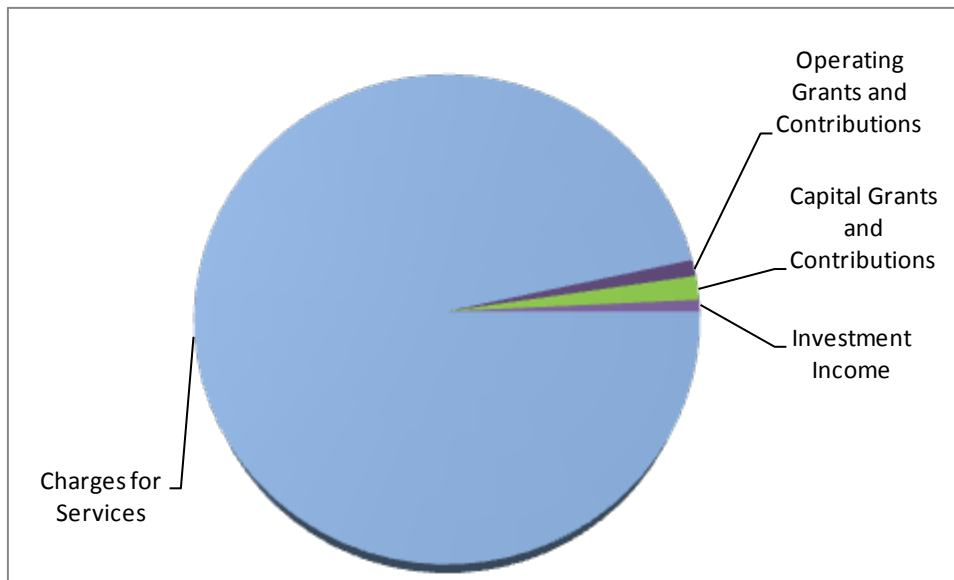


**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Business-type Activities.** Please note that all expenses include depreciation expense, which contributes to the net position. Management, in concert with City Council, continuously monitors the progress of policies aimed at achieving a net revenue position for funds.

The Charges for Services category accounts for 97% 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 positive amount of \$1,117,468 in FY 2013 to a negative amount of \$3,068,078 in FY 2014 for a decrease of change in net position for the year of \$4,185,546.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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	
	2014	2013	2014	2013	2014	2013
Operating Revenues	\$ 149,081,307	\$ 150,344,736	\$ 26,343,265	\$ 26,228,504	\$ 10,226,021	\$ 10,035,141
Operating Expenses	137,604,903	136,309,382	24,872,431	24,198,353	8,500,528	7,882,244
Operating Income(Loss)	<u>\$ 11,476,404</u>	<u>\$ 14,035,354</u>	<u>\$ 1,470,834</u>	<u>\$ 2,030,151</u>	<u>\$ 1,725,493</u>	<u>\$ 2,152,897</u>

	Municipal Golf Course		Ocala International Airport		Communications	
	2014	2013	2014	2013	2014	2013
Operating Revenues	\$ 1,162,307	\$ 1,141,808	\$ 771,685	\$ 767,090	\$ 2,709,641	\$ 2,530,414
Operating Expenses	1,713,929	1,677,306	1,559,991	2,118,046	1,867,882	1,920,583
Operating Income(Loss)	<u>\$ (551,622)</u>	<u>\$ (535,498)</u>	<u>\$ (788,306)</u>	<u>\$ (1,350,956)</u>	<u>\$ 841,759</u>	<u>\$ 609,831</u>

	SunTran		TOTALS	
	2014	2013	2014	2013
Operating Revenues	\$ 381,085	\$ 361,693	\$ 190,675,311	\$ 191,409,386
Operating Expenses	3,064,160	3,218,583	179,183,824	177,324,497
Operating Income(Loss)	<u>\$ (2,683,075)</u>	<u>\$ (2,856,890)</u>	<u>\$ 11,491,487</u>	<u>\$ 14,084,889</u>

Key elements of the City's business-type activities for FY 2014 are as follows:

Business-type activities had an operating income of \$11,491,487, an 18% decrease from the prior year.

The City's Electric Utility Fund accounted for the majority of the decrease. Operating revenues decreased \$1,263,429 primarily due to a decrease in billings for late charges as compared to the prior year. Operating expenses for the fund increased \$1,295,521 due mainly to a job market adjustment in employee wages.

The Water and Sewer Fund had a decrease in operating income of \$559,317. Operating revenues decreased less than 1% while operating expenses increased 3% due to higher sewer collection costs and increased depreciation expense of capital assets.

The Sanitation Fund had a decrease in operating income of \$427,404 in FY 2014. This was primarily due to an increase in wage expense as salaries for key employees were charged to Sanitation not previously charged in prior years.

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 2014, operating income decreased \$551,622 as compared to prior years' decrease of \$535,498.

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The Ocala International Airport had a decrease in operating loss of \$562,650 as compared to FY 2013. The majority of the decrease was due to a reduction of depreciation expense as capital assets were retired, fully depreciated, or adjusted from prior years.

The Communication Fund's had an increase in operating income of \$231,928. This is primarily due to an increase in operating revenues as the City's customer base expanded for internet services.

The City's public mass transit system, SunTran had an operating loss of \$ 2,683,075. This number, however, does not reflect non-operating revenue of \$2,096,501. 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:

<u>Fund</u>	<u>Unrestricted Net Position</u>
Electric	\$ 38,854,140
Water and Sewer	43,450,077
Sanitation	7,288,975
Municipal Golf Course	(5,432)
Ocala International Airport	678,981
Communications	4,239,433
SunTran	(193,156)
Total	<u>\$ 94,313,018</u>

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

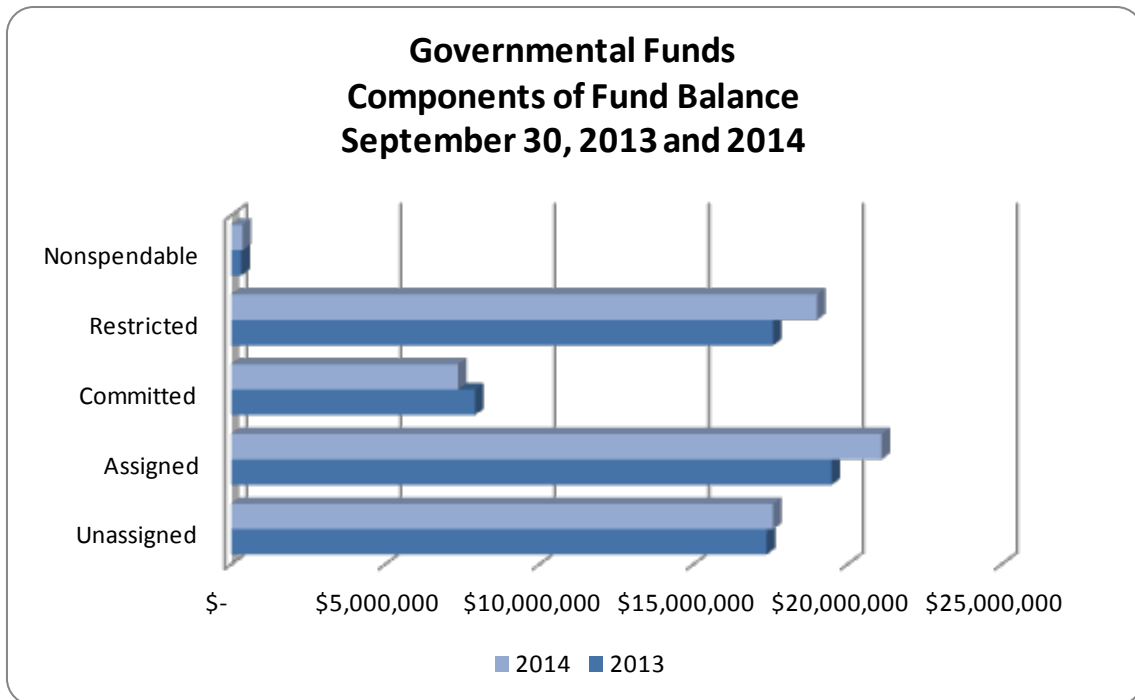
**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

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.

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Unaudited**

At September 30, 2014, the City's governmental funds reported combined fund balances of \$65,357,178, an increase of \$2,736,558 in comparison with the prior year. Approximately 27% of this amount (\$17,566,179) 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 (\$356,272), 2) restricted for particular purposes (\$18,995,440), 3) committed for particular purposes (\$7,347,168), or 4) assigned for particular purposes (\$21,092,119).



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 26% of total general fund expenditures, while total fund balance represents approximately 64% of that same amount. The fund balance of the City's general fund increased by \$1,896,177 during the current fiscal year.

The operating information for other major governmental funds is as follows:

	Community Redevelopment Agency	
	2014	2013
Revenues and other sources	\$526,941	\$501,918
Expenses and other uses	326,914	332,851
Increase (decrease) in Net Position	<u>\$200,027</u>	<u>\$169,067</u>

The increase in net position in FY 2014 is due to slightly higher revenues along with lower expenditures.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014  
Unaudited**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original General Fund budget totaled \$78,713,424. Various budget amendments were approved by City Council. During the year, appropriations increased \$13,237,790 from the original to the final budget in the General Fund. Actual expenditures were \$20,783,849 lower than the final budget.

The original CRA Fund budget totaled \$515,529. Various budget amendments were approved by City Council. During the year, appropriations increased \$213,691 from the original to the final budget in the CRA Fund. Actual expenditures were \$402,306 lower than the final budget.

Additional budget to actual information on the City's general fund and the CRA fund can be found on pages 98-99.

**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, 2014 totaled \$523,836,820 (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 \$15,853,064. This represents a 3% decrease from FY 2013.

**CITY OF OCALA, FLORIDA  
CAPITAL ASSETS  
(NET OF DEPRECIATION)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Land	\$ 22,166,945	\$ 22,379,418	\$ 22,572,440	\$ 22,743,452	\$ 44,739,385	\$ 45,122,870
Intangible (Easement, ROW)	1,847,339	1,847,339	1,123,142	1,110,903	2,970,481	2,958,242
Buildings	12,162,855	13,946,444	11,911,012	12,926,177	24,073,867	26,872,621
Impv Other Than Bldgs	14,013,615	15,496,360	298,590,019	311,275,320	312,603,634	326,771,680
Crystal River Unit # 3	-	-	-	-	-	-
Equipment	16,060,731	15,544,997	3,934,463	3,808,093	19,995,194	19,353,090
Intangible (Software)	1,907,758	2,075,026	2,643,838	2,106,634	4,551,596	4,181,660
Infrastructure	98,346,466	105,771,440	-	-	98,346,466	105,771,440
Construction in Progress	6,450,973	1,489,846	10,105,224	7,168,435	16,556,197	8,658,281
<b>Total</b>	<b>\$ 172,956,682</b>	<b>\$ 178,550,870</b>	<b>\$ 350,880,138</b>	<b>\$ 361,139,014</b>	<b>\$ 523,836,820</b>	<b>\$ 539,689,884</b>

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014  
Unaudited**

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

**Governmental Activities:**

- The West Ocala Improvement Project at a cost of \$177,255 was completed to improve lighting and sidewalks along Martin Luther King Blvd from State Road 200 up to S.W. 17<sup>th</sup> Street.
- New sidewalks were constructed at a cost of \$152,099 along the north and south side of N.W. 20 Street. And between S.W. 27<sup>th</sup> and S.W. 31<sup>st</sup> Street Road.
- The Magna Segment B, NW 35<sup>th</sup> Avenue between US27 and NW 21<sup>st</sup> Street Project, including roadway and DRA was completed at a cost of \$3,498,373.
- The largest decrease is due to depreciation of \$12,540,462.
- DRA overflow on N.W. 3<sup>rd</sup> Avenue was completed at a cost of \$249,549.
- Scott Springs Walking Trail at 2300 S.W. 24<sup>th</sup> Avenue was completed at a cost of \$158,013.

**Business-type Activities:**

- In accordance with the City's Comprehensive Plan, a number of improvements and extensions were made to the City's utility infrastructure. Operating revenues and available utility bond revenues funded these improvements.
- The Magna Segment B, NW 35<sup>th</sup> Avenue between 35<sup>th</sup> Street and NW 21<sup>st</sup> Street Project, water and sewer portion, was completed at a cost of \$881,163.
- Water Reclamation Facility coating project was completed at at cost of \$391,000.
- Water system improvements for Shady Wood and Raven Hill were completed at a cost of \$699,083.
- Water Main Replacements, Phase V was completed at a cost of \$1,386,091.
- Richmond Heights Substation Upgrade was completed at a cost of \$513,100.
- Installation of new transmission line for Federal Express Building was completed at a cost of \$780,665.
- Deprecation for all enterprise fund accounts is \$20,196,896.

Additional information on the City's capital assets can be found in the Notes to Financial Statements on pages 65-66.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$182,031,196. That was a decrease of \$5,365,469 or 3% from outstanding long-term debt of \$187,396,665 at the end of FY 2013. 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. Long-term debt includes self-insurance claims payable and liability for compensated absences, which is not shown here but is in the notes to the financial statements.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014  
Unaudited**

**City of Ocala's Outstanding Debt**

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Capital Improvement bonds	\$ 34,940,000	\$ 35,705,000	\$ -	\$ -	\$ 34,940,000	\$ 35,705,000
Utility system bonds	-	-	145,795,000	149,285,000	145,795,000	149,285,000
Capital leases	1,296,196	2,406,665	-	-	1,296,196	2,406,665
<b>Total</b>	<b>\$ 36,236,196</b>	<b>\$ 38,111,665</b>	<b>\$ 145,795,000</b>	<b>\$ 149,285,000</b>	<b>\$ 182,031,196</b>	<b>\$ 187,396,665</b>

During FY 2014, the City issued \$28,465,000 Utility System Refunding Bonds, Series 2014B. Proceeds were used to current refund \$26,710,000 (callable portion) of the \$28,115,000, 2005B Utility System Bonds.

The major reason for the decrease in long-term bonded debt was the principal bond payments made during the fiscal year. The City had no outstanding general obligation debt at the close of FY 2014. 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 85-91 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 2015 budget:

- The FY 2015 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 uncertainty 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 showed signs of strengthening, with a 3.4% increase in real property valuations, which is the first 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, broke ground on a \$135 million regional hub located in the recently completed Ocala/Marion County Commerce Park. The FY 2015 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 did not require an increase in property taxes or fees. There were some slight fee increases to cover the cost of service delivery. The General Fund Budget for FY 2015 totals \$89,942,834.
-

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014  
Unaudited**

- The Citywide Comprehensive FY 2015 Budget totals \$681,638,354.
- The FY 2015 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.
- 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 underway and expected to be implemented by the end of FY 2015. Electric rates did not increase and water rates will increase 15% over the next five years beginning in June 2015.
- 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 \$17,566,179. The City has appropriated \$7,444,234 of this amount for spending in the 2014-2015 fiscal year budgets. This action was taken as an additional measure to mitigate the impact of the slow economic recovery on the 2014-2015 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 Director, Office of Business and Financial Services, Ocala City Hall, 110 SE Watula Avenue, Ocala, Florida 34471, or telephone (352) 629-8375.



# BASIC FINANCIAL STATEMENTS

**CITY OF OCALA, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Cash and investments	\$ 2,235	\$ 10,698,851	\$ 10,701,086
Equity In pooled cash fund	95,412,339	142,919,771	238,332,110
Receivables-net of allowance for uncollectibles	2,509,696	20,492,124	23,001,820
Notes receivables	80,832	-	80,832
Accrued interest receivable	178,038	237,241	415,279
Internal balances	492,370	(492,370)	-
Due from other governments	4,898,189	1,477,222	6,375,411
Prepays	287,515	592,596	880,111
Inventories	158,616	5,938,860	6,097,476
Pension asset	5,813,086	-	5,813,086
Capital assets not being depreciated:			
Land	24,014,284	23,695,582	47,709,866
Construction in progress	6,450,973	10,105,224	16,556,197
Capital assets, net of accumulated depreciation:			
Buildings	12,162,855	11,911,012	24,073,867
Improvements other than buildings	14,013,615	298,590,019	312,603,634
Machinery and equipment	16,060,731	3,934,463	19,995,194
Intangibles	1,907,758	2,643,838	4,551,596
Infrastructure	98,346,466	-	98,346,466
<b>Total assets</b>	<b>282,789,598</b>	<b>532,744,433</b>	<b>815,534,031</b>
<b>Deferred outflows of resources</b>			
Deferred outflows from debt refunding	153,614	3,055,355	3,208,969
<b>Total deferred outflows of resources</b>	<b>153,614</b>	<b>3,055,355</b>	<b>3,208,969</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	6,769,341	13,701,447	20,470,788
Contract retainage	5,577	308,488	314,065
Accrued interest payable	543,061	2,675,653	3,218,714
Unearned revenue	498,104	1,092,666	1,590,770
Escrow and deposits	1,622,386	-	1,622,386
Other liabilities	-	7,152,385	7,152,385
Noncurrent liabilities:			
Pension liability	548,362	-	548,362
Due within one year	7,635,699	6,999,627	14,635,326
Due in more than one year	44,822,673	155,469,518	200,292,191
<b>Total liabilities</b>	<b>62,445,203</b>	<b>187,399,784</b>	<b>249,844,987</b>
<b>Deferred inflows of resources</b>			
Deferred inflows from debt refunding	275,736	-	275,736
Regulatory liability-rate stabilization	-	21,801,571	21,801,571
<b>Total deferred inflows of resources</b>	<b>275,736</b>	<b>21,801,571</b>	<b>22,077,307</b>
<b>Net Position</b>			
Net invested in capital assets	138,868,835	217,624,156	356,492,991
Restricted for:			
Transportation	7,543,672	-	7,543,672
Capital projects	-	9,193,309	9,193,309
Debt service	2,290,000	5,467,950	7,757,950
Development district improvements	4,277,329	-	4,277,329
Public safety	2,122,998	-	2,122,998
Grants	209,003	-	209,003
Unrestricted	64,910,436	94,313,018	159,223,454
<b>Total net position</b>	<b>\$ 220,222,273</b>	<b>\$ 326,598,433</b>	<b>\$ 546,820,706</b>

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 19,534,066	\$ 12,573,121	\$ 132,812	\$ -
Public safety	40,478,307	9,222,433	378,571	-
Physical environment	3,237,167	-	-	-
Transportation	13,795,747	-	606,534	2,032,409
Economic environment	1,161,368	73,697	437,590	-
Human services	16,097	-	155,296	-
Culture and recreation	6,344,312	615,502	19,284	22,733
Interest on long term debt	1,081,931	-	-	-
<b>Total governmental activities</b>	<b>85,648,995</b>	<b>22,484,753</b>	<b>1,730,087</b>	<b>2,055,142</b>
<b>Business-type activities:</b>				
Electric	139,883,927	149,081,307	-	1,311,806
Water and sewer	29,073,065	26,343,265	-	1,659,150
Sanitation	8,500,528	10,226,021	-	1,581
Municipal golf courses	1,713,929	1,162,307	-	-
International airport	1,559,991	771,685	-	133,315
Communications	1,867,882	2,709,641	-	-
Suntran	3,064,160	381,085	2,096,501	-
<b>Total business-type activities</b>	<b>\$ 185,663,482</b>	<b>\$ 190,675,311</b>	<b>\$ 2,096,501</b>	<b>\$ 3,105,852</b>

**General Revenues:**

Property tax  
Utility service tax  
Communciation tax  
Local option gas 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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (6,828,133)	\$ -	\$ (6,828,133)
(30,877,303)	-	(30,877,303)
(3,237,167)	-	(3,237,167)
(11,156,804)	-	(11,156,804)
(650,081)	-	(650,081)
139,199	-	139,199
(5,686,793)	-	(5,686,793)
(1,081,931)	-	(1,081,931)
<u>(59,379,013)</u>	<u>-</u>	<u>(59,379,013)</u>
-	10,509,186	10,509,186
-	(1,070,650)	(1,070,650)
-	1,727,074	1,727,074
-	(551,622)	(551,622)
-	(654,991)	(654,991)
-	841,759	841,759
-	(586,574)	(586,574)
<u>-</u>	<u>10,214,182</u>	<u>10,214,182</u>
21,894,229	-	21,894,229
8,664,000	-	8,664,000
2,950,539	-	2,950,539
3,848,278	-	3,848,278
890,435	-	890,435
5,163,266	-	5,163,266
1,061,063	1,507,101	2,568,164
375,033	-	375,033
<u>14,789,361</u>	<u>(14,789,361)</u>	<u>-</u>
<u>59,636,204</u>	<u>(13,282,260)</u>	<u>46,353,944</u>
257,191	(3,068,078)	(2,810,887)
<u>219,965,082</u>	<u>329,666,511</u>	<u>549,631,593</u>
<u>\$ 220,222,273</u>	<u>\$ 326,598,433</u>	<u>\$ 546,820,706</u>

**CITY OF OCALA, FLORIDA  
BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Community Redevelopment Agency (CRA) Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and investments	\$ 2,235	\$ -	\$ -	\$ 2,235
Equity in pooled cash fund	41,316,318	4,101,830	18,384,577	63,802,725
Receivables-net of allowance for uncollectibles	1,669,745	-	542,694	2,212,439
Accrued interest receivable	86,731	8,281	25,874	120,886
Due from other funds	511,704	-	-	511,704
Due from other governments	4,264,995	-	633,194	4,898,189
Prepays	197,656	-	-	197,656
Inventories	158,616	-	-	158,616
Other assets	5,000	-	-	5,000
<b>Total assets</b>	<u>48,213,000</u>	<u>4,110,111</u>	<u>19,586,339</u>	<u>71,909,450</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	3,648,474	55,604	608,769	4,312,847
Unearned revenue	498,104	-	-	498,104
Retainage on contracts	618	-	4,959	5,577
Escrow and deposits	614,321	-	1,008,065	1,622,386
Due to other funds	-	-	19,334	19,334
<b>Total liabilities</b>	<u>4,761,517</u>	<u>55,604</u>	<u>1,641,127</u>	<u>6,458,248</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows from notes receivable	80,832	-	-	80,832
Deferred inflows from future revenues	-	-	13,192	13,192
<b>Total deferred inflows of resources</b>	<u>80,832</u>	<u>-</u>	<u>13,192</u>	<u>94,024</u>
<b>Fund Balances:</b>				
Nonspendable	356,272	-	-	356,272
Restricted	2,244,478	4,054,507	12,696,455	18,995,440
Committed	2,111,603	-	5,235,565	7,347,168
Assigned	21,092,119	-	-	21,092,119
Unassigned	17,566,179	-	-	17,566,179
<b>Total fund balances</b>	<u>43,370,651</u>	<u>4,054,507</u>	<u>17,932,020</u>	<u>65,357,178</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 48,213,000</u>	<u>\$ 4,110,111</u>	<u>\$ 19,586,339</u>	<u>\$ 71,909,450</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, 2014**

Total fund balances of governmental funds \$ 65,357,178

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 \$395,264,551 and the accumulated depreciation is \$235,412,866. 159,851,685

The pension asset is an asset for the government-wide statement of net position. A pension asset is not considered to represent a financial asset and, therefore, is not reported in the governmental funds. 5,813,086

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. (548,362)

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. 31,671,074

Reclass deferred inflows to revenues 94,024

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	(34,940,000)
Unamortized (gain)loss on refunding (to be amortized as interest expense).	(122,122)
Unamortized bond (premium) discount (to be amortized over life of debt)	261,094
Prepaid for bond insurance costs	84,859
Accrued interest payable	(543,061)
Compensated absences	(4,740,997)
OPEB liability payable	(2,016,185)
	<u>(2,016,185)</u>

Net position of governmental activities \$ 220,222,273

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, 2014**

	<b>General Fund</b>	<b>CRA Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Property tax	\$ 21,632,730	\$ 182,539	\$ 78,960	\$ 21,894,229
Utility service tax	8,664,000	-	-	8,664,000
Communication service tax	2,950,539	-	-	2,950,539
Local option gas tax	-	-	3,848,278	3,848,278
Other tax	890,435	-	-	890,435
State shared revenues	5,163,266	-	-	5,163,266
Other intergovernmental revenues	3,918,523	-	97,023	4,015,546
Permits and fees	2,322,118	-	-	2,322,118
Fines and forfeitures	662,904	-	-	662,904
Charges for services	14,449,923	-	4,819,491	19,269,414
Investment income	519,290	47,290	178,495	745,075
Gifts	113,672	-	-	113,672
Miscellaneous	37,056	-	221,804	258,860
<b>Total revenues</b>	<u>61,324,456</u>	<u>229,829</u>	<u>9,244,051</u>	<u>70,798,336</u>
<b>Expenditures</b>				
Current:				
General government	17,409,257	262,087	211,875	17,883,219
Public safety	39,180,970	-	-	39,180,970
Physical environment	-	-	3,142,876	3,142,876
Transportation	2,527,290	-	3,370,651	5,897,941
Economic environment	1,046,105	-	116,708	1,162,813
Human services	10,119	-	-	10,119
Culture and recreation	5,281,439	-	19,607	5,301,046
Capital outlay	2,798,756	64,827	2,563,090	5,426,673
Debt service:				
Principal payments	-	-	765,000	765,000
Interest and fees	-	-	1,043,746	1,043,746
<b>Total expenditures</b>	<u>68,253,936</u>	<u>326,914</u>	<u>11,233,553</u>	<u>79,814,403</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,929,480)</u>	<u>(97,085)</u>	<u>(1,989,502)</u>	<u>(9,016,067)</u>
<b>Other financing sources (uses)</b>				
Transfers in	12,345,518	297,112	3,378,133	16,020,763
Transfers out	(3,519,861)	-	(748,277)	(4,268,138)
<b>Total other financing sources (uses)</b>	<u>8,825,657</u>	<u>297,112</u>	<u>2,629,856</u>	<u>11,752,625</u>
<b>Net change in fund balances</b>	1,896,177	200,027	640,354	2,736,558
<b>Fund balances - October 1</b>	41,474,474	3,854,480	17,291,666	62,620,620
<b>Fund balances - September 30</b>	<u>\$ 43,370,651</u>	<u>\$ 4,054,507</u>	<u>\$ 17,932,020</u>	<u>\$ 65,357,178</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, 2014**

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

Net change in fund balances - total governmental funds \$ 2,736,558

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 depreciation expense of \$10,707,392 exceeded capital purchases of \$5,426,673 (net of disposals \$638,086). (4,642,633)

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	765,000
Amortization of bond discount, premium, and deferred amounts on refundings	32,944
Expense annual cost for prepaid bond insurance	(4,107)

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	418,927
Accrued interest on long term debt	(44,887)
OPEB liability payable	(75,766)

A net pension asset and liability do not represent a use of current financial resources and, therefore, is not an asset or a liability for the governmental funds. Increases to the net pension asset or liability are therefore expenditures for the governmental funds. In the statement of net position, however, these payments decrease the net pension asset. (448,360)

Reclass deferred inflows to revenue 2,501

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. 1,517,014

Change in net position of governmental activities \$ 257,191

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, 2014**

	<b>BUSINESS-TYPE ACTIVITIES -</b>			
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 2,700	\$ 250	\$ -	\$ 38,469
Equity in pooled cash and investment fund	37,581,777	41,933,917	7,350,627	81,652
Restricted assets available for current liabilities	1,756,585	7,035,757	-	-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts and notes	9,245,587	1,313,627	481,676	-
Accrued interest	116,481	83,917	15,263	134
Unbilled revenues	7,323,276	1,287,641	516,415	-
Prepays	342,315	230,093	-	13,504
Inventories	4,782,175	987,487	-	60,475
Due from other governments	-	606,322	-	-
<b>Total current assets</b>	<b>61,150,896</b>	<b>53,479,011</b>	<b>8,363,981</b>	<b>194,234</b>
<b>Noncurrent Assets:</b>				
Restricted Assets:				
Cash and investments:				
Crystal river decommissioning trust	10,657,432	-	-	-
Equity in pooled cash and investment fund:				
Construction accounts	6,639,176	5,433,985	-	-
Debt service accounts	1,699,755	6,443,848	-	-
Impact fee accounts	-	5,520,421	-	-
Rate stabilization	21,801,571	-	-	-
Renewal and replacement	2,347,168	1,313,696	-	-
Accrued interest receivable:				
Impact fee accounts	-	12,024	-	-
Less: Portion classified as current	(1,756,585)	(7,035,757)	-	-
Total restricted assets	<b>41,388,517</b>	<b>11,688,217</b>	<b>-</b>	<b>-</b>
Capital assets, net:				
Land	5,483,245	10,971,451	-	357,343
Buildings	3,549,777	1,854,976	545,303	505,879
Improvements other than buildings	106,396,194	173,615,718	-	1,998,413
Machinery and equipment	732,282	422,899	286,746	15,270
Intangible assets	3,309,214	436,575	-	-
Construction in process	4,957,609	5,113,821	-	-
Total capital assets (net)	<b>124,428,321</b>	<b>192,415,440</b>	<b>832,049</b>	<b>2,876,905</b>
<b>Total noncurrent assets</b>	<b>165,816,838</b>	<b>204,103,657</b>	<b>832,049</b>	<b>2,876,905</b>
<b>Total assets</b>	<b>\$ 226,967,734</b>	<b>\$ 257,582,668</b>	<b>\$ 9,196,030</b>	<b>\$ 3,071,139</b>
<b>Deferred outflows of resources:</b>				
Deferred amount on debt refunding	258,534	2,796,821	-	-
<b>Total deferred outflows of resources</b>	<b>\$ 258,534</b>	<b>\$ 2,796,821</b>	<b>\$ -</b>	<b>\$ -</b>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala				ACTIVITIES
International	Communi-	SunTran	Total	Internal
Airport	cations			Service Funds
\$ -	\$ -	\$ -	\$ 41,419	\$ -
719,129	4,020,556	-	91,687,658	31,609,614
-	-	-	8,792,342	-
52,985	200,058	-	11,293,933	378,089
1,246	8,176	-	225,217	57,152
-	70,859	-	9,198,191	-
270	6,414	-	592,596	-
-	108,723	-	5,938,860	-
11,449	-	859,451	1,477,222	-
<u>785,079</u>	<u>4,414,786</u>	<u>859,451</u>	<u>129,247,438</u>	<u>32,044,855</u>
-	-	-	10,657,432	-
32,493	-	-	12,105,654	-
-	-	-	8,143,603	-
-	-	-	5,520,421	-
-	-	-	21,801,571	-
-	-	-	3,660,864	-
-	-	-	12,024	-
-	-	-	(8,792,342)	-
<u>32,493</u>	<u>-</u>	<u>-</u>	<u>53,109,227</u>	<u>-</u>
5,760,401	-	-	22,572,440	-
4,346,820	-	1,108,257	11,911,012	120,583
12,171,613	4,408,081	-	298,590,019	251,822
94,214	383,329	1,999,723	3,934,463	12,082,433
-	21,191	-	3,766,980	405,103
18,182	15,612	-	10,105,224	245,056
<u>22,391,230</u>	<u>4,828,213</u>	<u>3,107,980</u>	<u>350,880,138</u>	<u>13,104,997</u>
<u>22,423,723</u>	<u>4,828,213</u>	<u>3,107,980</u>	<u>403,989,365</u>	<u>13,104,997</u>
\$ 23,208,802	\$ 9,242,999	\$ 3,967,431	\$ 533,236,803	\$ 45,149,852
-	-	-	3,055,355	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,055,355</u>	<u>\$ -</u>

(Continued)

**CITY OF OCALA, FLORIDA**  
**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

	<b>BUSINESS-TYPE ACTIVITIES -</b>			
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Payable from unrestricted assets:				
Accounts payable and accrued liabilities	\$ 10,488,642	\$ 1,152,866	\$ 459,709	\$ 158,334
Contract retainage	6,187	302,301	-	-
Claims payable	-	-	-	-
Compensated absences payable	1,116,170	275,799	174,666	-
Due to other funds	-	-	-	-
Customer deposits	7,108,635	-	-	13,197
Capital lease payable	-	-	-	-
Unearned revenue	935,650	128,881	-	28,135
Total current liabilities payable from unrestricted assets	<u>19,655,284</u>	<u>1,859,847</u>	<u>634,375</u>	<u>199,666</u>
Payable from restricted assets:				
Accounts payable and accrued liabilities	116,368	640,321	-	-
Accrued interest payable	950,217	1,725,436	-	-
Revenue bonds payable within one year	690,000	4,670,000	-	-
Total current liabilities payable from restricted assets	<u>1,756,585</u>	<u>7,035,757</u>	<u>-</u>	<u>-</u>
<b>Total current liabilities</b>	<u>21,411,869</u>	<u>8,895,604</u>	<u>634,375</u>	<u>199,666</u>
<b>Noncurrent Liabilities:</b>				
Nuclear decommissioning costs	10,657,432	-	-	-
Compensated absences payable	280,716	261,772	225,708	-
Capital lease payable	-	-	-	-
OPEB obligation payable	487,803	231,237	214,923	-
Unamortized (Discount) Premium	1,208,395	1,413,596	-	-
Revenue bonds and notes payable after one year	54,205,750	86,229,250	-	-
<b>Total noncurrent liabilities</b>	<u>66,840,096</u>	<u>88,135,855</u>	<u>440,631</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>				
Regulatory liability-rate stabilization	21,801,571	-	-	-
<b>Total deferred inflows of resources</b>	<u>21,801,571</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	75,221,886	108,333,400	832,049	2,876,905
Restricted for debt service	749,538	4,718,412	-	-
Restricted for capital projects	2,347,168	6,846,141	-	-
Unrestricted (accumulated deficit)	38,854,140	43,450,077	7,288,975	(5,432)
<b>Total net position</b>	<u>\$ 117,172,732</u>	<u>\$ 163,348,030</u>	<u>\$ 8,121,024</u>	<u>\$ 2,871,473</u>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala				ACTIVITIES
International	Communi-	SunTran	Total	Internal
Airport	cations			Service Funds
\$ 27,853	\$ 97,117	\$ 560,237	\$ 12,944,758	\$ 2,456,494
-	-	-	308,488	-
-	-	-	-	9,726,088
23,510	49,482	-	1,639,627	-
-	-	492,370	492,370	-
30,553	-	-	7,152,385	-
-	-	-	-	1,120,970
-	-	-	1,092,666	-
<u>81,916</u>	<u>146,599</u>	<u>1,052,607</u>	<u>23,630,294</u>	<u>13,303,552</u>
-	-	-	756,689	-
-	-	-	2,675,653	-
-	-	-	5,360,000	-
-	-	-	8,792,342	-
<u>81,916</u>	<u>146,599</u>	<u>1,052,607</u>	<u>32,422,636</u>	<u>13,303,552</u>
-	-	-	10,657,432	-
8,188	9,486	-	785,870	-
-	-	-	-	175,226
15,994	19,268	-	969,225	-
-	-	-	2,621,991	-
-	-	-	140,435,000	-
<u>24,182</u>	<u>28,754</u>	<u>-</u>	<u>155,469,518</u>	<u>175,226</u>
-	-	-	21,801,571	-
-	-	-	21,801,571	-
22,423,723	4,828,213	3,107,980	217,624,156	11,808,801
-	-	-	5,467,950	-
-	-	-	9,193,309	-
678,981	4,239,433	(193,156)	94,313,018	19,862,273
<u>\$ 23,102,704</u>	<u>\$ 9,067,646</u>	<u>\$ 2,914,824</u>	<u>\$ 326,598,433</u>	<u>\$ 31,671,074</u>

**CITY OF OCALA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>BUSINESS-TYPE ACTIVITIES -</b>			
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 141,720,895	\$ 26,177,560	\$ 10,212,427	\$ 1,162,307
Rate stabilization usage (funding)	5,696,395	-	-	-
Other	1,664,017	165,705	13,594	-
<b>Total operating revenues</b>	<b>149,081,307</b>	<b>26,343,265</b>	<b>10,226,021</b>	<b>1,162,307</b>
<b>Operating Expenses:</b>				
Purchase of electricity	106,192,970	-	-	-
Distribution	10,920,311	2,446,035	-	-
Operation and maintenance	436,753	938,292	4,779,150	50,698
Water and sewer treatment	-	5,370,922	-	-
Sewer collection	-	3,073,061	-	-
Internal service	-	-	-	-
Administration	9,112,720	2,989,080	3,633,306	1,206,613
Depreciation	8,076,533	9,963,644	88,072	456,618
Other	2,865,616	91,397	-	-
<b>Total operating expenses</b>	<b>137,604,903</b>	<b>24,872,431</b>	<b>8,500,528</b>	<b>1,713,929</b>
<b>Operating income (loss)</b>	<b>11,476,404</b>	<b>1,470,834</b>	<b>1,725,493</b>	<b>(551,622)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment income	736,618	631,246	84,988	842
Interest expense	(2,373,874)	(4,302,467)	-	-
Amortization of bond discounts/premiums	94,850	101,833	-	-
Other non-operating revenue	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>(1,542,406)</b>	<b>(3,569,388)</b>	<b>84,988</b>	<b>842</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>9,933,998</b>	<b>(2,098,554)</b>	<b>1,810,481</b>	<b>(550,780)</b>
<b>Capital Contributions</b>	<b>1,311,806</b>	<b>1,659,150</b>	<b>1,581</b>	<b>-</b>
<b>Transfers:</b>				
Transfers in	603,221	-	-	220,832
Transfers out	(9,702,159)	(2,020,857)	(2,844,400)	(173,000)
<b>Total transfers</b>	<b>(9,098,938)</b>	<b>(2,020,857)</b>	<b>(2,844,400)</b>	<b>47,832</b>
<b>Change in net position</b>	<b>2,146,866</b>	<b>(2,460,261)</b>	<b>(1,032,338)</b>	<b>(502,948)</b>
<b>Net position - October 1, restated</b>	<b>115,025,866</b>	<b>165,808,291</b>	<b>9,153,362</b>	<b>3,374,421</b>
<b>Net position - September 30</b>	<b>\$ 117,172,732</b>	<b>\$ 163,348,030</b>	<b>\$ 8,121,024</b>	<b>\$ 2,871,473</b>

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

<b>ENTERPRISE FUNDS</b>				<b>GOVERNMENTAL</b>
<b>Ocala International Airport</b>	<b>Communi- cations</b>	<b>SunTran</b>	<b>Total</b>	<b>ACTIVITIES Internal Service Funds</b>
\$ 771,726	\$ 2,709,099	\$ 347,735	\$ 183,101,749	\$ 14,461,001
-	-	-	5,696,395	-
(41)	542	33,350	1,877,167	1,112,905
<u>771,685</u>	<u>2,709,641</u>	<u>381,085</u>	<u>190,675,311</u>	<u>15,573,906</u>
-	-	-	106,192,970	-
-	-	-	13,366,346	-
406,689	1,390,589	2,790,190	10,792,361	-
-	-	-	5,370,922	-
-	-	-	3,073,061	-
-	-	-	-	15,485,663
292,756	-	-	17,234,475	-
860,546	477,293	273,970	20,196,676	1,893,157
-	-	-	2,957,013	-
<u>1,559,991</u>	<u>1,867,882</u>	<u>3,064,160</u>	<u>179,183,824</u>	<u>17,378,820</u>
(788,306)	841,759	(2,683,075)	11,491,487	(1,804,914)
6,888	46,519	-	1,507,101	315,988
-	-	-	(6,676,341)	(26,242)
-	-	-	196,683	-
-	-	2,096,501	2,096,501	(4,554)
<u>6,888</u>	<u>46,519</u>	<u>2,096,501</u>	<u>(2,876,056)</u>	<u>285,192</u>
(781,418)	888,278	(586,574)	8,615,431	(1,519,722)
133,315	-	-	3,105,852	-
-	-	367,223	1,191,276	3,036,736
-	(1,240,221)	-	(15,980,637)	-
-	(1,240,221)	367,223	(14,789,361)	3,036,736
(648,103)	(351,943)	(219,351)	(3,068,078)	1,517,014
23,750,807	9,419,589	3,134,175	329,666,511	30,154,060
<u>\$ 23,102,704</u>	<u>\$ 9,067,646</u>	<u>\$ 2,914,824</u>	<u>\$ 326,598,433</u>	<u>\$ 31,671,074</u>

**CITY OF OCALA, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>BUSINESS-TYPE ACTIVITIES -</b>			
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 147,856,683	\$ 25,751,998	\$ 10,017,224	\$ 1,186,480
Cash paid to suppliers for goods and services	(118,262,989)	(8,539,329)	(4,750,817)	(1,251,077)
Cash paid to employees for services	(12,140,094)	(5,656,156)	(3,591,792)	-
Net cash provided by (used in) operating activities	<u>17,453,600</u>	<u>11,556,513</u>	<u>1,674,615</u>	<u>(64,597)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers in	603,221	-	(2,844,400)	220,832
Transfers out	(9,702,159)	(2,020,857)	-	(173,000)
Cash receipts from other funds	-	1,147,801	424,117	-
Cash paid to other funds	(2,704,973)	-	-	-
Operating grants	-	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>(11,803,911)</u>	<u>(873,056)</u>	<u>(2,420,283)</u>	<u>47,832</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal paid on bonds and notes	(670,000)	(4,575,000)	-	-
Proceeds from refunding debt	15,655,750	12,809,250	-	-
Payment to refunding bond agent	(14,770,000)	(11,940,000)	-	-
Interest paid on bonds and notes	(3,580,828)	(5,067,308)	-	-
Bond issuance costs	(55,687)	(45,562)	-	-
Proceeds from sale of capital assets	-	-	-	-
Acquisition and construction of capital assets	(6,116,690)	(7,381,560)	-	-
Contributions received from other governments and developers	1,311,806	1,052,828	1,581	-
Net cash provided by (used in) capital and related financing activities	<u>(8,225,649)</u>	<u>(15,147,352)</u>	<u>1,581</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>				
Investment income	784,238	671,623	88,056	707
Net cash provided by investing activities	<u>784,238</u>	<u>671,623</u>	<u>88,056</u>	<u>707</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,791,722)</b>	<b>(3,792,272)</b>	<b>(656,031)</b>	<b>(16,058)</b>
<b>Cash and cash equivalents, beginning</b>	<b>71,863,869</b>	<b>\$ 64,438,389</b>	<b>\$ 8,006,658</b>	<b>\$ 136,179</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 70,072,147</b>	<b>\$ 60,646,117</b>	<b>\$ 7,350,627</b>	<b>\$ 120,121</b>

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

<b>ENTERPRISE FUNDS</b>				<b>GOVERNMENTAL</b>
<b>Ocala International Airport</b>	<b>Communi- cations</b>	<b>SunTran</b>	<b>Total</b>	<b>ACTIVITIES Internal Service Funds</b>
\$ 781,434	\$ 2,570,795	\$ 389,623	\$ 188,554,237	\$ 14,469,647
(483,164)	(736,903)	(2,851,755)	(136,876,034)	(10,564,148)
(317,843)	(664,872)	(114,241)	(22,484,998)	(5,005)
(19,573)	1,169,020	(2,576,373)	29,193,205	3,900,494
-	-	367,223	(1,653,124)	3,085,787
-	(1,240,221)	-	(13,136,237)	(49,051)
-	44,254	71,635	1,687,807	-
-	-	-	(2,704,973)	-
-	-	2,193,077	2,193,077	-
-	(1,195,967)	2,631,935	(13,613,450)	3,036,736
-	-	-	(5,245,000)	-
-	-	-	28,465,000	-
-	-	-	(26,710,000)	-
-	-	-	(8,648,136)	-
-	-	-	(101,249)	-
-	-	-	-	81,069
(18,222)	(186,977)	(55,562)	(13,759,011)	(2,949,453)
232,520	-	-	2,598,735	-
214,298	(186,977)	(55,562)	(23,399,661)	(4,005,095)
7,015	48,088	-	1,599,727	326,929
7,015	48,088	-	1,599,727	326,929
201,740	(165,836)	-	(6,220,179)	3,259,064
\$ 549,882	\$ 4,186,392	\$ -	149,181,369	28,350,550
\$ 751,622	\$ 4,020,556	\$ -	\$ 142,961,190	\$ 31,609,614

(Continued)



**CITY OF OCALA, FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>BUSINESS-TYPE ACTIVITIES -</b>			
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>
<b>Reconciliation of Cash and Cash Equivalents to Balance Sheet:</b>				
Total current cash and investments per the balance sheet	\$ 37,584,477	\$ 41,934,167	\$ 7,350,627	\$ 120,121
Total noncurrent cash and investments per the balance sheet	43,145,102	18,711,950	-	-
Total cash and investments	80,729,579	60,646,117	7,350,627	120,121
Less: Investments not meeting the definition of cash equivalents	(10,657,432)	-	-	-
Cash and cash equivalents, end of year	<u>70,072,147</u>	<u>60,646,117</u>	<u>7,350,627</u>	<u>120,121</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating income (loss)	11,476,404	1,470,834	1,725,493	(551,622)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation & amortization	8,076,533	9,963,644	88,072	456,618
Other (income) expense	135,412	87,295	-	-
(Increase) decrease in assets:				
Accounts and notes receivable	1,825,900	800,281	(516,415)	24,173
Accrued unbilled revenue	2,130,243	(1,287,641)	307,618	-
Due from other funds	-	-	-	-
Inventories	27,999	(88,549)	-	(25,866)
Due from other governments	-	-	-	-
Other current assets	(13,920)	-	-	-
Increase (decrease) in liabilities:				
Accounts payable	(812,000)	692,350	73,037	48,260
Compensated absences payable	23,447	(88,496)	(7,874)	-
OPEB obligation payable	13,592	7,807	4,684	(16,160)
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Customer deposits	266,385	-	-	-
Deferred Inflows of resources	(5,696,395)	-	-	-
Unearned revenue	-	(1,012)	-	-
Net cash provided by (used in) operating activities	<u>\$ 17,453,600</u>	<u>\$ 11,556,513</u>	<u>\$ 1,674,615</u>	<u>\$ (64,597)</u>

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

<b>ENTERPRISE FUNDS</b>				<b>GOVERNMENTAL</b>
<b>Ocala International Airport</b>	<b>Communi- cations</b>	<b>SunTran</b>	<b>Total</b>	<b>ACTIVITIES Internal Service Funds</b>
\$ 719,129	\$ 4,020,556	\$ -	\$ 91,729,077	\$ 31,609,614
32,493	-	-	61,889,545	-
<u>751,622</u>	<u>4,020,556</u>	<u>-</u>	<u>153,618,622</u>	<u>31,609,614</u>
-	-	-	(10,657,432)	-
<u>751,622</u>	<u>4,020,556</u>	<u>-</u>	<u>142,961,190</u>	<u>31,609,614</u>
(788,306)	841,759	(2,683,075)	11,491,487	(1,804,914)
860,546	477,293	273,970	20,196,676	1,893,157
41	-	-	222,748	-
9,708	(67,986)	8,538	2,084,199	6,888
-	(70,859)	-	1,079,361	-
-	-	-	-	-
-	(21,581)	-	(107,997)	-
-	-	-	-	-
(270)	-	-	(14,190)	(374,989)
(76,205)	48,064	(178,487)	(204,981)	4,183,247
(26,833)	(38,405)	2,681	(135,480)	-
459	735	-	11,117	-
-	-	-	-	-
1,287	-	-	1,287	-
-	-	-	266,385	-
-	-	-	(5,696,395)	-
-	-	-	(1,012)	(2,895)
<u>\$ (19,573)</u>	<u>\$ 1,169,020</u>	<u>\$ (2,576,373)</u>	<u>\$ 29,193,205</u>	<u>\$ 3,900,494</u>

**CITY OF OCALA, FLORIDA  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2014**

	<b>PENSION TRUST FUNDS</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,862,247
Receivables:	
Interest and dividends receivable	122,950
Accounts receivable	16,345
Due from other governments	159,457
Prepaid expense	3,150
Total receivables	<u>301,902</u>
Investments, at fair value:	
Fixed income	27,800,360
Mutual funds: bonds	11,064,865
Mutual funds: equities	24,417,794
Mutual funds: real estate	17,959,217
Common stock	78,093,377
International equities	29,206,847
Government obligations	7,377,962
Emerging markets	11,215,750
Hedge fund (mutual fund)	7,942,474
Total investments	<u>215,078,646</u>
<b>Total assets</b>	<u><u>222,242,795</u></u>
<b>Liabilities</b>	
Accounts payable	209,971
<b>Total liabilities</b>	<u>209,971</u>
<b>Net Position</b>	
<b>Net position held in trust for pension benefits</b>	<u><u>\$ 222,032,824</u></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, 2014**

	<b>PENSION TRUST FUNDS</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 15,326,389
State	890,434
Employee	1,976,310
Total contributions	<u>18,193,133</u>
Investment income:	
Investment gain	20,881,639
Less: Investment management fees	<u>(970,502)</u>
Net investment gain	<u>19,911,137</u>
<b>Total additions</b>	<u><u>38,104,270</u></u>
<b>Deductions</b>	
Pension payments	18,088,392
Refunds to employees	751,734
Administration	299,594
<b>Total deductions</b>	<u>19,139,720</u>
<b>Change in net position</b>	18,964,550
<b>Net position held in trust for pension benefits - beginning</b>	<u>191,806,800</u>
<b>Restatement</b>	11,261,474
<b>Net position held in trust for pension benefits - ending</b>	<u><u>\$ 222,032,824</u></u>

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

**NOTES TO FINANCIAL  
STATEMENTS**

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**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) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Management determined that the Community Redevelopment Agency is the only organization that should be included in the City's financial statements as a component unit.

**1. *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 serves as the CRA Board. Although legally separate, the CRA is appropriately blended as a governmental fund type component unit into the primary government. The CRA is presented as a major governmental fund.

The City includes advisory boards and commissions 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.

**2. *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 persons with disabilities. The HCV program provides

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

rental subsidies for eligible families, via direct monthly payments to 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 of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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, 2014**

Governmental fund financial statements are reported using the *current financial resources 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 general 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 CRA Fund** is the Community Redevelopment Trust Fund. It is used to account for receipts and transfers of the tax increment fees collected for improving and redeveloping the downtown area.

The City reports seven major proprietary funds:

**The Electric System Revenue 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 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.



**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

**The Communications 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 connections 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 of approximately 1,027 units of fuel-driven vehicles and equipment, as well as approximately 100 facilities. The information technology management covers the entire City operations and maintenance.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**Pension Trust Funds** account for the activities of the City's General Employees', Firefighters' and Police Officers' Retirement System, 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.

**D. BUDGETARY DATA**

**1. *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, 2014.

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 2014, 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, 2014, no expenditures exceeded the budget at the fund level.

**2. *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, III B 6, Other Commitments, for a breakdown of significant encumbrances in total by each major fund and nonmajor fund.

**E. ASSETS, LIABILITIES, AND FUND EQUITY**

**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 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.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**3. Investments**

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.

**4. 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.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Customers:			
Billed	\$ 778,347	\$ 11,555,640	\$ 12,333,987
Unbilled	1,220,510	9,198,191	10,418,701
Miscellaneous	674,000	895,132	1,569,132
Gross receivables	2,672,857	21,648,963	24,321,820
Less: allowance for uncollectibles	(82,329)	(1,156,839)	(1,239,168)
<b>Net total receivables</b>	<b>\$ 2,590,528</b>	<b>\$ 20,492,124</b>	<b>\$ 23,082,652</b>

**5. Due From/Due to Other Funds**

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.”

**6. Inventories and Prepaid Items**

All City inventories, excluding golf, are maintained on a consumptions 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. Inventories included in the Enterprise Funds consists 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, 2014**

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	\$ 171,477	\$ (12,861)	\$ 158,616
<b>Total Governmental</b>	<b>\$ 171,477</b>	<b>\$ (12,861)</b>	<b>\$ 158,616</b>
Business-type:			
Electric	5,169,918	(387,743)	4,782,175
Water & Sewer	1,067,553	(80,066)	987,487
Golf	65,378	(4,903)	60,475
Communications	117,538	(8,815)	108,723
<b>Total Business-type</b>	<b>\$ 6,420,387</b>	<b>\$ (481,527)</b>	<b>\$ 5,938,860</b>

Certain payments to vendors for services that will benefit periods beyond September 30, 2014 are recorded as prepaid items and are recorded as prepaid items in both the government-wide and fund financial statements.

**7. 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.

**8. 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. Contributed capital assets are recorded at estimated fair market value at the date of donation. 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, 2014**

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 III B 4 –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.

**9. 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.

**10. 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 post-employment 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.

**11. 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.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**12. *Accrued Revenue***

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

**13. *Rate Stabilization/Regulatory Operations***

A Rate Stabilization account was created by the City which allows current income to be deferred to a future time in order 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 \$21,801,571, which is at 25.9% funding level at year end.

**14. *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 purposes 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, 2014, there was no balance in this account, as the Council approved the use of \$5,696,395 of rate stabilization funds to fund the “under”-collection of power costs.

**15. *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 \$890,434 for FY 2014. 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.

**16. *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 operating revenue of the Electric Revenue Fund.

The City’s General Fund also incurs certain expenditures on behalf of 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 revenue 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.

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**17. Fund Equity**

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 in 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 represent 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 reports 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.

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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.

	<b>GENERAL FUND</b>	<b>CRA FUND</b>	<b>OTHER GOVTL FUNDS</b>
<b><u>NONSPENDABLE:</u></b>			
Inventory	\$ 158,616	\$ -	\$ -
Prepays	197,656	-	-
<b>Total Nonspendable</b>	<b><u>356,272</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>RESTRICTED:</u></b>			
Transportation			
Gas Tax Revenues from State	-	-	\$ 7,543,673
Capital Projects			
Capital Improvement Bonds 2002	-	-	554,147
Capital Improvement Bonds 2007A	-	-	1,455,230
	<u>-</u>	<u>-</u>	<u>2,009,377</u>
Debt Service			
Capital Improvement Bonds 2007A	-	-	350,103
Capital Improvement Bonds 2002/2012	-	-	860,790
Capital Improvement Bonds 2003/2013	-	-	1,536,580
Capital Improvement Bonds 2007B	-	-	85,588
	<u>-</u>	<u>-</u>	<u>2,833,061</u>
Public Safety			
Fire Impact Fees	708,439	-	-
Police Automation	412,364	-	-
Police Education & Training	124,541	-	-
Local Confiscations	139,569	-	-
Federal Confiscations	471,521	-	-
Other Public Safety Programs	266,564	-	-
	<u>2,122,998</u>	<u>-</u>	<u>-</u>
Development District Improvements			
Downtown Development Board	-	-	222,821
Community Redevelopment Trust	-	4,054,507	-
	<u>-</u>	<u>4,054,507</u>	<u>222,821</u>
Grants			
State Housing Impv Project (SHIP)	-	-	87,523
Tree Mitigation	132,094	-	-
Transportation Planning Organization (TPO)	5,337	-	-
Community Devel Block Grant (CDBG)	(15,951)	-	-
	<u>121,480</u>	<u>-</u>	<u>87,523</u>
<b>Total Restricted</b>	<b><u>2,244,478</u></b>	<b><u>4,054,507</u></b>	<b><u>12,696,455</u></b>



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Spending Order of Fund Balances (continued):

<b>UNRESTRICTED:</b>	<b>GENERAL FUND</b>	<b>CRA FUND</b>	<b>OTHER GOVTL FUNDS</b>
<b>Committed</b>			
Stormwater Utility	-	-	5,235,565
Payroll	22,047	-	-
Economic Improvement Program	2,089,556	-	-
Total Committed	2,111,603	-	5,235,565
<b>Assigned</b>			
Subsequent year budget	7,445,234	-	-
Public safety-reserve for special investigations	41,177	-	-
Central Business District	63,005	-	-
Fire/Streets/Sidewalks	13,542,703	-	-
Total Assigned	21,092,119	-	-
<b>Unassigned</b>	17,566,179	-	-
<b>Total Unrestricted</b>	<b>40,769,901</b>	<b>-</b>	<b>5,235,565</b>
<b>Total Fund Balances</b>	<b>\$ 43,370,651</b>	<b>\$ 4,054,507</b>	<b>\$ 17,932,020</b>

**F. 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 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 considered to be 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, 2014 was \$6.2502 per \$1,000 of assessed property value. Current tax collections

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(inclusive of legally available early payment discounts) for the City were approximately 96.4% of the total tax levy. The property tax calendar provides for the tax revenue to be billed and collected within the applicable fiscal year.

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 payment or full payments before certain dates. Installment prepayment dates and discounts of each installment (one-fourth or 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, 2014 is shown as follows:

Lien Date	January 1, 2013
Certification of Taxable Value	July 1, 2013
Final public hearing to adopt proposed millage rate	September 17, 2013
Certification of final Taxable Value	October 9, 2013
Beginning of fiscal year for tax assessment	October 1, 2013
Tax bills rendered	November 1, 2013
Property Tax Payable:	
Maximum Discount by	November 30, 2013
Due Date	March 31, 2014
Delinquent on	April 1, 2014
Tax Certificates issued for delinquent taxes by	May 31, 2014

**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.

**CITY OF OCALA, FLORIDA  
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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. 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.

**NOTE 3 - DETAIL NOTES –ALL FUNDS**

**A. ASSETS**

**1. *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.

At September 30, 2014, the carrying amount of the City's deposits was \$39,298,395. These deposits, consisting of interest bearing and 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 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 in order to meet its obligation needs. Funds not prohibited by bond covenants have pooled their cash balances in order 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 2014, an interest rate floor was in place due to a low interest rate environment. As of September 30, 2014, 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 \$21,305,377 is reported at amortized cost. The Florida PRIME investment pool had weighted average days to maturity of 39 days as of September 30, 2014. The fund had been divided into two separate funds; namely Florida PRIME and Fund B. Fund B was closed out as of September 30, 2014.

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- (2) Amounts placed with the Florida Surplus Asset Fund Trust (FL SAFE) a local government investment pool organized pursuant to Florida Statutes 163.01. Investments in the amount of \$2,504,660 had weighted average days to maturity of 40 days as of September 30, 2014.

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 FL SAFE meets the requirement of a Securities and Exchange Commission Rule "2a7-like" external investment pool. The Florida PRIME and FL SAFE funds are rated AAAM by Standard & Poor's.

**2. Restricted Assets**

The balances of the restricted asset account in the enterprise funds are as follows:

Classified as:	<b>Non-Current Assets</b>	<b>Current Portion</b>	<b>Restricted Assets</b>
Debt Service	\$ 8,143,603	\$ (8,035,653)	\$ 107,950
Capital Projects	17,638,099	(756,689)	16,881,410
Renewal and Replacement	3,660,864	-	3,660,864
Rate Stabilization	21,801,571	-	21,801,571
CR#3 Decommissioning Trust	10,657,432	-	10,657,432
<b>Total Restricted Assets</b>	<b>\$ 61,901,569</b>	<b>\$ (8,792,342)</b>	<b>\$ 53,109,227</b>

**3. 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 the 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.

a. Derivatives

The City has no derivative investments in its portfolio at September 30, 2014. 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.

b. 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

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established permitted investments, asset allocation limits, issuer 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 asset backed securities rated AAA or equivalent by Moody's or S&P; CMO's backed by an agency of the U.S. Government; Money market mutual funds comprised only of 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.

c. 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) durations 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.

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.

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**Total Funds Recap:**

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Carrying Value of Cash	n/a	\$ 39,336,864	n/a
Treasury Investment Portfolio	AA+	175,228,863	2.24
SBA Florida PRIME	AAAm	21,305,377	39 Days
Florida SAFE	AAAm	2,504,660	40 Days
CR-3 Decommissioning Trust	AAA	10,657,432	0.48
<b>Total</b>		<b>\$ 249,033,196</b>	<b>1.61</b>

The City utilizes “effective duration” as a measurement of interest rate risk and as of September 30, 2014 the Treasury investment portfolio had an overall effective duration of 2.24 years. The Treasury investment portfolio had the following investment types and effective duration presented in terms of years at September 30, 2014:

<b>Total Treasury Portfolio (Pools I, II, III)</b>			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA+	\$ 55,532,098	2.14
Federal Agency Bond / Note	AA	20,711,395	0.95
Mortgage Backed Pass-through Security	AA+	17,318,589	5.04
Corporate Notes	A+	63,018,704	1.93
Commercial Paper	A-1	4,874,273	0.06
ABS / CMBS	AAA	6,933,387	5.38
Sovereigns	AA-	504,435	3.99
Municipal Bond / Note	AA+	3,200,591	1.67
Money Market Mutual Fund	A-1	3,135,390	0.00
<b>Total Treasury Portfolio-Pools I, II, and III</b>		<b>\$ 175,228,863</b>	<b>2.24</b>

**d. 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.

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 funds and in accordance with debt covenants, but in no event shall exceed seven (7) years. No more than 50% of the City’s total investment portfolio shall be placed in securities maturing more than three years.

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**POOL I – Short-Term Investments:**

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	\$ 13,589,625	1.82
Federal Agency Bond / Note	AA+	8,323,387	1.42
Mortgage Backed Pass-through Security	AA+	2,085,953	4.99
Corporate Notes	AA	18,969,580	2.13
Commercial Paper	A-1	4,874,273	0.06
Municipal Bond / Note	AA+	2,127,218	1.41
Money Market Mutual Fund	AAAm	99,411	0.00
<b>Sub-total Pool I</b>		<b>\$ 50,069,447</b>	<b>1.81</b>

**POOL II – Short Intermediate Investments:**

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	\$ 24,585,587	0.89
Federal Agency Bond / Note	AA	11,257,955	0.18
Mortgage Backed Pass-through Security	AAA	415,146	0.01
Corporate Notes	A	35,889,380	1.02
Money Market Mutual Fund	AAA	215,469	0.00
<b>Sub-total Pool II</b>		<b>\$ 72,363,537</b>	<b>0.84</b>

**POOL III – Intermediate Investments:**

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	\$ 17,356,886	4.17
Federal Agency Bond / Note	AA+	1,130,053	5.21
Mortgage Backed Securities	AA+	14,817,490	5.19
Corporate Notes	A	8,159,744	5.44
ABS / CMBS	AAA	6,933,387	5.38
Sovereigns	AA-	504,435	3.99
Municipal Bond / Note	AA+	1,073,373	2.19
Money Market Mutual Fund	A-1	2,820,510	0.00
<b>Sub-total Pool III</b>		<b>\$ 52,795,879</b>	<b>4.57</b>
<b>Total of Pools I, II, and III</b>		<b>\$ 175,228,863</b>	<b>2.24</b>

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In addition to the investment portfolio, the City has a Crystal River #3 Decommissioning Trust Fund. The balance as of September 30, 2014 was as follows:

<b>CR #3 Decommissioning Trust:</b>			Effective Duration
<u>Security Type</u>	<u>Average Rating</u>	<u>Fair Value</u>	<u>(In Years)</u>
Money Market Mutual Fund	AAAm	\$ 5,348,373	n/a
U.S. Government Agencies	AAA	5,309,059	0.96
<b>Total</b>		<b><u>\$ 10,657,432</u></b>	<b><u>0.48</u></b>

e. 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.

f. 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, with the exception of 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 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. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of September 30, 2014 the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

g. 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.



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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.

	<u>Sector Allocations</u>		<u>Individual Issue/ 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, 2014, the City's investment portfolio was in compliance with all diversification requirements of the City's investment policy.

h. Foreign Currency Risk

The City is not exposed to this type of risk.

**4. Pension Trust Funds**

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 the 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 \$890,434 for the fiscal year ended September 30, 2014.

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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.

**a. Cash and Deposits**

At September 30, 2014, the cash carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	\$ 968,558
Police Officers' Retirement System	190,796
Firefighters' Retirement Plan	226,460
<b>Total Pension Trust Funds</b>	<b><u><u>\$ 1,385,814</u></u></b>

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 or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of the City.

**b. 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-backed 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

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securities. The plans generally employ a different investment manager for each asset class represented in their portfolio. All three 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.

As of September 30, 2014, the cash and investments of the City's pension plans are as follows:

<u>Investment Type</u>		<u>% of Portfolio</u>	<u>Credit Rating</u>	<u>Duration (In Years)</u>
<b><u>General Employees Retirement System:</u></b>				
Cash Checking	\$ 968,558	n/a	n/a	n/a
Cash and Cash Equivalents	3,369,159	2.89%	n/a	n/a
Fixed Income	19,509,790	16.72%	A+	4.73
Mutual Funds: Equities	7,724,862	6.62%	n/a	n/a
Mutual Funds: Real Estate	11,146,368	9.55%	n/a	n/a
Common Stock	39,305,713	33.69%	n/a	n/a
International Equities	16,455,080	14.10%	n/a	n/a
Emerging Markets	11,215,750	9.61%	n/a	n/a
Hedge Fund (mutual fund)	7,942,474	6.81%	n/a	n/a
<b>Fund total</b>	<b>\$ 117,637,754</b>	<b>100.00%</b>		
<b><u>Police Officers Retirement System:</u></b>				
Cash Checking	\$ 190,796	n/a	n/a	n/a
Cash and Cash Equivalents	848,975	1.45%	n/a	n/a
Fixed Income	15,668,530	26.76%	AA-	4.50
Common Stock	32,996,438	56.36%	n/a	n/a
International Equities	6,757,483	11.54%	n/a	n/a
Real Estate	2,274,367	3.88%	n/a	n/a
<b>Fund total</b>	<b>\$ 58,736,589</b>	<b>100.00%</b>		
<b><u>Firefighters Retirement Plan:</u></b>				
Cash Checking	\$ 226,460	n/a	n/a	n/a
Cash and Cash Equivalents	1,258,299	2.78%	n/a	n/a
Mutual Funds: Bonds	11,064,865	24.40%	n/a	n/a
Mutual Funds: Equities	16,692,933	36.82%	n/a	n/a
Mutual Funds: Real Estate	4,538,482	10.01%	n/a	n/a
Common Stock	5,791,227	12.77%	n/a	n/a
International Equities	5,994,284	13.22%	n/a	n/a
<b>Fund total</b>	<b>\$ 45,566,550</b>	<b>100.00%</b>		
<b>Total pension plan cash and investments</b>	<b>\$ 221,940,893</b>			

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c. 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, 2014, the securities in the City's pension plans had the effective durations presented above and were in compliance with their respective investment policies.

d. 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, 2014, 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

e. 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 counterparty 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, 2014, 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.

f. 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.

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**g. 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 14% as of September 30, 2014. 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 13% to international equities as of September 30, 2014. 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 12% to international equities as of September 30, 2014. According to F.S. 185.06, police pension plans may have up to 25% of assets allocated to international equities.

**5. *Due from Other Governments***

The following amounts were due from other governments as of September 30, 2014:

	General Government	Business- Type	Totals
Federal Government	\$ 383,795	\$ 469,339	\$ 853,134
State of Florida	2,231,161	879,434	3,110,595
Marion County, Florida	2,283,233	128,449	2,411,682
Total	\$ 4,898,189	\$ 1,477,222	\$ 6,375,411

**6. *Interfund Transactions***

The composition of interfund balances as of September 30, 2014 is as follows:

	Interfund Receivables/ Payables
Due to General Fund from:	
SunTran Fund	\$ 492,370
Total due to General Fund from other funds	492,370
Totals at the fund level	\$ 492,370

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 draw downs 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.

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Interfund transfers for the year ended September 30, 2014 consisted of the following:

Transfers to General Fund from:	
Electric System Revenue Fund	\$ 9,263,159
Water and Sewer Fund	1,183,000
Sanitation Fund	1,000,000
Communications Fund	877,000
Non-major Funds	<u>22,359</u>
Total transfers to General Fund	<u><u>12,345,518</u></u>
Transfers to nonmajor governmental funds from:	
Electric System Revenue Fund	362,400
Water and Sewer Fund	205,768
Sanitation Fund	150,748
Municipal Golf Course Fund	173,000
General Fund	<u>2,486,217</u>
Total transfers to nonmajor governmental funds	<u><u>3,378,133</u></u>
Transfers to CRA Fund from:	
General Fund	<u>297,112</u>
Transfers to SunTran Fund from:	
Non-major Funds	<u><u>367,223</u></u>
Transfers to Municipal Golf Course Fund from:	
General Fund	154,832
Water and Sewer Fund	<u>66,000</u>
Total transfers to Municipal Golf Course Fund	<u><u>220,832</u></u>
Transfers to Electric System Revenue Fund from:	
Water and Sewer Fund	240,000
Communications Fund	<u>363,221</u>
Total transfers to Electric System Revenue Fund	<u><u>603,221</u></u>
Transfers to Internal Service Fund from:	
General Fund	581,700
Electric System Revenue Fund	76,600
Water and Sewer Fund	326,089
Sanitation Fund	1,693,652
Non-major Funds	<u>358,695</u>
Total transfers to Internal Service Fund	<u><u>3,036,736</u></u>
Total transfers at the fund level	<u><u>\$ 20,248,775</u></u>

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.

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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**

	<b>In</b>	<b>Out</b>	
	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>	
General Fund	\$ 9,263,159	\$ (9,263,159)	Electric Fund
General Fund	1,183,000	(1,183,000)	Water & Sewer Fund
General Fund	1,000,000	(1,000,000)	Sanitation Fund
General Fund	877,000	(877,000)	Communications Fund
General Fund	(154,832)	154,832	Golf Fund.
Non-major Funds	362,400	(362,400)	Electric Fund
Non-major Funds	205,768	(205,768)	Water & Sewer Fund
Non-major Funds	150,748	(150,748)	Sanitation Fund
Non-major Funds	173,000	(173,000)	Golf Fund.
Non-major Funds	(367,223)	367,223	SunTran Fund
Internal Service Funds	76,600	(76,600)	Electric Fund
Internal Service Funds	326,089	(326,089)	Water & Sewer Fund
Internal Service Funds	1,693,652	(1,693,652)	Sanitation Fund
<b>TOTAL TRANSFERS</b>	<b><u>\$ 14,789,361</u></b>	<b><u>\$ (14,789,361)</u></b>	

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**7. Capital Assets**

Capital asset activity for the year ended September 30, 2014 was as follows:

	<b>Beginning Balance *</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land and improvements	\$ 22,115,788	51,157	-	-	\$ 22,166,945
Intangible (easement, rights of way)	1,847,339	-	-	-	1,847,339
Construction In progress	1,489,846	5,121,124	-	(159,997)	6,450,973
Total capital assets not being depreciated	<u>25,452,973</u>	<u>5,172,281</u>	<u>-</u>	<u>(159,997)</u>	<u>30,465,257</u>
Capital assets being depreciated:					
Buildings and improvements	38,635,047	90,243	-	85,348	38,810,638
Equipment	45,463,754	3,110,185	(931,021)	-	47,642,918
Intangible (software)	3,157,252	36,294	-	74,649	3,268,195
Infrastructure (roads and streets)	307,738,937	32,057	-	-	307,770,994
Total capital assets being depreciated	<u>394,994,990</u>	<u>3,268,779</u>	<u>(931,021)</u>	<u>159,997</u>	<u>397,492,745</u>
Less accumulated depreciation:					
Buildings and improvements	(10,907,805)	(1,747,254)	20,891	-	(12,634,168)
Equipment	(29,956,572)	(2,960,087)	1,334,472	-	(31,582,187)
Intangible (Software)	(995,231)	(365,206)	-	-	(1,360,437)
Infrastructure (roads and streets)	<u>(201,956,613)</u>	<u>(7,467,915)</u>	<u>-</u>	<u>-</u>	<u>(209,424,528)</u>
Total accumulated depreciation	<u>(243,816,221)</u>	<u>(12,540,462)</u>	<u>1,355,363</u>	<u>-</u>	<u>(255,001,320)</u>
Total capital assets being depreciated-net	<u>151,178,769</u>	<u>(9,271,683)</u>	<u>424,342</u>	<u>159,997</u>	<u>142,491,425</u>
Governmental activities capital assets-net	<u>\$ 176,631,742</u>	<u>\$ (4,099,402)</u>	<u>\$ 424,342</u>	<u>\$ -</u>	<u>\$ 172,956,682</u>
<b>Business Type Activities:</b>					
Capital assets not being depreciated:					
Land and improvements	\$ 22,572,440	-	-	-	\$ 22,572,440
Intangible (easement, rights of way)	1,110,903	3,930	-	8,309	1,123,142
Construction in progress	7,168,435	10,494,135	-	(7,557,346)	10,105,224
Total capital assets not being depreciated	<u>30,851,778</u>	<u>10,498,065</u>	<u>-</u>	<u>(7,549,037)</u>	<u>33,800,806</u>
Capital assets being depreciated:					
Buildings	28,069,821	-	-	-	28,069,821
Improvements other than buildings	529,416,726	2,976,138	-	6,515,785	538,908,649
Equipment	10,504,441	294,408	-	249,501	11,048,350
Intangible (software)	4,420,049	-	-	783,751	5,203,800
Total capital assets being depreciated	<u>572,411,037</u>	<u>3,270,546</u>	<u>-</u>	<u>7,549,037</u>	<u>583,230,620</u>
Less accumulated depreciation:					
Buildings	(15,360,108)	(798,701)	-	-	(16,158,809)
Improvements other than buildings	(221,809,851)	(18,508,779)	-	-	(240,318,630)
Equipment	(6,471,018)	(642,869)	-	-	(7,113,887)
Intangible (software)	<u>(2,313,415)</u>	<u>(246,547)</u>	<u>-</u>	<u>-</u>	<u>(2,559,962)</u>
Total accumulated depreciation	<u>(245,954,392)</u>	<u>(20,196,896)</u>	<u>-</u>	<u>-</u>	<u>(266,151,288)</u>
Total capital assets being depreciated-net	<u>326,456,645</u>	<u>(16,926,350)</u>	<u>-</u>	<u>7,549,037</u>	<u>317,079,332</u>
Business-type activities capital assets-net	<u>\$ 357,308,423</u>	<u>\$ (6,428,285)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,880,138</u>

\* Beginning Balances have been restated -see notes Footnote C3



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

	Depreciation Expense
Governmental activities:	
General government	\$ 877,011
Public safety	807,179
Physical environment	133,076
Transportation	447,017
Human services	-
Economic environment	11,167
Infrastructure	7,472,580
Culture and recreation	899,275
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,893,157
Total depreciation expense - governmental activities	\$ 12,540,462
Business-type activities:	
Electric	\$ 8,076,753
Water and sewer	9,963,644
Sanitation	88,072
Golf Course	456,618
Airport	860,546
Communications	477,293
SunTran	273,970
Total depreciation expense - business-type activities	\$ 20,196,896

**B. Liabilities**

**1. 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, and disability income replacement, medical and dental 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

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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, 2014.

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, 2014 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$9,726,088 reported in the Fund at September 30, 2014 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
2011-2012      \$8,000,000	\$3,582,477	\$2,980,477	\$8,602,000
2012-2013      8,602,000	1,364,538	2,624,128	7,342,410
2013-2014      7,342,410	4,324,834	1,941,156	9,726,088

**2. Leases**

Operating – The City has no operating leases as of September 30, 2014.

Capital – The City does have capital leases. See Note III B 4-Long Term Debt for additional information.

**3. Pension Plans**

**General Employees Retirement System**

**a. 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 and 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

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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, 2014 the Plan's participant's consisted of:

	General
Retirees and beneficiaries (Inactive members):	
Currently receiving benefits	616
DROP retirees	20
Disability Retirees	2
Terminated employees entitled to benefits, but not yet receiving them	351
	989
Current employees (Active members):	
Vested	307
Nonvested	40
Total	347

**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 4/1/2014

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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 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) for Service earned 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.

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 in order 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 original plan is 8.18% and those in the DBVH plan is set at 3%.

**b. Investments:**

Investment Policy:

The following was the Boards adopted asset allocation policy as of September 13, 2014:

Asset Class	Target Allocation
Equity Securities	42.00%
Fixed Income Securities	32.00%
Hedge Fund of Funds	13.50%
Real Estate	12.50%
Total	100.00%

**CITY OF OCALA, FLORIDA  
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Concentrations:

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

Rate of Return:

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.86 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**c. Deferred Retirement Option Program (DROP)-(terminated February 11, 2013):**

*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, 2014 is \$5,115,210.

**d. Annual Pension Cost**

The contribution requirement for the General Employees' Retirement System for the 2014 fiscal year, established through an actuarial valuation performed as of October 1, 2012, was \$10,928,222 (69.70% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled \$790,178 (3.95% of current covered payroll); actual employer contributions to the General Employees' Retirement System amounted to \$10,253,005 (65.75% of current covered payroll).

**e. Net Pension Liability**

	9/30/14
Total Pension Liability	\$ 202,942,770
Plan Fiduciary Net Position	(117,930,568)
Sponsor's Net Pension Liability	\$ 85,012,202
Plan Fiduciary Net Position as a percentage of Total Pension Liability	58.11%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions.

Inflation	3.00%
Salary Increases	5.00%-6.00%
Investment Rate of Return	7.00%

**CITY OF OCALA, FLORIDA  
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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, 2013 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, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity Securities	6.95%
Fixed Income Securities	2.05%
Hedge Fund of Funds	4.55%
Real Estate	4.25%

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.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	\$ 110,008,228	\$ 85,012,202	\$ 65,186,126

**General Employee's 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.

**CITY OF OCALA, FLORIDA  
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**Police Officers' Retirement System**

f. 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, 2014 the Plan's participant's consisted of:

	Police
Retirees and beneficiaries (Inactive members):	
Currently receiving benefits	84
DROP retirees	19
Disability Retirees	5
Terminated employees entitled to benefits, but not yet receiving them	12
	120
Current employees (Active members):	
Vested	104
Nonvested	33
Total	137

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.

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

**CITY OF OCALA, FLORIDA  
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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 25% 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 39.07% and the members contribute 8.0% of their salaries or wages to the Police Officers' Retirement System.

**g. Investments:**

Investment Policy:

The following was the Boards adopted asset allocation policy as of September 13, 2014:

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

Concentrations:

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



**CITY OF OCALA, FLORIDA  
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Rate of Return:

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.63 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**h. 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, 2014 is \$3,837,388.

**i. Annual Pension Cost**

The contribution requirement for the Police Officers' Retirement System for the 2014 fiscal year, established through an actuarial valuation performed as of October 1, 2012, was \$3,378,280 (52.55% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled \$632,728 (8.00% of current covered payroll), actual City contributions were \$2,961,297 (39.07% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$440,294 (5.48% 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.

**j. Net Pension Liability**

	9/30/14
Total Pension Liability	\$ 77,984,509
Plan Fiduciary Net Position	(58,779,277)
Sponsor's Net Pension Liability	\$ 19,205,232
Plan Fiduciary Net Position as a percentage of Total Pension Liability	75.37%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	4.00%-6.00%
Investment Rate of Return	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, 2013 valuation were based on the results of an actuarial experience study for the period 1997-2010.

**CITY OF OCALA, FLORIDA  
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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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	7.80%
International Equity	2.20%
Bonds	3.70%
Convertibles	5.30%
Private Real Estate	4.90%
Master Limited Partnerships	12.70%

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 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>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Sponsor's Net Pension Liability	\$ 27,597,184	\$ 19,205,232	\$ 12,123,694

**Fire Fighters' Retirement Plan**

**k. 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).

**CITY OF OCALA, FLORIDA  
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At September 30, 2014 the Plan's participant's consisted of:

	Fire
Retirees and beneficiaries (Inactive members):	
Currently receiving benefits	50
DROP retirees	14
Disability Retirees	11
Terminated employees entitled to benefits, but not yet receiving them	4
	79
Current employees (Active members):	
Vested	95
Nonvested	20
Total	115

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 3) 25 years of Credited Service, regardless of age.

*Benefit:* 3.0% of Average Monthly Earnings (AME) times Credited Service, maximum of 93% of AME

Early Retirement:

*Date:* Age 50 and 10 years of Credited Service.

*Benefit:* Accrued benefit reduced by 2% for each year prior to Normal Retirement date.

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.

**CITY OF OCALA, FLORIDA  
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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 .75% member contributions and excess investment return. Excess investment return is 100% of the first 1% in excess of the actuarial assumption, 75% of the next 1%, and 50% of the next 4%. Transfers of excess return are limited to periods when experience is favorable, determined on a cumulative basis from October 1, 2002.

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 33.08% and the members contribution is 7.67% to Regular Retirement Plan and .75% to COLA Fund (8.42% 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 2014 fiscal year the amount of these contributions totaled \$450,140; however, the amount available to the plan for the provision of benefits is frozen, in accordance with Chapter 175, Florida Statutes at \$240,401.

**I. Investments:**

Investment Policy:

The following was the Boards adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Fixed Income	25.00%
Domestic Equity	50.00%
International Equity	15.00%
Real Estate	10.00%
Total	100.00%

Concentrations:

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

**CITY OF OCALA, FLORIDA  
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Rate of Return:

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 7.75 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**m. 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 be 6.75%.

The DROP balance as of September 30, 2014 is \$1,626,311.

**n. Annual Pension Cost**

The contribution requirement for the Firefighters' Retirement Plan for the 2014 fiscal year, determined through an actuarial valuation performed as of October 1, 2012, was \$2,199,864 (33.08% of current covered payroll). Actual employee contributions totaled \$553,787 (8.42% of current covered payroll), actual City contributions were \$2,117,780 (32.20% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$450,140. Accumulated excess contributions in the Accrued (Prepaid) Position Account were available to assist in funding the City's contribution requirement for the year.

**o. Net Pension Liability**

	9/30/14
Total Pension Liability	\$ 53,989,600
Plan Fiduciary Net Position	(41,398,738)
Sponsor's Net Pension Liability	\$ 12,590,862
Plan Fiduciary Net Position as a percentage of Total Pension Liability	76.68%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.25%
Salary Increases	3.25%-7.25%
Investment Rate of Return	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, 2014 valuation were based on the results of an actuarial experience study for the period 1997-2010.

**CITY OF OCALA, FLORIDA  
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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, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.00%
Domestic Equity	5.80%
International Equity	6.50%
Real Estate	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 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 19,335,587	\$ 12,590,862	\$ 6,961,932

**CITY OF OCALA, FLORIDA  
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**p. Annual Pension Costs and Net Pension Obligation**

The City's annual pension cost and net pension obligation to the three plans for the most recent actuarial report dated October 1, 2014, are as follows:

	<b>General</b>	<b>Police Officers</b>	<b>Firefighters</b>	<b>Totals</b>
Annual Required Pension Contribution	\$ 10,253,005	\$ 3,345,552	\$ 2,482,131	\$ 16,080,688
Interest on Net Pension Obligation	(399,724)	(34,172)	-	(433,896)
Actuarial Adjustment	759,840	54,506	-	814,346
Annual Pension Cost	10,613,121	3,365,886	2,482,131	16,461,138
(Actual Pension Contributions)	10,253,005	3,401,591	2,358,181	16,012,777
Increase (Decrease) in NPO	360,116	(35,705)	123,950	448,361
Net Pension Obligation(Asset)-Beginning	(5,710,349)	(427,148)	424,412	(5,713,085)
Net Pension (Asset)-Ending	<u>\$ (5,350,233)</u>	<u>\$ (462,853)</u>	<u>\$ 548,362</u>	<u>\$ (5,264,724)</u>

**q. Actuarial Valuation Information**

Actuarial information as of the latest valuation is as follows:

	<b>General</b>	<b>Police Officers</b>	<b>Firefighters</b>
Valuation Date	October 1, 2014	October 1, 2014	October 1, 2014
Actuarial Cost Method	Entry Age-Normal	Entry Age-Normal	Entry Age-Normal
Amortization Method	Level Percent of Pay-Closed	Level Percent of Pay-Closed	Level Percent of Pay-Closed
Remaining Amortization Period	25 Years **	25 Years **	25 Years
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing	Expected Value
Actual Assumptions (All Plans):			
Net Investment Rate of Return	7.0%	8.0%	7.75%
Projected Salary Increases	5.0%-6.0%	4%-6%	0.0 - 4.00%
Includes Inflation at	2.5%	3.0%	3.25%
Cost of Living Adjustments	3.0%	0.0%	0.0%

**CITY OF OCALA, FLORIDA  
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**r. Four-Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Plan:			
9/30/11	9,552,787	97.23%	(6,258,957)
9/30/12	10,280,724	97.53%	(6,005,362)
9/30/13	10,706,023	97.24%	(5,710,349)
9/30/14	10,253,005	103.51%	(5,350,233)
Police Officers' Plan:			
9/30/11	2,695,947	100.00%	(471,743)
9/30/12	2,922,799	99.00%	(438,191)
9/30/13	2,978,115	100.00%	(427,147)
9/30/14	2,961,297	113.66%	(462,853)
Firefighters' Plan:			
9/30/11	1,999,430	93.00%	96,450
9/30/12	2,111,966	96.00%	191,265
9/30/13	2,560,047	91.00%	424,412
9/30/14	2,482,131	95.00%	548,362

**s. Other Pension Plan Information**

The funded status of each pension plan as of the most recent actuarial valuation date is as follows:

**General Employees' Retirement System:**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/2013	\$ 108,711,350	\$ 206,793,440	\$ 98,082,090	52.57	\$ 15,008,754	653.50

**Police Officers' Retirement System:**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/2013	\$ 54,826,800	\$ 77,433,385	\$ 22,606,585	70.81	\$ 8,033,144	281.42



**CITY OF OCALA, FLORIDA  
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**Firefighters' Retirement Plan:**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/2014	\$ 39,428,316	\$ 52,391,985	\$ 12,963,669	75.26	\$ 6,311,053	205.41

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present 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  
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Combining Statements

Since the City does not issue separate financial reports for all of the pension plans, the combining statement of fiduciary net position and the combining statement of changes in fiduciary net position for the pension trust funds are being included in the notes to the financial statements as information for the users.

The following is the net position for each pension trust fund at September 30, 2014:

	<b>General Employees' Retirement System</b>	<b>Police Officers' Retirement System</b>	<b>Firefighters' Retirement Plan</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,337,717	\$ 1,039,771	\$ 1,484,759	\$ 6,862,247
Receivables:				
Accrued interest receivable	26,652	90,979	5,319	122,950
Accounts receivable	15,579	766	-	16,345
Due from other governments	159,457	-	-	159,457
Prepaid expense	1,350	-	1,800	3,150
Total receivables	<u>203,038</u>	<u>91,745</u>	<u>7,119</u>	<u>301,902</u>
Investments, at fair value				
Mutual Funds: Bonds	-	-	11,064,865	11,064,865
Fixed income	19,509,791	8,290,568	-	27,800,359
Mutual funds: equities	7,724,861	-	16,692,933	24,417,794
Mutual funds: real estate	11,146,368	2,274,367	4,538,482	17,959,217
Common stock	39,305,713	32,996,438	5,791,227	78,093,378
Government obligations		7,377,962		7,377,962
International equities	16,455,080	6,757,483	5,994,284	29,206,847
Emerging markets	11,215,750	-	-	11,215,750
Hedge fund (mutual fund)	7,942,474	-	-	7,942,474
Total investments	<u>113,300,037</u>	<u>57,696,818</u>	<u>44,081,791</u>	<u>215,078,646</u>
Total Assets	<u>117,840,792</u>	<u>58,828,334</u>	<u>45,573,669</u>	<u>222,242,795</u>
<b>Liabilities</b>				
Accounts payable	<u>102,021</u>	<u>77,702</u>	<u>30,248</u>	<u>209,971</u>
Total liabilities	<u>102,021</u>	<u>77,702</u>	<u>30,248</u>	<u>209,971</u>
<b>Net Assets</b>				
Net assets reserved for employees' pension benefits	<u>\$ 117,738,771</u>	<u>\$ 58,750,632</u>	<u>\$ 45,543,421</u>	<u>\$ 222,032,824</u>

**CITY OF OCALA, FLORIDA  
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The following is the statement of changes in net position for each pension trust fund for the fiscal year ended September 30, 2014:

	<b>General Employees' Retirement System</b>	<b>Police Officers' Retirement System</b>	<b>Firefighters' Retirement Plan</b>	<b>Total</b>
Additions:				
Contributions:				
Employer	\$ 10,247,312	\$ 2,961,297	\$ 2,117,780	\$ 15,326,389
State	-	440,294	450,140	890,434
Employee	789,795	632,728	553,787	1,976,310
Total contributions	<u>11,037,107</u>	<u>4,034,319</u>	<u>3,121,707</u>	<u>18,193,133</u>
Investment income:				
Investment income (loss)	10,981,732	5,971,711	3,928,196	20,881,639
Less: Investment management fees	(576,963)	(257,428)	(136,111)	(970,502)
Net investment income (loss)	<u>10,404,769</u>	<u>5,714,283</u>	<u>3,792,085</u>	<u>19,911,137</u>
Total additions (reductions)	<u>21,441,876</u>	<u>9,748,602</u>	<u>6,913,792</u>	<u>38,104,270</u>
Deductions:				
Pension payments	10,787,494	4,454,656	2,846,242	18,088,392
Refunds to employees	642,378	53,841	55,515	751,734
Administration	160,133	71,944	67,517	299,594
Total deductions	<u>11,590,005</u>	<u>4,580,441</u>	<u>2,969,274</u>	<u>19,139,720</u>
Net Increase (Decrease)	9,851,871	5,168,161	3,944,518	18,964,550
Net Assets Reserved for Employees' Pension Benefits:				
Beginning of year	102,232,783	49,793,615	39,780,402	191,806,800
Restatement-Due to GASB 67	<u>5,654,117</u>	<u>3,788,856</u>	<u>1,818,501</u>	<u>11,261,474</u>
End of year	<u>\$ 117,738,771</u>	<u>\$ 58,750,632</u>	<u>\$ 45,543,421</u>	<u>\$ 222,032,824</u>

**CITY OF OCALA, FLORIDA  
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**4. 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.

a. Long-term liability activity for the fiscal year ended September 30, 2014 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Revenue Bonds and Certificates					
2007A Capital Improvement Certificates	\$ 15,870,000	\$ -	\$ -	\$ 15,870,000	\$ -
2007B Capital Improvement Certificates	3,730,000	-	(10,000)	3,720,000	10,000
2012 Refdgd Capital Improvement Certif	8,405,000	-	(755,000)	7,650,000	795,000
2013 Capital Improvement Certificates	7,700,000	-	-	7,700,000	1,495,000
Subtotal	35,705,000	-	(765,000)	34,940,000	2,300,000
Unamortized (Discount) Premium	(277,882)	-	16,788	(261,094)	-
Total Revenue Bonds and Certificates	35,427,118	-	(748,212)	34,678,906	2,300,000
Other liabilities:					
Capital Lease Contract Payable	2,406,665	-	(1,110,469)	1,296,196	1,120,970
Pension Liability	424,412	123,950	-	548,362	-
Compensated Absences	5,159,924	3,701,099	(4,120,026)	4,740,997	2,559,097
OPEB Liability	1,940,419	75,766	-	2,016,185	-
Claims and Judgments	7,342,411	4,324,834	(1,941,157)	9,726,088	1,655,632
Total other liabilities	17,273,831	8,225,649	(7,171,652)	18,327,828	5,335,699
Total Governmental Activities	\$ 52,700,949	\$ 8,225,649	\$ (7,919,864)	\$ 53,006,734	\$ 7,635,699
<b>Business-type Activities:</b>					
Revenue Bonds					
2005A Utility Systems Bonds	\$ 24,010,000	\$ -	\$ (80,000)	\$ 23,930,000	\$ 80,000
2005B Utility Systems Bonds	28,785,000	-	(27,380,000)	1,405,000	690,000
2007A Utility Systems Bonds	64,025,000	-	-	64,025,000	-
2007B Utility Systems Bonds	21,955,000	-	(1,045,000)	20,910,000	1,085,000
2011 Utility Systems Bonds	10,510,000	-	(3,450,000)	7,060,000	3,505,000
2014B Utility Systems Bonds	-	28,465,000	-	28,465,000	-
Subtotal	149,285,000	28,465,000	(31,955,000)	145,795,000	5,360,000
Unamortized (Discount) Premium	3,852,461	-	(1,230,470)	2,621,991	-
Total Revenue Bonds and Certificates	153,137,461	28,465,000	(33,185,470)	148,416,991	5,360,000
Other liabilities:					
CR#3 decommissioning costs payable	10,246,880	410,552	-	10,657,432	-
Compensated Absences	2,721,426	1,504,951	(1,800,880)	2,425,497	1,639,627
OPEB Liability	958,107	11,118	-	969,225	-
Total other liabilities	13,926,413	1,926,621	(1,800,880)	14,052,154	1,639,627
Total Business-type Activities	\$ 167,063,874	\$ 30,391,621	\$ (34,986,350)	\$ 162,469,145	\$ 6,999,627

**CITY OF OCALA, FLORIDA  
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The compensated absences and OPEB payable from the governmental funds are typically liquidated in the General Fund.

Capital Leases - The City has two capital lease agreements, one with Motorola for radio equipment and the second with Republic First National Corporation for a cleaning truck. Both leases qualify as capital leases in Governmental activities for accounting purposes, and therefore, have 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 \$3,485,912 with accumulated depreciation of \$1,218,832.

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

Fiscal Year Ending September 30	Government Activities
2015	1,136,712
2016	59,398
2017	59,398
2018	66,986
Total Minimum Lease Payments	1,322,494
Less Amount Representing Interest	(26,298)
Present Value of Minimum Lease Payments	\$ 1,296,196

b. 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.

c. Pledged Revenue

The City has pledged certain revenues, to repay certain bonds and notes outstanding as of September 30, 2014. 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, 2014 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  
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The following is a schedule of bonds outstanding at September 30, 2014:

<u>Description Of Bonds</u>	<u>Purpose Of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
<b>Governmental Activities:</b>				
2007A Capital Improvement Certificates	Capital Projects	\$ 15,870,000	\$ 15,870,000	4.25%-4.50%
2007B Capital Improvement Certificates	Refunding	4,290,000	3,720,000	4.00%-4.125%
2012 Refdgd Capital Improvement Certif	Refunding	8,405,000	7,650,000	1.72%
2013 Refdgd Capital Improvement Certif	Refunding	7,700,000	<u>7,700,000</u>	1.08%
Total Governmental Activities			<u>\$ 34,940,000</u>	
<b>Business-Type Activities:</b>				
2005A Utility Systems Bonds	Refunding	\$ 24,625,000	\$ 23,930,000	3.375%-5.25%
2005B Utility Systems Bonds	Capital Projects	33,355,000	1,405,000	3.375%-5.25%
2007A Utility Systems Bonds	Capital Projects	64,025,000	64,025,000	4.25%-5.00%
2007B Utility Systems Bonds	Refunding	23,925,000	20,910,000	4.00%-4.50%
2011 Utility Systems Bonds	Refunding	13,875,000	7,060,000	1.51%
2014B Utility Systems Bonds	Refunding	28,465,000	<u>28,465,000</u>	2.66%
Total Business-Type Activities			<u>\$ 145,795,000</u>	

For the year ended September 30, 2014, principal and interest payments were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Interest Paid	\$ 1,043,447	\$ 6,763,874
Principal Paid	<u>765,000</u>	<u>5,245,000</u>
	<u>\$ 1,808,447</u>	<u>\$ 12,008,874</u>

For the year ended September 30, 2014, capitalization of net interest costs was as follows:

	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Total</u>
Interest expense	\$ 88,008	\$ 6,159	\$ 94,167
Interest income	<u>(67,967)</u>	<u>(700)</u>	<u>(68,667)</u>
Increase in construction in progress	<u>\$ 20,041</u>	<u>\$ 5,459</u>	<u>\$ 25,500</u>

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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:

<b>Fiscal Year</b>	<b>Governmental Activities</b>	
	<b>Capital Improvement Certificates</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 2,300,000	\$ 1,051,011
2016	2,340,000	1,020,543
2017	2,380,000	989,490
2018	2,405,000	957,917
2019-2023	9,645,000	4,156,853
2024-2028	7,085,000	2,770,022
2029-2033	8,785,000	1,022,963
<b>Total</b>	<b>\$ 34,940,000</b>	<b>\$ 11,968,799</b>

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 2014 pledged revenues	\$ 8,261,105
Fiscal year 2014 principal and interest paid	\$ 1,808,247
Outstanding principal and interest	\$ 46,908,799
Pledged through fiscal year	2033
Estimated percentage pledged	29.89%

<b>Fiscal Year</b>	<b>Business-Type Activities</b>	
	<b>Utility Systems Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 5,360,000	\$ 5,855,442
2016	5,485,000	5,919,846
2017	5,585,000	5,733,186
2018	5,830,000	5,484,879
2019-2023	33,045,000	23,475,762
2024-2028	40,230,000	16,333,166
2029-2033	50,260,000	6,436,058
<b>Total</b>	<b>\$ 145,795,000</b>	<b>\$ 69,238,339</b>

Pledged revenue description

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

Fiscal year 2014 pledged revenues	\$ 27,169,558
Fiscal year 2014 principal and interest paid	\$ 12,008,874
Outstanding principal and interest	\$ 215,033,339
Pledged through fiscal year	2033
Estimated percentage pledged	41.66%

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d. Conduit Debt

In January, 1994, \$3,500,000 Student Housing Revenue Bonds were issued. The proceeds of the bonds are being used by the Central Florida College Foundation to acquire real property and to construct student housing facilities. The bonds, which matured in 2014, did not represent debt or an obligation of the City and were collateralized solely from the gross revenues of the completed project. The completed project and all revenues derived there from, subsequent to the payment of all debt service requirements, belong exclusively to the Foundation. The outstanding balance at September 30, 2014 is zero.

e. 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, 2014, the City had no arbitrage rebate liability.

f. Refunding Issued by the City

On July 2, 2014, the City issued \$28,465,000 Utility Systems Refunding Bonds, Series 2014B. Proceeds were used to current refund \$26,710,000 (callable portion) of the \$28,115,000, 2005B Utility Systems 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>
2014B	2.6591%	2.66%	10/1/2029	\$ 28,465,000	\$ 116,686

g. 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.



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

2013-2014 Bond Refunding Economic Reasoning	
	Utility Systems Refunding Bonds, Series 2005B
<b>Bond Size</b>	
Old Bonds (Outstanding)	\$ 28,115,000
New Bonds (Series 2014B)	\$ 28,465,000
Average Annual Savings	\$ 224,117
Net Present Value Savings	\$ 3,361,748
% Savings of refunding bonds	11.810%
Future Value Savings	\$ 4,008,353

**h. Current Refunded Bonds**

The following schedule reflects the current refunded bonds as of September 30, 2014:

Type	Series	Date Refunded	Final Payment/ Call Date	Outstanding as of Refunding	Outstanding as of 9/30/2014
Utility Systems Bond	2005B	7/2/2014	10/1/2015	\$ 28,115,000	\$ 1,405,000

**i. Prior Year Defeasance of Debt**

The City had defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2014, there was \$28,686,555 in escrow for bonds and interest outstanding that were considered defeased. These bonds will be paid on call date of October 1, 2015.

**j. 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 twenty percent (20%) of the assessed valuation of the taxable real and personal property in the City. At September 30, 2014, there was no general obligation debt outstanding.

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k. 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.

l. Future Bond Refundings

The City intends to issue refunding bonds Series 2014A in the amount of \$24,165,000 on July 9, 2015. The forward interest rate was set on June 30, 2014 at 3.18%. This will be a bank loan and will refund the \$23,765,000 Series 2005A Utility Bonds. The City also intends to refund \$64,025,000 of the Utility System Revenue Bonds, Series 2007A and \$15,870,000 of the Capital Improvement Certificates 2007A during fiscal year 2015.

**5. Fund Deficits**

At September 30, 2014 there were no funds with deficits in total net positions.

**6. 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 Services Fee - The biggest threat at the present time is the lawsuit related to 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 \$7.5 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. This threat has been significantly diminished. On February 13, 2015, the circuit court dismissed in its entirety this lawsuit against the City. The plaintiff has since filed an appeal of this order of dismissal. The city attorney is cautiously optimistic that the dismissal will be upheld upon appeal. If the appeal confirms the dismissal, this would end the litigation against the City.

Other Commitments – The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2014, in the respective funds are as follows:

General Fund	\$ 1,639,461
Internal Service Funds	1,612,377
Electric	692,980
Water and Sewer	9,228,591
Suntran	14,289
Communications Fund	12,297
Sanitation Fund	50,579
Airport Fund	538,404
Total	<u>\$ 13,788,978</u>

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FMPA All-Requirements Project (ARP): The City purchases power exclusively from the Florida Municipal Power Agency (FMPA) through the State-wide bulk power system. The City has an ARP Power Supply Contract (effective October 1, 2002) with FMPA 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 contract shall remain in effect until October 1, 2025, and is subject to automatic five-year extensions each fifth anniversary unless either party notifies the other in writing at least two years prior to such automatic extension date of its decision not to extend the contract.

The City pays for electric power under the contract at the rates set forth in the FMPA rate schedule, which FMPA may revise from time to time. The contract provides the option for the City to leave the FMPA after notice and making the remaining project participants whole, which is generally understood to mean paying off the City's portion of the ARP's long-term debt.

Power Supply Entitlements: The following is an excluded resource under the ARP agreement.

Crystal River Unit No 3 (CR3): The City entered into a Participation Agreement in 1977 with Florida Power Corporation (FPC), which became Progress Energy, to purchase 1.333% undivided ownership interest, approximately 12 MW in Progress Energy's 860-MW nuclear powered electric generating plant. During July 2012, Progress Energy merged with and became a wholly owned subsidiary of Duke Energy. The City does not exercise significant influence or control over the operating or financial policies of Duke Energy. On February 5, 2013, Duke Energy made the decision to retire CR3 and the City designated FMPA as its agent to negotiate with Duke Energy on various matters including: the sufficiency of the City's decommissioning account balance, the costs of replacement power, and a return on the City's capital investment. The Joint Owners of CR3, including the City, have reached an agreement, namely the CR3 Settlement, Release, and Acquisition Agreement, with Duke Energy.

On July 1, 2014, the City Council approved the Settlement Agreement with Duke Energy of Florida. The City expects to receive a net cash amount of \$12,692,136.24 from Duke Energy for potential damages namely the projected present value of replacement power costs from 2014 through 2036. In return, Duke Energy will take all of the City's ownership and liability of CR3 including all related CR3 expenses retroactive to October 1, 2013. Final closing requires the Nuclear Regulatory Commission (NRC) to approve the transfer of the CR3 joint owners' license to Duke Energy. Duke Energy filed with the NRC on November 7, 2014 and indicated that this process could take 12 to 18 months, possibly April 2016. FMPA, Duke Energy, and the City do not anticipate any difficulties of receiving NRC approval. In accordance with Council's approval, these funds will be classified as restricted rate stabilization funds when received.

- The City will record the settlement proceeds when the agreement is approved by the NRC. The City's capital asset costs were written off during 2013 when Duke provided the City with insurance proceeds of \$2,698,599 from Duke's settlement with its insurance provider. The City determined that these insurance proceeds were settlement for damages related to the plant. As a result of the settlement, City wrote off its investment in the plant of \$2,080,466 during 2013, with the gain of \$618,133 classified as restricted rate stabilization funds.
- Decommissioning Liability and Trust Fund: The Nuclear Regulatory Commission (NRC) requires all nuclear powered electric generating plant owners to provide financial assurance that funds would be sufficient and available when needed to pay for future decommissioning costs. In accordance with the NRC requirements, the City established a decommissioning trust fund, which has a balance of \$10,657,432 at September 30, 2014, including interest earnings. Per the Agreement, the City will transfer the decommissioning trust, all proceeds and rights, and all post-closing obligations and liabilities therein at closing to Duke Energy.

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**Settlement Proceeds-Reimbursement to Electric Fund**

Operations & Maintenance Refunds	\$ 248,522
Receivable from Decommissioning Trust Fund	<u>87,842</u>
<b>Total Recognized in Fiscal Year 2015</b>	<b><u>\$ 336,364</u></b>

**Settlement Proceeds - Recorded as Rate Stabilization Reserve**

Replacement Power Costs - Expected Proceeds		\$ 12,692,136
Disposal of Nuclear Plant in Service in 2013	\$(13,038,096)	
Nuclear Plant in Service - Accumulated Depreciation	<u>10,957,630</u>	
Nuclear Plant in Service - net book value		(2,080,466)
NEIL Property Damage Payment - Received in 2013		<u>2,698,599</u>
<b>Total Addition Restricted Rate Stabilization Funds</b>		<b><u>\$ 13,310,269</u></b>

**7. Other Postemployment Benefits (OPEB)**

Postemployment benefits extended to retirees include the continued coverage for the retiree and dependent 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.

a. 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 calls 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.

b. 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.

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c. 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 (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 any unfunded actuarial liabilities (or funding 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)	\$ 960,288
Interest on net OPEB obligation	109,021
Adjustment to ARC	<u>(115,812)</u>
Annual OPEB cost (expense)	953,497
 Contributions made	 <u>(727,809)</u>
Increase in net OPEB obligation	259,896
Net OPEB obligation - beginning of year	<u>2,725,514</u>
Net OPEB obligation - end of year	<u><u>\$ 2,985,410</u></u>

d. Schedule of Funding Progress

Actuarial Valuation Date	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
10/1/2012 <sup>(1)</sup>	\$ -	\$14,046,180	\$14,046,180	0.00%	\$37,381,463	37.58%
10/1/2010 <sup>(2)</sup>	-	18,164,196	18,164,196	0.00%	41,400,677	43.87%
10/1/2008	-	16,160,200	16,160,200	0.00%	41,784,952	38.67%

<sup>(1)</sup> Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

<sup>(2)</sup> Updated valuation to reflect the Voluntary Separation Incentive Program (VSIP).

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, 2014**

e. 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>
9/30/2012	1,371,899	763,534	55.66%	2,540,261
9/30/2013	913,538	728,285	79.72%	2,898,526
9/30/2014	953,497	727,809	76.33%	2,985,410

f. 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, 2012
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll
Amortization period	25 years - Closed
Asset valuation method	Unfunded
Investment rate of return	4.0%
Projected annual salaries increase	6%
Inflation rate	4.0%
Mortality	RP-2000 and Projection Scale AA on a generational basis for males and females
Healthcare cost trend	9% initial trend rate dropping to 5% ultimate trend rate after 10 Years

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**C. CHANGES IN ACCOUNTING STANDARDS**

**1. Adoption of New Accounting Standards**

The City early implemented the following Governmental Accounting Standards Board (GASB) Statement during fiscal year ending September 30, 2013:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These standards establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures, effectively reclassifying certain assets as deferred inflows of resources and certain liabilities as deferred outflows of resources on the statement of net position. Implementation of GASB 65 resulted in the City restating prior year net position for fiscal year 2012.

During the fiscal year ending September 30, 2014, the City adopted the following new accounting standard:

- GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. This statement provides improved disclosures regarding the pension plans in the notes to the financial statements.

**2. Future Adoption of New Accounting Standards**

The City anticipates adopting the following new accounting standard in the next fiscal year:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27* is effective for the City's 2015 fiscal year ending September 30, 2015. In addition to improving the disclosures regarding pension plans in the notes to the financial statements, GASB 68 will require the City to retroactively record the Unfunded Actuarial Liability (UAL) as a Net Pension Liability on its Statement of Net Position, which will have the effect of decreasing the City's Net Position. As described in Note B-3s in the notes to the financial statements, the Unfunded Actuarial Accrued Liability is \$85,012,202 for General Employee's, \$19,205,232 for Police and \$12,590,862 for Firefighters as of September 30, 2014. The liability will be recorded in the general fund, and approximately \$43 million will be posted in the appropriate proprietary funds.

**3. Restatement of Prior Year Net Position**

- GASB 67 requires a write-off of prior year balance of DROP payables against the Net position. These payables had been created by charging the expenditure accounts as they were building up, where the current requirement is to expense these costs as they are paid out and not prior. The effect of this write off is as follows:

**Restatement of Fiduciary Funds**

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Net position reserved for employees' pension benefits - beginning	\$102,232,783	\$ 49,793,615	\$39,780,402	\$ 191,806,800
Restatement	<u>5,654,117</u>	<u>3,788,856</u>	<u>1,818,501</u>	<u>11,261,474</u>
Net position reserved for employees' pension benefits - ending	<u><u>\$107,886,900</u></u>	<u><u>\$ 53,582,471</u></u>	<u><u>\$41,598,903</u></u>	<u><u>\$ 203,068,274</u></u>

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**3. Restatement of Prior Year Net Position (continued)**

- In Fiscal Year 2014, a physical inventory of the City's Capital Assets were done. The results showed major discrepancies between assets on hand and the City's financial records. An adjustment (net of accumulated depreciation) was done to reduce the amount of capital assets on the City's books. This adjustment resulted in a city-wide restatement of prior year's net position in the amount of \$5,749,720. The following shows the breakdown of adjustments by fund:

	<b>Governmental Activities</b>			
	General Fund	Internal Service Fund	Totals	
	Beginning Net Position as Previously Reported	\$ 191,671,282	\$ 30,212,928	\$ 221,884,210
Restatement Amount	<u>(1,860,260)</u>	<u>(58,868)</u>	<u>(1,919,128)</u>	
Beginning Net Position as Restated	<u>\$ 189,811,022</u>	<u>\$ 30,154,060</u>	<u>\$ 219,965,082</u>	
	<b>Business-type Activities</b>			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Beginning Net Position as Previously Reported	\$ 116,704,859	\$ 167,301,822	\$ 9,186,106	\$ 3,713,041
Restatement Amount	<u>(1,678,993)</u>	<u>(1,493,531)</u>	<u>(32,744)</u>	<u>(338,620)</u>
Beginning Net Position as Restated	<u>\$ 115,025,866</u>	<u>\$ 165,808,291</u>	<u>\$ 9,153,362</u>	<u>\$ 3,374,421</u>
	Ocala International Airport	Communications	SunTran	Totals
Beginning Net Position as Previously Reported	\$ 24,016,269	\$ 9,419,589	\$ 3,155,417	\$ 333,497,103
Restatement Amount	<u>(265,462)</u>	<u>-</u>	<u>(21,242)</u>	<u>\$ (3,830,592)</u>
Beginning Net Position as Restated	<u>\$ 23,750,807</u>	<u>\$ 9,419,589</u>	<u>\$ 3,134,175</u>	<u>\$ 329,666,511</u>



REQUIRED SUPPLEMENTARY  
INFORMATION

**CITY OF OCALA, FLORIDA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property tax	\$ 21,177,731	\$ 21,177,731	\$ 21,632,730	\$ 454,999
Utility service tax	7,700,000	7,700,000	8,664,000	964,000
Communication service tax	3,291,003	3,291,003	2,950,539	(340,464)
Other tax	868,000	868,000	890,435	22,435
State shared revenues	4,981,895	4,981,895	5,163,266	181,371
Other intergovernmental revenues	980,224	6,371,398	3,918,523	(2,452,875)
Permits and fees	1,791,750	1,791,750	2,322,118	530,368
Fines and forfeitures	501,800	501,800	662,904	161,104
Charges for services	13,873,030	14,022,328	14,449,923	427,595
Investment income	662,054	662,054	519,290	(142,764)
Gifts	204,333	215,733	113,672	(102,061)
Miscellaneous	321,841	446,161	37,056	(409,105)
<b>Total revenues</b>	<u>56,353,661</u>	<u>62,029,853</u>	<u>61,324,456</u>	<u>(705,397)</u>
<b>Expenditures</b>				
Current:				
General government	23,327,956	25,628,668	17,409,257	8,219,411
Public safety	39,927,907	43,361,534	39,180,970	4,180,564
Transportation	3,222,721	5,641,269	2,527,290	3,113,979
Economic environment	1,526,296	2,214,128	1,046,105	1,168,023
Human services	-	20,463	10,119	10,344
Culture and recreation	5,433,033	5,729,284	5,281,439	447,845
Capital outlay	2,107,567	6,139,223	2,798,756	3,340,467
<b>Total expenditures</b>	<u>75,545,480</u>	<u>88,734,569</u>	<u>68,253,936</u>	<u>20,480,633</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(19,191,819)</u>	<u>(26,704,716)</u>	<u>(6,929,480)</u>	<u>19,775,236</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	12,293,493	12,353,135	12,345,518	(7,617)
Transfers out	(3,167,944)	(3,216,645)	(3,519,861)	(303,216)
<b>Total other financing sources (uses)</b>	<u>9,125,549</u>	<u>9,136,490</u>	<u>8,825,657</u>	<u>(310,833)</u>
<b>Net change in fund balance</b>	(10,066,270)	(17,568,226)	1,896,177	19,464,403
<b>Fund balance - beginning</b>	<u>41,474,474</u>	<u>41,474,474</u>	<u>41,474,474</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 31,408,204</u>	<u>\$ 23,906,248</u>	<u>\$ 43,370,651</u>	<u>\$ 19,464,403</u>

**CITY OF OCALA, FLORIDA  
CRA FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive</b>
	<b>(GAAP Basis)</b>			<b>(Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 235,840	\$ 182,539	\$ 182,539	\$ -
Investment income	58,200	58,200	47,290	(10,910)
<b>Total revenues</b>	<u>294,040</u>	<u>240,739</u>	<u>229,829</u>	<u>(10,910)</u>
<b>Expenditures</b>				
Current:				
General government	515,529	626,879	262,087	364,792
Capital outlay	-	102,341	64,827	37,514
<b>Total expenditures</b>	<u>515,529</u>	<u>729,220</u>	<u>326,914</u>	<u>402,306</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(221,489)</u>	<u>(488,481)</u>	<u>(97,085)</u>	<u>391,396</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	299,603	297,112	297,112	-
<b>Total other financing sources (uses)</b>	<u>299,603</u>	<u>297,112</u>	<u>297,112</u>	<u>-</u>
<b>Net change in fund balance</b>	78,114	(191,369)	200,027	391,396
<b>Fund balance - beginning</b>	<u>3,854,480</u>	<u>3,854,480</u>	<u>3,854,480</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>\$3,932,594</u></u>	<u><u>\$3,663,111</u></u>	<u><u>\$ 4,054,507</u></u>	<u><u>\$ 391,396</u></u>

**CITY OF OCALA, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS  
SEPTEMBER 30, 2014**

**SCHEDULE OF FUNDING PROGRESS (1)**

**General Plan:**

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	[(b)-[a])/[c] UAAL as a Percentage of Covered Payroll
2014	\$108,711,350	\$206,793,440	\$98,082,090	52.57%	\$15,008,754	653.50%
2013	98,090,021	204,067,795	105,977,774	48.07%	16,480,277	643.06%
2012	89,418,349	193,785,518	104,367,169	46.14%	27,343,524	381.69%
2011	81,479,454	174,172,015	92,692,561	46.78%	28,551,898	324.65%
2010	78,822,879	163,287,975	84,465,096	48.27%	28,187,278	299.66%
2009	70,490,375	155,927,480	85,437,105	45.21%	29,513,234	289.49%
2008	80,419,973	144,739,017	64,319,044	55.56%	31,347,437	205.18%
2007	69,472,693	108,825,377	39,352,684	63.84%	30,588,569	128.65%
2006	61,718,687	101,457,732	39,739,045	60.83%	29,319,149	135.54%
2005	56,309,688	95,784,179	39,474,491	58.79%	29,361,461	134.44%

(1) The UAAL is not diminished by the Funding Standard Account Credit Balance. Instead, the Actuarial Value of Assets is reduced by the Credit Balance and further adjusted for the Administrative Expense Account.

**Police Officers' Plan:**

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	[(b)-[a])/[c] UAAL as a Percentage of Covered Payroll
2014	\$ 54,826,800	\$ 77,433,385	\$ 22,606,585	70.81%	\$ 8,033,144	281.42%
2013	50,545,160	73,891,366	23,346,206	68.40%	8,269,526	282.32%
2012	46,567,206	70,808,298	24,241,092	65.77%	8,558,207	283.25%
2011	43,766,063	66,426,400	22,660,337	65.89%	8,489,320	266.93%
2010	43,555,290	64,578,493	21,023,203	67.45%	8,191,982	256.63%
2009	41,964,844	61,496,292	19,531,448	68.24%	8,024,059	243.41%
2008	42,305,347	58,618,208	16,312,861	72.17%	8,198,176	198.98%
2007	41,782,661	55,343,645	13,560,984	75.50%	7,993,687	169.65%
2006	38,128,985	50,121,660	11,992,675	76.07%	7,687,278	156.01%
2005	35,831,611	46,959,093	11,127,482	76.30%	7,631,572	145.81%

(1) The UAAL is not diminished by the Funding Standard Account Credit Balance. Instead, the Actuarial Value of Assets is reduced by the Credit Balance and further adjusted for the Administrative Expense Account.

(Continued)

**CITY OF OCALA, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS  
SEPTEMBER 30, 2014**

**SCHEDULE OF FUNDING PROGRESS - CONTINUED (1)**

**Firefighters' Plan:**

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)	[b] - [a] Unfunded AAL (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
2014	\$ 39,428,316	\$ 52,391,985	12,963,669	75.26%	\$ 6,311,053	205.41%
2013	36,538,799	50,052,237	13,513,438	73.00%	6,392,458	211.40%
2012	33,413,783	47,877,470	14,463,687	69.79%	6,961,657	207.76%
2011	31,045,811	46,906,422	15,860,611	66.19%	7,204,930	220.14%
2010	29,401,977	42,581,331	13,179,354	69.05%	6,872,487	191.77%
2009	27,621,397	39,919,029	12,297,632	69.19%	7,166,031	171.61%
2008	27,253,578	37,573,342	10,319,764	72.53%	7,134,279	144.65%
2007	26,910,188	33,034,201	6,124,013	81.46%	6,100,211	100.39%
2006	24,482,685	31,050,644	6,567,959	78.85%	5,744,369	114.34%
2005	22,580,117	29,134,148	6,554,031	77.50%	5,515,009	118.84%

**CITY OF OCALA, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS  
SEPTEMBER 30, 2014**

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

**General Plan:**

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution (City)</u>	<u>Percentage Contributed</u>
2014	\$ 10,253,005	\$ 10,253,005	100.00%
2013	10,411,010	10,411,010	100.00%
2012	10,018,065	10,027,129 (1)	100.09%
2011	9,287,951	9,287,951 (1)	100.00%
2010	6,291,791	6,291,791 (1)	100.00%
2009	5,623,172	5,623,172 (1)	100.00%
2008	5,213,030	12,133,628 (2)	232.76%
2007	4,740,189	4,797,696	101.21%
2006	4,417,397	4,631,250	104.84%
2005	3,945,468	3,945,468 (3)	100.00%

(1) Includes contribution from the Funding Standard Account Credit Balance.

(2) Includes contribution from the Funding Standard Account Credit Balance, in addition to a lump sum deposit of \$7,172,050 for the 2008 Early Retirement Incentive Program.

(3) Includes \$46,544 from the Funding Standard Account Credit Balance.

**Police Officers' Plan:**

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution (City) (1)</u>	<u>Annual Required Contribution (State) (2)</u>	<u>Total Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 3,345,552	\$ 2,961,297	\$ 440,319	\$ 3,401,616	101.68%
2013	2,958,351	2,553,739	413,333	2,967,072	100.29%
2012	2,924,100	2,476,952	412,295	2,889,247	98.81%
2011	2,669,252	2,240,013	429,239	2,669,252	100.00%
2010	2,212,672	1,764,387	448,285	2,212,672	100.00%
2009	1,833,325	1,318,836	514,489	1,833,325	100.00%
2008	1,738,806	1,254,445	544,393	1,798,838	103.45%
2007	1,615,300	1,196,134	544,393	1,740,527	107.75%
2006	1,436,938	1,220,125	569,421	1,789,546	124.54%
2005	1,505,173	1,066,687	438,786	1,505,473	100.00%

(1) These City contributions include funds that were drawn from the contributions surplus account.

(2) Excess state annual required contributions are accumulated in the contributions surplus account which is drawn upon if actual state contributions fall below the annual required contribution.

**CITY OF OCALA, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS  
SEPTEMBER 30,2014**

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

**Firefighters' Plan:**

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution (City) (1)</b>	<b>Annual Required Contribution (State) (2)</b>	<b>Total Contribution</b>	<b>Percentage Contributed</b>
2014	\$ 2,482,131	\$ 2,117,780	\$ 240,401	\$ 2,358,181	95%
2013	2,560,047	1,902,607	240,401	2,143,008	84%
2012	2,111,966	1,784,225	240,401	2,024,626	96%
2011	1,999,430	1,623,273	240,401	1,863,674	93%
2010	1,795,369	1,305,206	240,401	1,545,607	86%
2009	1,293,087	1,143,257	240,401	1,383,658	107%
2008	1,258,041	1,132,167	259,377	1,391,544	111%
2007	1,243,765	1,011,289	259,377	1,270,666	102%
2006	1,200,311	940,934	259,377	1,200,311	100%
2005	1,603,809	1,344,432	259,377	1,603,809	100%

- (1) These City contributions include funds that were drawn from the contributions surplus account.
- (2) Excess state annual required contributions are accumulated in the contributions surplus account which is drawn upon if actual state contributions fall below the annual required contribution.

**CITY OF OCALA, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
HISTORICAL TREND INFORMATION FOR OPEB  
SEPTEMBER 30, 2014**

**Other Postemployment Benefits**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
10/1/2012 <sup>(1)</sup>	-	14,046,180	14,046,180	0.00%	37,381,463	37.58%
10/1/2010 <sup>(2)</sup>	-	18,164,196	18,164,196	0.00%	41,400,677	43.87%

<sup>(1)</sup> Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

<sup>(2)</sup> Updated valuation to reflect the Voluntary Separation Incentive Program (VSIP).

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

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Contribution
2014	\$ 950,015	\$ 727,809	76.61%	\$ 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)**

	9/30/2014	9/30/2013
<b>Total pension liability</b>		
Service cost	\$ 2,122,184	\$ 2,050,270
Interest	13,643,262	13,441,073
Changes of benefit terms	(1,321,935)	-
Contributions - buy back	114,387	-
Benefit payments, including refunds of employee contributions	(11,437,247)	(11,268,573)
Net change in total pension liability	3,120,651	4,222,770
Total pension liability - beginning	199,822,119	195,599,349
Total pension liability- ending (a)	\$ 202,942,770	\$ 199,822,119
 <b>Plan fiduciary net position</b>		
Contributions - employer	10,253,005	10,411,010
Contributions - employee	675,791	2,175,515
Contributions - buy back	114,387	-
Net investment income	10,569,771	14,195,919
Benefit payments, including refunds of employee contributions	(11,437,247)	(11,268,573)
Administrative expense	(159,258)	(184,066)
Net change in plan fiduciary net position	10,016,449	15,329,805
 Plan fiduciary net position - beginning	107,914,119	92,584,314
Plan fiduciary net position - ending (b)	117,930,568	107,914,119
 Net pension liability - ending (a) - (b)	\$ 85,012,202	\$ 91,908,000
 Plan fiduciary net position as a percentage of the total pension liability	58.11%	54.01%
 Covered employee payroll	\$ 15,593,924	\$ 25,044,526
 Net pension liability as a percentage of covered employee payroll	545.16%	366.98%

\* Information prior to fiscal year 2013 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)**

	<u>9/30/2014</u>	<u>9/30/2013</u>
Actuarially determined contribution	\$ 10,253,005	\$ 10,411,010
Contributions in relation to the Actuarially determined contribution	<u>10,253,005</u>	<u>10,411,010</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 15,593,924	\$ 25,044,526
Contributions as a percentage of Covered employee payroll	65.75%	41.57%

\* Information prior to fiscal year 2013 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>9/30/2014</u>	<u>9/30/2013</u>
Annual Money - Weighted Rate of Return		
Net of Investment Expense	9.86%	15.20%

\* Information prior to fiscal year 2013 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)**

		9/30/2014
<b>Total pension liability</b>		
Service cost	\$	1,688,742
Interest		5,940,330
Change in Funding Standard Account		56,039
Benefit payments, including refunds of employee contributions		(4,531,980)
Net change in total pension liability		3,153,131
Total pension liability - beginning		74,831,378
Total pension liability- ending (a)	\$	77,984,509
 <b>Plan fiduciary net position</b>		
Contributions - employer		2,961,297
Contributions - State		440,294
Contributions - employee		632,728
Contributions - buy back		-
Net investment income		5,733,534
Benefit payments, including refunds of employee contributions		(4,531,980)
Administrative expense		(72,694)
Net change in plan fiduciary net position		5,163,179
 Plan fiduciary net position - beginning		53,616,098
Plan fiduciary net position - ending (b)		58,779,277
 Net pension liability - ending (a) - (b)	\$	19,205,232
 Plan fiduciary net position as a percentage of the total pension liability		75.37%
 Covered employee payroll	\$	7,909,106
 Net pension liability as a percentage of covered employee payroll		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)**

	9/30/2014
Actuarially determined contribution	\$ 3,345,551
Contributions in relation to the Actuarially determined contribution	3,345,551
Contribution Deficiency (Excess)	\$ -
Covered employee payroll	\$ 7,909,106
Contributions as a percentage of Covered employee payroll	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)**

	<u>9/30/2014</u>
Annual Money - Weighted Rate of Return	
Net of Investment Expense	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)**

	9/30/2014
<b>Total pension liability</b>	
Service cost	\$ 1,163,818
Interest	3,997,736
Differences between expected and actual experience	(140,934)
Benefit payments, including refunds of employee contributions	(2,901,757)
Net change in total pension liability	2,118,863
Total pension liability - beginning	51,870,737
Total pension liability- ending (a)	\$ 53,989,600
 <b>Plan fiduciary net position</b>	
Contributions - employer	2,117,780
Contributions - State	553,787
Contributions - employee	450,140
Net investment income	3,781,447
Benefit payments, including refunds of employee contributions	(2,901,757)
Administrative expense	(67,517)
Other	(470,445)
Net change in plan fiduciary net position	3,463,435
 Plan fiduciary net position - beginning	37,935,303
Plan fiduciary net position - ending (b)	41,398,738
 Net pension liability - ending (a) - (b)	\$ 12,590,862
 Plan fiduciary net position as a percentage of the total pension liability	76.68%
 Covered employee payroll	\$ 6,392,458
 Net pension liability as a percentage of covered employee payroll	196.96%

\* 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)**

	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2011</u>	<u>9/30/2010</u>
Actuarially determined contribution	\$ 2,482,131	\$ 2,560,047	\$ 2,111,966	\$ 1,999,430	\$ 1,795,369
Contributions in relation to the					
Actuarially determined contribution	<u>2,358,181</u>	<u>2,143,008</u>	<u>2,024,626</u>	<u>1,863,674</u>	<u>1,545,607</u>
Contribution Deficiency (Excess)	<u>\$ 123,950</u>	<u>\$ 417,039</u>	<u>\$ 87,340</u>	<u>\$ 135,756</u>	<u>\$ 249,762</u>
Covered employee payroll	\$ 6,311,053	\$ 6,392,458	\$ 6,961,657	\$ 7,204,930	\$ 6,872,487
Contributions as a percentage of					
Covered employee payroll	37.37%	33.52%	29.08%	25.87%	22.49%
	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>9/30/2005</u>
Actuarially determined contribution	\$ 1,293,087	\$ 1,258,041	\$ 1,243,765	\$ 1,200,311	\$ 1,603,809
Contributions in relation to the					
Actuarially determined contribution	<u>1,383,658</u>	<u>1,391,544</u>	<u>1,270,666</u>	<u>1,200,311</u>	<u>1,603,809</u>
Contribution Deficiency (Excess)	<u>\$ (90,571)</u>	<u>\$ (133,503)</u>	<u>\$ (26,901)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,166,031	\$ 7,134,279	\$ 6,100,211	\$ 5,744,369	\$ 5,515,009
Contributions as a percentage of					
Covered employee payroll	19.31%	19.51%	20.83%	20.90%	29.08%



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

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

	<u>9/30/2014</u>
Annual Money - Weighted Rate of Return	
Net of Investment Expense	9.31%

\* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**Notes to the Required Supplementary Information**

**NOTE 1 - BUDGETARY INFORMATION**

**1. 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, 2014.

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 2014, 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, 2014, no expenditures exceeded the budget at the fund level.

**2. 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, #6, 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, 2012

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:	Level percentage of pay, closed.
Remaining Amortization Period:	25 Years (as of 10/01/2012).
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

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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.

Prior Method: the Actuarial Value of Assets is 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 (0.6% per year prior to Plan closure).  
 Interest Rate: 7% per year, compounded annually, net of investment related expenses. The interest rate is mandated by the proposed ordinance. Previously 8%.  
 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 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 the proposed ordinance. 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 During the Year</u>	<u>% Becoming Disabled During 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 FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**POLICE OFFICERS' RETIREMENT SYSTEM:**

Valuation Date: October 1, 2012

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.	
Amortization Method:	Level percentage of pay, closed.	
Remaining Amortization Period:	25 Years (as of 10/01/2012).	
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:	3.0% per year.	
Salary Increases:	Years of Credited Service	Salary Scale
	<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:	2.0% (previously 2.5%).	
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).	
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%

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**FIREFIGHTERS' RETIREMENT PLAN:**

Valuation Date: October 1, 2012

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:	25 Years (as of 10/01/2012).	
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.	
Salary Increases:	Years of Credited Service	Salary Scale
	<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:	2.0% (previously 2.5%).	
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.	
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	.98%	.92%

## SUPPLEMENTAL INFORMATION

**CITY OF OCALA, FLORIDA  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

**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).

**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 Improvement Certificates Fund** - This fund is used for the payment of principal, interest and related costs of 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, 2014**

**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.



**CITY OF OCALA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Equity in pooled cash fund	\$ 13,393,442	\$ 2,833,061	\$ 2,158,074	\$ 18,384,577
Accounts and notes receivables	542,694	-	-	542,694
Accrued interest receivable	25,874	-	-	25,874
Due from other governments	633,194	-	-	633,194
<b>Total assets</b>	<u>14,595,204</u>	<u>2,833,061</u>	<u>2,158,074</u>	<u>19,586,339</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	463,063	-	145,706	608,769
Retainage on contracts	1,968	-	2,991	4,959
Escrow/Deposits	1,008,065	-	-	1,008,065
Due To Other Funds	19,334	-	-	19,334
<b>Total liabilities</b>	<u>1,492,430</u>	<u>-</u>	<u>148,697</u>	<u>1,641,127</u>
<b>Deferred inflows of resources</b>				
Deferred inflows from future revenues	13,192	-	-	13,192
<b>Total deferred inflows of resources</b>	<u>13,192</u>	<u>-</u>	<u>-</u>	<u>13,192</u>
<b>Fund Balances:</b>				
Restricted	7,854,017	2,833,061	2,009,377	12,696,455
Committed	5,235,565	-	-	5,235,565
<b>Total fund balances</b>	<u>13,089,582</u>	<u>2,833,061</u>	<u>2,009,377</u>	<u>17,932,020</u>
<b>Total liabilities and fund balances</b>	<u>\$ 14,595,204</u>	<u>\$ 2,833,061</u>	<u>\$ 2,158,074</u>	<u>\$ 19,586,339</u>

**CITY OF OCALA, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Property tax	\$ 78,960	\$ -	\$ -	\$ 78,960
Local option gas tax	3,848,278	-	-	3,848,278
Intergovernmental revenues	97,023	-	-	97,023
Charges for services	4,819,491	-	-	4,819,491
Investment income	145,688	12,859	19,948	178,495
Miscellaneous	221,804	-	-	221,804
<b>Total revenues</b>	<u>9,211,244</u>	<u>12,859</u>	<u>19,948</u>	<u>9,244,051</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	68,600	-	143,275	211,875
Physical environment	3,142,876	-	-	3,142,876
Transportation	3,370,651	-	-	3,370,651
Economic environment	116,708	-	-	116,708
Culture and recreation	-	-	19,607	19,607
<b>Capital outlay</b>	2,032,375	-	530,715	2,563,090
<b>Debt service:</b>				
Principal payments	-	765,000	-	765,000
Interest and fees	-	1,043,746	-	1,043,746
<b>Total expenditures</b>	<u>8,731,210</u>	<u>1,808,746</u>	<u>693,597</u>	<u>11,233,553</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>480,034</u>	<u>(1,795,887)</u>	<u>(673,649)</u>	<u>(1,989,502)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	3,378,133	-	3,378,133
Transfers out	(735,918)	(12,359)	-	(748,277)
<b>Total other financing sources (uses)</b>	<u>(735,918)</u>	<u>3,365,774</u>	<u>-</u>	<u>2,629,856</u>
<b>Net change in fund balances</b>	(255,884)	1,569,887	(673,649)	640,354
<b>Fund balances - beginning</b>	13,345,466	1,263,174	2,683,026	17,291,666
<b>Fund balances - ending</b>	<u>\$ 13,089,582</u>	<u>\$ 2,833,061</u>	<u>\$ 2,009,377</u>	<u>\$ 17,932,020</u>

**CITY OF OCALA, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2014**

	<b>Downtown Development</b>	<b>Local Gasoline Tax</b>
<b>Assets</b>		
Equity in pooled cash and investment fund	\$ 227,484	\$ 8,073,766
Accrued interest receivable	464	15,517
Accounts and notes receivable	-	-
Due from other governments	747	632,447
<b>Total assets</b>	<b>228,695</b>	<b>8,721,730</b>
<b>Liabilities and fund balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	5,874	169,992
Retainage on contracts	-	-
Due to other funds		
Escrow	-	1,008,065
<b>Total liabilities</b>	<b>5,874</b>	<b>1,178,057</b>
<b>Deferred inflows of resources</b>		
Deferred inflows from future revenues	-	-
<b>Total deferred inflows from resources</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>		
Restricted	222,821	7,543,673
Committed	-	-
<b>Total fund balances</b>	<b>222,821</b>	<b>7,543,673</b>
<b>Total liabilities and fund balances</b>	<b>\$ 228,695</b>	<b>\$ 8,721,730</b>

<b>Stormwater Utility</b>	<b>SHIP Local Housing Assistance</b>	<b>Total</b>
\$ 4,969,579	\$ 122,613	\$ 13,393,442
9,783	110	25,874
529,278	13,416	542,694
-	-	633,194
<u>5,508,640</u>	<u>136,139</u>	<u>14,595,204</u>
271,107	16,090	463,063
1,968	-	1,968
-	19,334	19,334
-	-	1,008,065
<u>273,075</u>	<u>35,424</u>	<u>1,492,430</u>
-	13,192	13,192
-	13,192	13,192
-	87,523	7,854,017
5,235,565	-	5,235,565
<u>5,235,565</u>	<u>87,523</u>	<u>13,089,582</u>
<u>\$ 5,508,640</u>	<u>\$ 136,139</u>	<u>\$ 14,595,204</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, 2014**

	<u>Downtown Development</u>	<u>Local Gasoline Tax</u>
<b>Revenues</b>		
Property taxes	\$ 78,960	\$ -
Local option gas tax	-	3,848,278
Intergovernmental revenues	-	-
Charges for services	-	-
Investment income	2,723	87,461
Miscellaneous	-	216,684
<b>Total revenues</b>	<u>81,683</u>	<u>4,152,423</u>
<b>Expenditures</b>		
Current:		
General government	68,600	-
Physical environment	-	-
Transportation	-	3,370,651
Economic environment	-	-
Capital outlay	34,220	31,443
<b>Total expenditures</b>	<u>102,820</u>	<u>3,402,094</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(21,137)</u>	<u>750,329</u>
<b>Other financing sources (uses)</b>		
Transfers out	(10,000)	(367,223)
<b>Total other financing sources (uses)</b>	<u>(10,000)</u>	<u>(367,223)</u>
<b>Net change in fund balances</b>	(31,137)	383,106
<b>Fund balances - beginning</b>	<u>253,958</u>	<u>7,160,567</u>
<b>Fund balances - ending</b>	<u>\$ 222,821</u>	<u>\$ 7,543,673</u>

<u>Storm water Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Total</u>
\$ -	\$ -	\$ 78,960
-	-	3,848,278
-	97,023	97,023
4,819,491	-	4,819,491
54,922	582	145,688
4,373	747	221,804
<u>4,878,786</u>	<u>98,352</u>	<u>9,211,244</u>
-	-	68,600
3,142,876	-	3,142,876
-	-	3,370,651
-	116,708	116,708
1,966,712	-	2,032,375
<u>5,109,588</u>	<u>116,708</u>	<u>8,731,210</u>
<u>(230,802)</u>	<u>(18,356)</u>	<u>480,034</u>
<u>(358,695)</u>	<u>-</u>	<u>(735,918)</u>
<u>(358,695)</u>	<u>-</u>	<u>(735,918)</u>
(589,497)	(18,356)	(255,884)
<u>5,825,062</u>	<u>105,879</u>	<u>13,345,466</u>
<u>\$ 5,235,565</u>	<u>\$ 87,523</u>	<u>\$ 13,089,582</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
DOWNTOWN DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 78,960	\$ 61,455	\$ 17,505
Investment income	2,723	3,500	(777)
Miscellaneous	-	-	-
<b>Total revenues</b>	<u>81,683</u>	<u>64,955</u>	<u>16,728</u>
<b>Expenditures</b>			
Current:			
General government	68,600	82,727	14,127
Capital outlay	34,220	38,324	4,104
<b>Total expenditures</b>	<u>102,820</u>	<u>121,051</u>	<u>18,231</u>
<b>Excess of revenues over expenditures</b>	<u>(21,137)</u>	<u>(56,096)</u>	<u>34,959</u>
<b>Other financing (uses)</b>			
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
<b>Total other financing (uses)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	(31,137)	(66,096)	34,959
<b>Fund balance - beginning</b>	<u>253,958</u>	<u>253,958</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 222,821</u>	<u>\$ 187,862</u>	<u>\$ 34,959</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**LOCAL GASOLINE TAX FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local option gas tax	\$ 3,848,278	\$ 3,955,335	\$ (107,057)
Intergovernmental revenues	-	2,387,500	(2,387,500)
Investment income	87,461	49,954	37,507
Miscellaneous	216,684	680,647	(463,963)
<b>Total revenues</b>	<u>4,152,423</u>	<u>7,073,436</u>	<u>(2,921,013)</u>
<b>Expenditures</b>			
Current:			
Transportation	3,370,651	4,561,786	1,191,135
Capital outlay	31,443	5,034,488	5,003,045
<b>Total expenditures</b>	<u>3,402,094</u>	<u>9,596,274</u>	<u>6,194,180</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>750,329</u>	<u>(2,522,838)</u>	<u>3,273,167</u>
<b>Other financing sources (uses)</b>			
Transfers out	(367,223)	(277,852)	(89,371)
<b>Total other financing sources (uses)</b>	<u>(367,223)</u>	<u>(277,852)</u>	<u>(89,371)</u>
<b>Net change in fund balance</b>	383,106	(2,800,690)	3,183,796
<b>Fund balance - beginning</b>	<u>7,160,567</u>	<u>7,160,567</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 7,543,673</u>	<u>\$ 4,359,877</u>	<u>\$ 3,183,796</u>



**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
STORMWATER UTILITY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Charges for services	\$ 4,819,491	\$ 4,202,699	\$ 616,792
Investment income	54,922	35,057	19,865
Other	4,373	-	4,373
<b>Total revenues</b>	<u>4,878,786</u>	<u>4,237,756</u>	<u>641,030</u>
<b>Expenditures</b>			
Current:			
Physical environment	3,142,876	5,555,056	2,412,180
Capital outlay	1,966,712	4,150,852	2,184,140
<b>Total expenditures</b>	<u>5,109,588</u>	<u>9,705,908</u>	<u>4,596,320</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(230,802)</u>	<u>(5,468,152)</u>	<u>5,237,350</u>
<b>Other financing (uses)</b>			
Transfers out	(358,695)	(358,695)	-
<b>Total other financing (uses)</b>	<u>(358,695)</u>	<u>(358,695)</u>	<u>-</u>
<b>Net change In fund balance</b>	(589,497)	(5,826,847)	5,237,350
<b>Fund balance - beginning</b>	<u>5,825,062</u>	<u>5,825,062</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 5,235,565</u>	<u>\$ (1,785)</u>	<u>\$ 5,237,350</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**SHIP LOCAL HOUSING ASSISTANCE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental revenues	\$ 97,023	\$ 97,023	\$ -
Investment income	582	-	582
Other	747	-	747
<b>Total revenues</b>	<u>98,352</u>	<u>97,023</u>	<u>1,329</u>
<b>Expenditures</b>			
Current:			
Economic environment	116,708	202,656	85,948
<b>Total expenditures</b>	<u>116,708</u>	<u>202,656</u>	<u>85,948</u>
<b>Net change in fund balance</b>	(18,356)	(105,633)	87,277
<b>Fund balance - beginning</b>	<u>105,879</u>	<u>105,879</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 87,523</u>	<u>\$ 246</u>	<u>\$ 87,277</u>

**CITY OF OCALA, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS  
 SEPTEMBER 30, 2014**

	<u>2007A Improvement Certificates</u>	<u>2007B Improvement Certificates</u>	<u>2012 Refunded Improvement Certificates</u>	<u>2013 Refunded Improvement Certificates</u>	<u>Total</u>
<b>Assets</b>					
Equity in pooled cash and investment fund	\$ 350,103	\$ 85,588	\$ 860,790	\$ 1,536,580	\$ 2,833,061
<b>Total restricted assets</b>	<u>350,103</u>	<u>85,588</u>	<u>860,790</u>	<u>1,536,580</u>	<u>2,833,061</u>
<b>Fund Balances</b>					
Fund Balances: Restricted	<u>350,103</u>	<u>85,588</u>	<u>860,790</u>	<u>1,536,580</u>	<u>2,833,061</u>
<b>Total fund balances</b>	<u>\$ 350,103</u>	<u>\$ 85,588</u>	<u>\$ 860,790</u>	<u>\$ 1,536,580</u>	<u>\$ 2,833,061</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, 2014**

	<u>2007A</u> <u>Improvement</u> <u>Certificates</u>	<u>2007B</u> <u>Improvement</u> <u>Certificates</u>	<u>2012</u> <u>Refunded</u> <u>Improvement</u> <u>Certificates</u>	<u>2013</u> <u>Refunded</u> <u>Improvement</u> <u>Certificates</u>	<u>Total</u>
<b>Revenues</b>					
Investment income	\$ 1,318	\$ 333	\$ 4,003	\$ 7,205	\$ 12,859
<b>Total Revenues</b>					
<b>Expenditures</b>					
Debt service:					
Principal payments	-	10,000	755,000	-	765,000
Interest and paying agents' fees	700,706	151,375	138,073	53,592	1,043,746
<b>Total expenditures</b>	<u>700,706</u>	<u>161,375</u>	<u>893,073</u>	<u>53,592</u>	<u>1,808,746</u>
<b>(Deficiency) of revenues over expenditures</b>	<u>(699,388)</u>	<u>(161,042)</u>	<u>(889,070)</u>	<u>(46,387)</u>	<u>(1,795,887)</u>
<b>Other financing sources (uses)</b>					
Transfers in	700,206	161,175	926,580	1,590,172	3,378,133
Transfers out	(818)	(333)	(4,003)	(7,205)	(12,359)
<b>Total other financing sources (uses)</b>	<u>699,388</u>	<u>160,842</u>	<u>922,577</u>	<u>1,582,967</u>	<u>3,365,774</u>
<b>Net change in fund balances</b>	-	(200)	33,507	1,536,580	1,569,887
<b>Fund balances - beginning</b>	<u>350,103</u>	<u>85,788</u>	<u>827,283</u>	<u>-</u>	<u>1,263,174</u>
<b>Fund balances - ending</b>	<u>\$ 350,103</u>	<u>\$ 85,588</u>	<u>\$ 860,790</u>	<u>\$ 1,536,580</u>	<u>\$ 2,833,061</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**2007A IMPROVEMENT CERTIFICATES FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 1,318	\$ 4,120	\$ (2,802)
<b>Total revenues</b>	<u>1,318</u>	<u>4,120</u>	<u>(2,802)</u>
<b>Expenditures</b>			
Debt service:			
Interest and paying agents' fees	<u>700,706</u>	<u>700,956</u>	<u>250</u>
<b>Total expenditures</b>	<u>700,706</u>	<u>700,956</u>	<u>250</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(699,388)</u>	<u>(696,836)</u>	<u>(2,552)</u>
<b>Other financing sources (uses)</b>			
Transfers in	700,206	700,206	-
Transfers out	<u>(818)</u>	<u>(3,370)</u>	<u>2,552</u>
<b>Total other financing sources (uses)</b>	<u>699,388</u>	<u>696,836</u>	<u>2,552</u>
<b>Net change in fund balance</b>	-	-	-
<b>Fund balance - beginning</b>	<u>350,103</u>	<u>350,103</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 350,103</u>	<u>\$ 350,103</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, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 333	\$ 1,250	\$ (917)
<b>Total revenues</b>	<u>333</u>	<u>1,250</u>	<u>(917)</u>
<b>Expenditures</b>			
Debt service:			
Principal payments	10,000	10,000	-
Interest and paying agents' fees	<u>151,375</u>	<u>152,625</u>	<u>1,250</u>
<b>Total expenditures</b>	<u>161,375</u>	<u>162,625</u>	<u>1,250</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(161,042)</u>	<u>(161,375)</u>	<u>333</u>
<b>Other financing sources (uses)</b>			
Transfers in	161,175	161,175	-
Transfers out	<u>(333)</u>	<u>-</u>	<u>(333)</u>
<b>Total other financing sources (uses)</b>	<u>160,842</u>	<u>161,175</u>	<u>(333)</u>
<b>Net change In fund balance</b>	(200)	(200)	-
<b>Fund balance - beginning</b>	<u>85,788</u>	<u>85,788</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 85,588</u>	<u>\$ 85,588</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, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 4,003	\$ 5,000	\$ (997)
<b>Total revenues</b>	<u>4,003</u>	<u>5,000</u>	<u>(997)</u>
<b>Expenditures</b>			
Debt service:			
Principal payments	755,000	755,000	-
Interest and paying agents' fees	138,073	138,548	475
<b>Total expenditures</b>	<u>893,073</u>	<u>893,548</u>	<u>475</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(889,070)</u>	<u>(888,548)</u>	<u>(522)</u>
<b>Other financing sources (uses)</b>			
Transfers in	926,580	926,580	
Transfers out	(4,003)	(4,525)	522
<b>Total other financing sources (uses)</b>	<u>922,577</u>	<u>922,055</u>	<u>522</u>
<b>Net change In fund balance</b>	33,507	33,507	-
<b>Fund balance - beginning</b>	<u>827,283</u>	<u>827,283</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 860,790</u>	<u>\$ 860,790</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, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 7,205	16,700	\$ (9,495)
<b>Total revenues</b>	<u>7,205</u>	<u>16,700</u>	<u>(9,495)</u>
<b>Expenditures</b>			
Debt service:			
Principal payments	-	1,305,000	1,305,000
Interest and paying agents' fees	53,592	447,350	393,758
<b>Total expenditures</b>	<u>53,592</u>	<u>1,752,350</u>	<u>1,698,758</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(46,387)</u>	<u>(1,735,650)</u>	<u>1,689,263</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,590,172	1,786,992	(196,820)
Transfers out	(7,205)	(15,598)	8,393
<b>Total other financing sources (uses)</b>	<u>1,582,967</u>	<u>1,771,394</u>	<u>(188,427)</u>
<b>Net change In fund balance</b>	1,536,580	35,744	1,500,836
<b>Fund balance - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 1,536,580</u>	<u>\$ 35,744</u>	<u>\$ 1,500,836</u>



**CITY OF OCALA, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2014**

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
<b>Assets</b>			
Equity in pooled cash and investment fund	\$ 685,264	\$ 1,472,810	\$ 2,158,074
<b>Total assets</b>	<u>685,264</u>	<u>1,472,810</u>	<u>2,158,074</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	130,915	14,791	145,706
Retainage on contracts	202	2,789	2,991
<b>Total liabilities</b>	<u>131,117</u>	<u>17,580</u>	<u>148,697</u>
<b>Fund Balances:</b>			
Restricted	554,147	1,455,230	2,009,377
<b>Total fund balances</b>	<u>554,147</u>	<u>1,455,230</u>	<u>2,009,377</u>
<b>Total liabilities and fund balances</b>	<u>\$ 685,264</u>	<u>\$ 1,472,810</u>	<u>\$ 2,158,074</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, 2014**

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
<b>Revenues</b>			
Investment income	\$ -	\$ 19,948	\$ 19,948
<b>Total revenues</b>	<u>-</u>	<u>19,948</u>	<u>19,948</u>
<b>Expenditures</b>			
Current:			
General government	130,775	12,500	143,275
Culture and recreation	9,550	10,057	19,607
Capital outlay	131,690	399,025	530,715
<b>Total expenditures</b>	<u>272,015</u>	<u>421,582</u>	<u>693,597</u>
<b>Net change in fund balances</b>	(272,015)	(401,634)	(673,649)
<b>Fund balances - beginning</b>	<u>826,162</u>	<u>1,856,864</u>	<u>2,683,026</u>
<b>Fund balances - ending</b>	<u>\$ 554,147</u>	<u>\$ 1,455,230</u>	<u>\$ 2,009,377</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**2002 CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>			
Current:			
General government	130,775	201,721	70,946
Culture and recreation	5,500	6,500	1,000
Capital outlay	135,740	617,941	482,201
<b>Total expenditures</b>	<u>272,015</u>	<u>826,162</u>	<u>554,147</u>
<b>Net change in fund balance</b>	(272,015)	(826,162)	554,147
<b>Fund balance - beginning</b>	<u>826,162</u>	<u>826,162</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 554,147</u>	<u>\$ -</u>	<u>\$ 554,147</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**2007A CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 19,948	\$ -	\$ 19,948
<b>Total revenues</b>	<u>19,948</u>	<u>-</u>	<u>19,948</u>
<b>Expenditures</b>			
Current:			
General government	12,500	83,153	70,653
Culture and recreation	10,057	6,123	(3,934)
Capital outlay	399,025	1,767,588	1,368,563
<b>Total expenditures</b>	<u>421,582</u>	<u>1,856,864</u>	<u>1,435,282</u>
<b>Net change In fund balance</b>	(401,634)	(1,856,864)	1,455,230
<b>Fund balance - beginning</b>	<u>1,856,864</u>	<u>1,856,864</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 1,455,230</u>	<u>\$ -</u>	<u>\$ 1,455,230</u>

**CITY OF OCALA, FLORIDA  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2014**

**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 1,027 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, 2014**

	<b>Fleet, Facilities and Information Technology Management</b>	<b>Self- Insurance</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets:</b>			
Equity in pooled cash and investment fund	\$ 6,077,219	\$ 25,532,395	\$ 31,609,614
Accrued interest receivable	12,324	44,828	57,152
Accounts receivable	3,100	374,989	378,089
<b>Total current assets</b>	<u>6,092,643</u>	<u>25,952,212</u>	<u>32,044,855</u>
<b>Capital Assets, Net</b>	<u>13,104,997</u>	<u>-</u>	<u>13,104,997</u>
<b>Total assets</b>	<u>19,197,640</u>	<u>25,952,212</u>	<u>45,149,852</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	154,244	2,302,250	2,456,494
Claims payable	-	9,726,088	9,726,088
Capital lease	1,120,970	-	1,120,970
<b>Total current liabilities</b>	<u>1,275,214</u>	<u>12,028,338</u>	<u>13,303,552</u>
<b>Noncurrent Liabilities:</b>			
Capital lease	175,226	-	175,226
<b>Total noncurrent liabilities</b>	<u>175,226</u>	<u>-</u>	<u>175,226</u>
<b>Total liabilities</b>	<u>1,450,440</u>	<u>12,028,338</u>	<u>13,478,778</u>
<b>Net Position</b>			
Net invested in capital assets	11,808,801	-	11,808,801
Unrestricted	5,938,399	13,923,874	19,862,273
<b>Total net position</b>	<u>\$ 17,747,200</u>	<u>\$ 13,923,874</u>	<u>\$ 31,671,074</u>

**CITY OF OCALA, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Fleet, Facilities and Information Technology Management</b>	<b>Self- Insurance</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Fees and rentals	\$ 1,077,313	\$ 1,056,297	\$ 2,133,610
City insurance contributions	-	10,005,010	10,005,010
Employee insurance contributions	-	2,322,381	2,322,381
Other	1,758	1,111,147	1,112,905
Total operating revenues	<u>1,079,071</u>	<u>14,494,835</u>	<u>15,573,906</u>
<b>Operating Expenses:</b>			
Operations management	1,146,483	-	1,146,483
Insurance, administration and other	-	14,339,180	14,339,180
Depreciation	1,893,157	-	1,893,157
Total operating expenses	<u>3,039,640</u>	<u>14,339,180</u>	<u>17,378,820</u>
<b>Operating income (loss)</b>	<u>(1,960,569)</u>	<u>155,655</u>	<u>(1,804,914)</u>
<b>Non-Operating Revenues:</b>			
Investment income	67,560	248,428	315,988
Interest expense	(26,242)	-	(26,242)
Other non-operating revenue (expense)	(4,554)	-	(4,554)
Total non-operating revenues	<u>36,764</u>	<u>248,428</u>	<u>285,192</u>
<b>Income before operating transfers</b>	<u>(1,923,805)</u>	<u>404,083</u>	<u>(1,519,722)</u>
<b>Transfers:</b>			
Transfers in	3,085,787	-	3,085,787
Transfers out	-	(49,051)	(49,051)
Total transfers	<u>3,085,787</u>	<u>(49,051)</u>	<u>3,036,736</u>
<b>Change in net position</b>	<u>1,161,982</u>	<u>355,032</u>	<u>1,517,014</u>
<b>Net position - October 1, restated</b>	<u>16,585,218</u>	<u>13,568,842</u>	<u>30,154,060</u>
<b>Net position - September 30</b>	<u>\$ 17,747,200</u>	<u>\$ 13,923,874</u>	<u>\$ 31,671,074</u>

**CITY OF OCALA, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Fleet, Facilities and Information Technology Management</b>	<b>Self- Insurance</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from employees	\$ -	\$ 2,329,269	\$ 2,329,269
Cash paid to suppliers for goods and services	(1,055,368)	(2,580,871)	(3,636,239)
Cash paid to employees for services	-	(5,005)	(5,005)
Cash received from other funds	1,079,071	11,061,307	12,140,378
Cash paid for insurance claims	-	(6,927,909)	(6,927,909)
Net cash provided by operating activities	<u>23,703</u>	<u>3,876,791</u>	<u>3,900,494</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers in	3,085,787	-	3,085,787
Transfers out	-	(49,051)	(49,051)
Net cash used in non-capital financing activities	<u>3,085,787</u>	<u>(49,051)</u>	<u>3,036,736</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal paid on capital lease and notes payable	(1,110,469)	-	(1,110,469)
Interest paid on capital lease and notes payable	(26,242)	-	(26,242)
Proceeds from sale of capital assets	81,069	-	81,069
Acquisition and construction of capital assets	(2,949,453)	-	(2,949,453)
Net cash used in capital and related financing activities	<u>(4,005,095)</u>	<u>-</u>	<u>(4,005,095)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment income	<u>72,538</u>	<u>254,391</u>	<u>326,929</u>
Net cash provided by investing activities	<u>72,538</u>	<u>254,391</u>	<u>326,929</u>
<b>Net increase (decrease) in cash and cash equivalents:</b>	<b>(823,067)</b>	<b>4,082,131</b>	<b>3,259,064</b>
<b>Cash and cash equivalents, beginning</b>	<u>6,900,286</u>	<u>21,450,264</u>	<u>28,350,550</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 6,077,219</u>	<u>\$ 25,532,395</u>	<u>\$ 31,609,614</u>

(Continued)



**CITY OF OCALA, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS (Continued)  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Fleet, Facilities and Information Technology Management</b>	<b>Self- Insurance</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ (1,960,569)	\$ 155,655	\$ (1,804,914)
Adjustment to reconcile operating income to cash flows provided by operating activities:			
Depreciation	1,893,157	-	1,893,157
Other (expense)			-
(Increase) decrease in assets:			
Accounts and notes receivable	-	6,888	6,888
Other current assets		(374,989)	(374,989)
Increase (decrease) in liabilities:			
Accounts payable	91,115	1,708,267	1,799,382
Compensated absences payable		188	188
Claims payable	-	2,383,677	2,383,677
Unearned revenue	-	(2,895)	(2,895)
Net cash provided by operating activities	\$ 23,703	\$ 3,876,791	\$ 3,900,494



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# **STATISTICAL SECTION**

**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.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b> .....	146-155
These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<b>Revenue Capacity</b> .....	156-160
These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
<b>Debt Capacity</b> .....	161-167
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.	
<b>Demographic and Economic Information</b> .....	168-171
These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<b>Operating Information</b> .....	172-176
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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net invested in capital assets	\$ 116,181,216	\$ 124,147,138	\$ 141,390,721	\$ 128,759,607
Restricted	28,958,142	24,466,026	15,879,457	26,539,950
Unrestricted	25,722,561	29,311,300	39,241,861	54,148,084
Total governmental activities net position	<u>170,861,919</u>	<u>177,924,464</u>	<u>196,512,039</u>	<u>209,447,641</u>
Business-type activities				
Net invested in capital assets	183,993,059	196,090,833	223,036,346	232,698,752
Restricted	27,815,830	10,240,786	27,844,378	28,358,718
Unrestricted	57,968,143	84,619,342	68,682,510	66,983,643
Total business-type activities net position	<u>269,777,032</u>	<u>290,950,961</u>	<u>319,563,234</u>	<u>328,041,113</u>
Primary government				
Net invested in capital assets (1)	300,174,275	320,237,971	364,427,067	361,458,359
Restricted	56,773,972	34,706,812	43,723,835	54,898,668
Unrestricted	83,690,704	113,930,642	107,924,371	121,131,727
Total primary government net position	<u>\$ 440,638,951</u>	<u>\$ 468,875,425</u>	<u>\$ 516,075,273</u>	<u>\$ 537,488,754</u>

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 146,661,774	\$ 141,149,863	\$ 139,025,810	\$ 143,798,547	\$ 141,311,511	\$ 138,868,835
10,589,689	19,911,292	21,083,016	15,804,304	14,389,998	16,443,002
63,224,481	70,447,522	66,879,269	61,671,543	64,263,573	64,910,436
<u>220,475,944</u>	<u>231,508,677</u>	<u>226,988,095</u>	<u>221,274,394</u>	<u>219,965,082</u>	<u>220,222,273</u>
250,066,606	257,326,336	252,616,203	238,797,203	232,258,907	217,624,156
32,252,690	38,519,090	23,487,318	18,151,713	16,814,430	14,661,259
65,557,333	48,567,143	58,444,825	76,551,821	80,593,174	94,313,018
<u>347,876,629</u>	<u>344,412,569</u>	<u>334,548,346</u>	<u>333,500,737</u>	<u>329,666,511</u>	<u>326,598,433</u>
396,728,380	398,476,199	391,642,013	382,595,750	373,570,418	356,492,991
42,842,379	58,430,382	44,570,334	33,956,017	31,204,428	31,104,261
128,781,814	119,014,665	125,324,094	138,223,364	144,856,747	159,223,454
<u>\$ 568,352,573</u>	<u>\$ 575,921,246</u>	<u>\$ 561,536,441</u>	<u>\$ 554,775,131</u>	<u>\$ 549,631,593</u>	<u>\$ 546,820,706</u>

**CITY OF OCALA, FLORIDA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>				
Governmental Activities:				
General government	\$ 8,604,212	\$ 8,341,978	\$ 9,042,965	\$ 7,347,987
Public safety	33,862,494	31,980,509	33,789,230	37,270,168
Public works	11,248,691	19,064,719	19,294,535	15,599,695
Physical environment	-	104,095	78,778	120,691
Transportation	-	636,705	595,319	519,577
Economic environment	345,869	986,103	1,018,874	1,199,010
Human services	-	167,746	175,581	181,926
Culture and recreation	5,486,761	5,204,487	5,290,190	5,290,461
Non-departmental	209,889	-	-	-
Interest on long-term debt	1,901,587	1,813,808	1,787,386	2,238,101
Total Governmental Activities	<u>64,044,026</u>	<u>68,300,150</u>	<u>71,072,858</u>	<u>69,767,616</u>
Business-type Activities:				
Electric	121,062,884	147,557,401	143,298,835	166,633,502
Water and sewer	19,762,319	20,982,952	21,899,008	26,199,859
Sanitation	10,296,688	9,223,907	10,207,833	11,249,757
Municipal golf courses	2,885,062	2,815,080	2,956,984	3,201,620
Municipal trailer park	95,003	105,446	108,164	185,069
International airport	1,273,234	1,191,134	1,315,256	1,276,023
Adult athletic complex	185,716	202,062	213,599	249,338
Communications	897,376	928,304	1,160,423	1,290,286
SunTran	1,779,496	1,887,826	2,076,317	2,385,529
Total Business-type Activities	<u>158,237,778</u>	<u>184,894,112</u>	<u>183,236,419</u>	<u>212,670,983</u>
Total Expenses	<u>222,281,804</u>	<u>253,194,262</u>	<u>254,309,277</u>	<u>282,438,599</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for services:				
General government	5,149,670	5,560,008	5,769,933	4,786,682
Public safety	649,697	683,644	5,395,245	7,776,470
Public works	2,975,108	4,483,574	4,617,381	5,105,758
Economic environment	-	-	-	-
Human services	-	-	-	83,612
Culture and recreation	697,530	731,896	847,408	708,726
Housing and urban development	-	264,817	216,853	89,845
Miscellaneous	263,097	-	-	-
Operating grants and contributions	8,301,964	9,966,243	8,171,315	8,932,926
Capital grants and contributions	2,969,336	3,818,508	10,393,761	350,420
Total governmental activities	<u>21,006,402</u>	<u>25,508,690</u>	<u>35,411,896</u>	<u>27,834,439</u>
Business-type Activities:				
Charges for services:				
Electric	131,457,291	162,504,999	151,504,058	176,235,678
Water and sewer	22,036,751	24,875,305	26,282,949	29,897,392
Sanitation	9,327,646	10,066,654	10,704,172	10,722,931
Municipal golf courses	2,124,820	2,394,301	2,069,934	1,988,105
Municipal trailer park	111,097	111,062	122,667	119,587
International airport	609,983	597,170	846,820	793,948
Adult athletic complex	132,710	134,301	162,187	155,461
Communications	1,279,230	1,255,884	1,758,988	1,861,780
SunTran	192,818	207,268	274,241	258,529
Operating grants and contributions	3,835,344	1,282,929	1,344,736	672,437
Capital grants and contributions	6,851,151	13,222,924	14,001,918	4,931,655
Total Business-type Activities	<u>177,958,841</u>	<u>216,652,797</u>	<u>209,072,670</u>	<u>227,637,503</u>
Total Program Revenues	<u>\$ 198,965,243</u>	<u>\$ 242,161,487</u>	<u>\$ 244,484,566</u>	<u>\$ 255,471,942</u>

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$	10,239,676	\$ 16,752,242	\$ 24,264,441	\$ 21,121,585	\$ 19,281,318	\$ 19,534,066
	37,143,770	34,749,900	38,347,627	38,601,843	37,679,867	40,478,307
	13,839,479	16,158,833	-	-	-	-
	51,956	95,797	2,926,147	3,371,441	3,360,975	3,237,167
	583,024	544,636	15,289,841	16,209,344	13,965,893	13,795,747
	1,391,668	1,141,505	1,693,471	1,421,490	1,307,330	1,161,368
	202,033	210,689	344,194	295,471	24,280	16,097
	4,937,571	4,459,167	5,688,221	5,532,341	5,277,119	6,344,312
	-	-	-	-	-	-
	2,219,848	2,130,575	1,973,381	1,901,112	1,539,021	1,081,931
	<u>70,609,025</u>	<u>76,243,344</u>	<u>90,527,323</u>	<u>88,454,627</u>	<u>82,435,803</u>	<u>85,648,995</u>
	167,299,569	159,685,595	141,265,888	131,739,257	138,811,204	139,883,927
	25,677,661	24,979,015	26,910,448	27,502,689	28,609,880	29,073,065
	9,490,485	9,226,066	8,300,874	8,403,943	7,882,244	8,500,528
	2,835,780	2,750,571	1,864,304	1,838,581	1,677,306	1,713,929
	313,027	1,585	-	-	-	-
	1,152,341	1,065,738	1,319,583	2,133,709	2,118,046	1,559,991
	321,388	-	-	-	-	-
	1,326,462	1,692,881	1,918,905	1,718,074	1,920,583	1,867,882
	2,279,470	2,424,357	2,552,321	2,723,710	3,218,583	3,064,160
	<u>210,696,183</u>	<u>201,825,808</u>	<u>184,132,323</u>	<u>176,059,963</u>	<u>184,237,846</u>	<u>185,663,482</u>
	<u>281,305,208</u>	<u>278,069,152</u>	<u>274,659,646</u>	<u>264,514,590</u>	<u>266,673,649</u>	<u>271,312,477</u>
	2,640,352	6,188,395	11,554,007	11,756,605	12,120,493	12,573,121
	8,223,438	8,195,210	8,132,401	8,180,181	8,633,327	9,222,433
	4,642,705	4,614,709	-	-	-	-
	-	-	29,006	30,604	63,899	73,697
	-	-	-	-	-	-
	494,433	493,733	393,910	387,020	391,944	615,502
	18,502	43,933	-	-	-	-
	-	-	-	-	-	-
	3,914,934	4,274,901	4,768,303	4,531,360	3,576,996	1,730,087
	4,105,649	3,540,911	1,474,530	290,385	2,453,222	2,055,142
	<u>24,040,013</u>	<u>27,351,792</u>	<u>26,352,157</u>	<u>25,176,155</u>	<u>27,239,881</u>	<u>26,269,982</u>
	177,960,026	173,550,081	139,919,007	139,183,371	150,344,736	149,081,307
	26,352,644	26,212,019	26,417,073	26,575,860	26,228,504	26,343,265
	10,367,214	10,227,176	10,143,158	10,049,016	10,035,141	10,226,021
	1,423,620	1,813,360	1,167,391	1,113,876	1,141,808	1,162,307
	46,646	-	-	-	-	-
	874,514	693,157	727,728	674,507	767,090	771,685
	140,640	-	-	-	-	-
	1,890,773	2,178,868	2,297,997	2,437,730	2,530,414	2,709,641
	298,481	312,821	357,467	371,062	361,693	381,085
	4,157,687	2,124,323	2,084,740	2,039,616	2,936,061	2,096,501
	6,734,016	2,042,164	2,582,497	738,514	1,479,180	3,105,852
	<u>230,246,261</u>	<u>219,153,969</u>	<u>185,697,058</u>	<u>183,183,552</u>	<u>195,824,627</u>	<u>195,877,664</u>
\$	<u>254,286,274</u>	<u>246,505,761</u>	<u>212,049,215</u>	<u>208,359,707</u>	<u>223,064,508</u>	<u>222,147,646</u>



**CITY OF OCALA, FLORIDA**  
**CHANGES IN NET POSITION (continued)**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (Expense)/Revenue:				
Governmental Activities	\$ (43,037,624)	\$ (42,791,460)	\$ (35,660,962)	\$ (41,933,177)
Business-type Activities	<u>19,721,063</u>	<u>31,758,685</u>	<u>25,836,251</u>	<u>14,966,520</u>
Total net expense	<u>(23,316,561)</u>	<u>(11,032,775)</u>	<u>(9,824,711)</u>	<u>(26,966,657)</u>
<b>General Revenues</b>				
Governmental Activities:				
Property taxes	16,353,798	17,838,831	21,147,093	21,102,963
Utility service tax	10,493,622	10,492,840	11,613,177	12,468,590
Other taxes	637,006	776,335	1,723,911	1,111,427
Unrestricted revenues	4,881,721	5,162,216	4,898,299	4,897,376
Investment income	1,250,902	2,843,963	3,834,054	2,646,691
Miscellaneous	41,595	103,094	197,315	1,391,588
Transfers	12,335,768	12,636,726	10,834,688	11,250,144
Total governmental revenues and transfers	<u>45,994,412</u>	<u>49,854,005</u>	<u>54,248,537</u>	<u>54,868,779</u>
Business-type Activities:				
Investment income	1,980,750	4,535,902	6,025,971	4,761,503
Transfers	(12,335,768)	(12,636,726)	(10,834,688)	(11,250,144)
Total business-type activities	<u>(10,355,018)</u>	<u>(8,100,824)</u>	<u>(4,808,717)</u>	<u>(6,488,641)</u>
Total primary government	<u>35,639,394</u>	<u>41,753,181</u>	<u>49,439,820</u>	<u>48,380,138</u>
<b>Change in Net Position</b>				
Governmental Activities	2,956,788	7,062,545	18,587,575	12,935,602
Business-type Activities	9,366,045	23,657,861	21,027,534	8,477,879
Total Change in Net Position	<u>\$ 12,322,833</u>	<u>\$ 30,720,406</u>	<u>\$ 39,615,109</u>	<u>\$ 21,413,481</u>

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$	(46,569,012)	\$ (48,891,552)	\$ (64,175,166)	\$ (63,278,472)	\$ (55,195,922)	\$ (59,379,013)
	<u>19,550,078</u>	<u>17,328,161</u>	<u>1,564,735</u>	<u>7,123,589</u>	<u>11,586,781</u>	<u>10,214,182</u>
	(27,018,934)	(31,563,391)	(62,610,431)	(56,154,883)	(43,609,141)	(49,164,831)
	20,978,586	21,677,666	21,631,286	21,480,323	21,305,973	21,894,229
	13,209,971	13,327,736	10,866,057	11,406,395	8,599,445	8,664,000
	4,504,911	5,718,242	5,808,190	5,582,859	8,972,446	7,689,252
	4,752,300	4,341,188	4,250,585	4,624,982	4,840,855	5,163,266
	5,898,766	3,149,151	1,504,673	2,069,520	82,061	1,061,063
	1,241,128	677,770	1,521,444	1,226,162	1,009,236	375,033
	<u>7,011,653</u>	<u>11,032,532</u>	<u>14,072,349</u>	<u>11,174,530</u>	<u>11,232,009</u>	<u>14,789,361</u>
	<u>57,597,315</u>	<u>59,924,285</u>	<u>59,654,584</u>	<u>57,564,771</u>	<u>56,042,025</u>	<u>59,636,204</u>
	7,297,091	3,217,987	2,643,391	3,003,332	762,696	1,507,101
	<u>(7,011,653)</u>	<u>(11,032,532)</u>	<u>(14,072,349)</u>	<u>(11,174,530)</u>	<u>(11,232,009)</u>	<u>(14,789,361)</u>
	<u>285,438</u>	<u>(7,814,545)</u>	<u>(11,428,958)</u>	<u>(8,171,198)</u>	<u>(10,469,313)</u>	<u>(13,282,260)</u>
	<u>57,882,753</u>	<u>52,109,740</u>	<u>48,225,626</u>	<u>49,393,573</u>	<u>45,572,712</u>	<u>46,353,944</u>
	11,028,303	11,032,733	(4,520,582)	(5,713,701)	846,103	257,191
	<u>19,835,516</u>	<u>9,513,616</u>	<u>(9,864,223)</u>	<u>(1,047,609)</u>	<u>1,117,468</u>	<u>(3,068,078)</u>
\$	<u>30,863,819</u>	<u>\$ 20,546,349</u>	<u>\$ (14,384,805)</u>	<u>\$ (6,761,310)</u>	<u>\$ 1,963,571</u>	<u>\$ (2,810,887)</u>

**CITY OF OCALA, FLORIDA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	16,209,931	19,728,353	25,945,812	27,070,783
Total general fund	<u>16,209,931</u>	<u>19,728,353</u>	<u>25,945,812</u>	<u>27,070,783</u>
CRA fund				
Restricted	-	-	-	-
Total CRA fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
All other governmental funds				
Restricted	-	-	-	-
Committed	-	-	-	-
Reserved	29,861,294	25,336,025	16,712,856	27,659,497
Unreserved, reported in:				
Special revenue funds	3,154,023	3,369,290	2,900,260	4,671,581
Total all other governmental funds	<u>\$ 33,015,317</u>	<u>\$ 28,705,315</u>	<u>\$ 19,613,116</u>	<u>\$ 32,331,078</u>

Note: Beginning in 2011, amounts have not been restated for the implementation of GASB statement 54.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ -	\$ -	\$ 296,457	\$ 357,305	\$ 312,239	\$ 356,272
-	233,683	-	-	-	-
-	-	2,623,303	2,698,762	2,250,114	2,244,478
-	-	2,757,930	2,231,685	2,075,156	2,111,603
-	-	20,392,709	18,439,496	19,470,337	21,092,119
-	-	15,065,839	15,196,270	17,366,628	17,566,179
<u>31,278,522</u>	<u>38,771,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>31,278,522</u>	<u>39,005,148</u>	<u>41,136,238</u>	<u>38,923,518</u>	<u>41,474,474</u>	<u>43,370,651</u>
-	-	-	3,685,413	3,854,480	4,054,507
-	-	-	<u>3,685,413</u>	<u>3,854,480</u>	<u>4,054,507</u>
-	-	19,147,131	13,856,726	11,466,604	12,696,455
-	-	5,398,490	5,344,244	5,825,062	5,235,565
22,914,895	22,065,677	-	-	-	-
<u>4,337,328</u>	<u>4,697,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 27,252,223</u>	<u>\$ 26,763,012</u>	<u>\$ 24,545,621</u>	<u>\$ 19,200,970</u>	<u>\$ 17,291,666</u>	<u>\$ 17,932,020</u>

**CITY OF OCALA, FLORIDA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues:</b>				
Property tax	\$ 16,353,798	\$ 17,838,831	\$ 21,147,093	\$ 21,102,963
Utility service tax	10,493,622	10,492,840	11,613,177	12,468,590
Communication service tax				
Local option gas tax	725,928	860,958	1,799,011	1,111,427
Other tax				
State revenue sharing	1,654,026	1,676,397	1,694,938	4,897,376
Other intergovernmental revenue	12,697,561	12,325,003	9,771,807	9,267,258
Parking meters and facilities	58,644	48,528	38,358	55,009
Licenses, permits and fees	2,292,970	2,679,396	2,223,801	1,869,393
Fines and forfeitures	501,990	491,365	666,486	461,016
Charges for services	6,303,068	8,052,521	13,213,581	15,453,587
Investment income	1,078,883	2,318,243	3,023,206	2,093,104
Gifts	1,722,328	1,490,884	3,157,632	547,044
Miscellaneous	610,209	869,263	931,583	1,391,588
Total revenues	<u>54,493,027</u>	<u>59,144,229</u>	<u>69,280,673</u>	<u>70,718,355</u>
<b>Expenditures:</b>				
General government	7,643,894	8,173,331	9,373,452	14,354,658
Public safety	29,092,600	30,795,940	33,840,516	36,498,069
Public works	10,773,519	12,265,628	13,681,476	9,695,188
Physical environment	-	103,973	79,288	81,207
Transportation	-	628,972	627,682	545,969
Economic environment	345,869	930,969	950,547	1,184,083
Human services	-	167,714	175,714	164,528
Culture and recreation	4,676,951	5,030,888	5,301,517	5,157,138
Capital outlay	6,314,599	9,815,155	14,257,745	10,551,340
Debt service				
Principal payments	2,805,000	2,875,000	2,940,000	3,020,000
Interest and fees	1,878,165	1,791,259	1,768,469	1,894,751
Total expenditures	<u>66,080,612</u>	<u>72,578,829</u>	<u>82,996,406</u>	<u>83,146,931</u>
Excess of revenues over (under) expenditures	<u>(11,587,585)</u>	<u>(13,434,600)</u>	<u>(13,715,733)</u>	<u>(12,428,576)</u>
<b>Other financing sources (uses):</b>				
Transfers in	17,159,554	17,557,172	17,940,728	20,330,785
Transfers out	(4,946,543)	(4,914,152)	(7,099,735)	(10,192,662)
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>12,213,011</u>	<u>12,643,020</u>	<u>10,840,993</u>	<u>26,271,509</u>
Net change in fund balances	<u>\$ 625,426</u>	<u>\$ (791,580)</u>	<u>\$ (2,874,740)</u>	<u>\$ 13,842,933</u>
Debt service as a percentage of noncapital expenditures	7.84%	7.43%	6.85%	6.77%

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 20,978,586	\$ 21,677,666	\$ 21,631,286	\$ 21,480,323	\$ 21,305,973	\$ 21,894,229
13,209,971	13,327,736	10,866,057	11,406,395	8,599,445	8,664,000
				3,284,777	2,950,539
4,504,911	5,718,242	5,808,190	5,582,859	4,742,861	3,848,278
				944,808	890,435
4,752,300	4,341,188	4,250,585	4,624,982	4,840,855	5,163,266
5,475,893	7,602,864	6,242,833	3,617,375	4,721,562	4,015,546
59,354	-	-	-	-	-
948,981	2,063,405	2,127,999	1,968,607	1,961,915	2,322,118
582,352	495,370	493,956	551,217	525,780	662,904
14,637,036	16,977,204	17,487,369	17,834,586	18,721,968	19,269,414
4,199,163	2,152,552	1,028,367	1,451,612	15,094	745,075
1,840,756	212,949	137,589	1,204,370	70,747	113,672
1,241,128	677,770	1,383,855	1,226,162	917,713	258,860
<u>72,430,431</u>	<u>75,246,946</u>	<u>71,458,086</u>	<u>70,948,488</u>	<u>70,653,498</u>	<u>70,798,336</u>
10,170,481	16,052,937	19,524,363	18,349,850	17,510,262	17,883,219
37,118,704	34,806,006	35,713,344	36,171,183	36,209,453	39,180,970
8,979,723	9,643,723	-	-	-	-
22,228	-	2,540,183	2,954,633	2,959,543	3,142,876
630,474	552,731	7,841,187	8,169,030	5,901,177	5,897,941
1,389,402	1,144,566	1,623,516	1,293,888	1,172,458	1,162,813
197,435	205,492	252,015	284,499	18,507	10,119
5,144,054	4,395,486	5,122,702	5,002,921	4,791,829	5,301,046
11,171,184	10,348,794	7,033,957	7,764,972	5,498,520	5,426,673
3,368,600	3,318,601	3,135,000	3,905,000	5,280,000	765,000
2,204,915	2,117,452	2,023,321	2,139,000	1,768,039	1,043,746
<u>80,397,200</u>	<u>82,585,788</u>	<u>84,809,588</u>	<u>86,034,976</u>	<u>81,109,788</u>	<u>79,814,403</u>
<u>(7,966,769)</u>	<u>(7,338,842)</u>	<u>(13,351,502)</u>	<u>(15,086,488)</u>	<u>(10,456,290)</u>	<u>(9,016,067)</u>
18,677,751	21,747,904	19,144,620	16,776,990	15,802,925	16,020,763
(11,582,098)	(7,171,647)	(5,879,419)	(5,602,460)	(4,570,916)	(4,268,138)
-	-	-	8,405,000	7,700,000	-
-	-	-	-	-	-
-	-	-	(8,365,000)	(7,665,000)	-
7,095,653	14,576,257	13,265,201	11,214,530	11,267,009	11,752,625
<u>\$ (871,116)</u>	<u>\$ 7,237,415</u>	<u>\$ (86,301)</u>	<u>\$ (3,871,958)</u>	<u>\$ 810,719</u>	<u>\$ 2,736,558</u>
8.05%	7.53%	6.63%	7.72%	9.32%	2.43%

**CITY OF OCALA, FLORIDA  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE  
 OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended Sept. 30, <sup>(2)</sup></b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Agricultural Property</b>	<b>Institutional Property</b>	<b>Governmental Property</b>
2005	\$ 1,369,536,668	\$ 824,450,460	\$ 303,736,680	\$ 62,359,418	\$206,861,715	\$ 304,364,777
2006	1,600,222,052	890,444,399	326,588,278	73,141,502	228,418,327	372,272,984
2007	2,167,036,569	1,067,577,070	398,331,679	105,585,327	271,471,369	434,025,442
2008	2,949,994,448	1,253,672,907	482,610,648	93,641,860	307,406,690	481,497,048
2009	2,965,292,837	1,346,969,757	533,735,948	100,123,252	324,414,667	490,801,375
2010	2,556,679,147	1,371,181,796	477,635,303	100,123,252	324,414,667	503,103,052
2011	2,181,585,419	1,203,014,383	435,601,285	73,955,610	294,136,778	476,559,144
2012	1,968,142,445	1,169,047,884	417,870,693	78,020,561	288,016,230	463,576,509
2013	1,810,585,718	1,145,607,613	408,603,966	75,116,698	284,089,821	454,817,624
2014	1,790,978,723	1,148,270,533	412,041,209	75,561,748	293,035,789	444,745,227

Source: Marion County, Florida, Property Appraiser

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> All property assessed value for the specified fiscal year-end are obtained from the previous year's tax roll.

<sup>(3)</sup> Includes tax-exempt property

<u>Vacant Land/Other</u>	<u>Total Real Estate Property</u>	<u>Tangible Personal Property</u>	<u>Total Tax Exempt</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax Rate <sup>(1)</sup></u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value<sup>(3)</sup> as a Percentage of Actual Value</u>
\$123,879,204	\$3,195,188,922	\$ 496,528,576	\$ 902,518,740	\$ 2,789,198,758	5.936	\$ 2,899,375,008	96.20%
130,566,644	3,621,654,186	508,697,524	1,064,029,778	3,066,321,932	5.934	3,286,518,684	93.30%
173,483,303	4,617,510,759	547,189,434	1,402,552,458	3,762,147,735	5.676	4,006,547,109	93.90%
268,788,561	5,837,612,162	614,223,942	1,739,792,892	4,712,043,212	4.529	4,852,773,648	97.10%
271,011,673	6,032,349,509	653,897,260	1,959,757,717	4,726,489,052	4.529	4,818,031,653	98.10%
223,798,124	5,543,544,948	597,457,634	1,724,507,750	4,416,494,832	4.966	4,420,915,748	99.90%
180,770,925	4,845,623,544	545,408,952	1,485,187,355	3,905,845,141	5.618	3,997,794,412	97.70%
177,245,591	4,561,919,913	500,461,641	1,372,659,330	3,689,722,224	5.933	3,768,868,462	97.90%
162,167,340	4,340,988,780	498,291,991	1,296,059,078	3,543,221,693	6.150	3,546,768,461	99.90%
145,917,091	4,310,550,320	528,584,657	1,273,547,950	3,565,587,027	6.250	3,687,266,832	96.70%



**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**

<b>Fiscal Year <sup>(1)</sup></b>	<b>Direct</b>	<b>Overlapping</b>			<b>Total</b>
	<b>City</b>	<b>County</b>	<b>School</b>	<b>Water Mgmt Districts</b>	
2005	5.93	5.31	8.27	0.46	19.97
2006	5.93	4.87	8.01	0.46	19.27
2007	5.68	4.57	7.87	0.46	18.58
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

Source: Marion County, Florida, Property Appraiser.

Note:

- <sup>(1)</sup> 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	2014			2005		
	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value
K-Mart Corporation	\$ 53,017,209	1	1.50%	\$ 57,483,094	2	2.06%
Marion Community Hospital	46,090,857	2	1.30%	37,642,693	3	1.35%
Embarq	41,535,485	3	1.17%	65,724,908	1	2.36%
Paddock Mall Associates	38,555,606	4	1.09%	29,408,772	4	1.05%
Closetmaid Corporation	35,799,372	5	1.01%	25,522,449	7	0.92%
Wal-Mart	27,059,078	6	0.76%	26,666,491	6	0.96%
Carlton Arms Apartments	26,395,483	7	0.74%	27,104,025	5	0.97%
Heathbrook Ocala Associates	26,346,940	8	0.74%	-	-	0.00%
Morgan Ocala Center	21,006,918	9	0.59%	-	-	0.00%
C.C. Ocala Joint Venture	19,510,365	10	0.55%	15,122,007	9	0.54%
Dayco Products, Inc.	-	-	0.00%	16,145,321	8	0.58%
Gray Lumber Co. (Tuscany Apts)	-	-	0.00%	14,147,802	10	0.51%
Total	<u>\$ 335,317,313</u>		<u>9.46%</u>	<u>\$ 314,967,562</u>		<u>11.29%</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>
2005	\$ 16,587,684	\$ 15,498,629	93.43%	\$ 697,825	\$ 16,196,454	97.64%
2006	18,221,939	17,506,783	96.08%	151,208	17,657,991	96.91%
2007	21,386,729	20,690,703	96.75%	223,248	20,913,951	97.79%
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%

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	Total	Electric System Revenue Bonds	Utility Systems Revenue Bonds	Water and Sewer Revenue Bonds	Total			
2005	\$ 32,465	\$14,470	\$ 46,935	\$ -	\$ 57,980	\$ 59,655	\$ 117,635	\$ 164,570	13.00%	\$ 3,329
2006	31,200	12,860	44,060	-	57,485	56,595	114,080	158,140	11.50%	3,050
2007	29,910	11,210	41,120	-	56,860	53,425	110,285	151,405	10.53%	2,791
2008	44,575	9,515	54,090	-	144,170	27,605	171,775	225,865	15.18%	4,164
2009	43,215	7,780	50,995	-	143,520	24,165	167,685	218,680	14.54%	3,991
2010	41,805	6,145	47,950	-	142,860	20,575	163,435	211,385	13.22%	3,754
2011	40,355	4,460	44,815	-	139,220	16,830	156,050	200,865	12.51%	3,552
2012	38,230	2,720	40,950	-	154,380	-	154,380	195,330	11.65%	3,424
2013	35,427	-	35,427	-	153,137	-	153,137	188,564	11.18%	3,286
2014	35,940	-	35,940	-	145,795	-	145,795	181,735	10.29%	3,161

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, 2005 - 2014.

**CITY OF OCALA, FLORIDA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)  
SEPTEMBER 30, 2014**

<u>Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Applicable to City of Ocala</u>	
		<u>Percent <sup>(2)</sup></u>	<u>Amount</u>
Marion County Limited Ad Valorem Refunding Tax Bonds, Series 1998	\$ 2,780,000	25.67%	\$ 713,675
Total Overlapping Debt			<u>713,675</u>
City direct debt			<u>34,678,906</u>
Total direct and overlapping debt			<u><u>\$ 35,392,581</u></u>

(1) The City of Ocala had no outstanding general obligation debt during the fiscal year ended September 30, 2014.

(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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assessed Value (100% at market as of January 1, 2014)	<u>\$ 2,789,198,758</u>	<u>\$ 3,066,321,932</u>	<u>\$ 3,762,147,735</u>	<u>\$ 4,712,043,212</u>
Debt Limit: 20% of Assessed Value	557,839,752	613,264,386	752,429,547	942,408,642
Amount of General Obligation Debt Outstanding	-	-	-	-
Legal Debt Margin	<u>\$ 557,839,752</u>	<u>\$ 613,264,386</u>	<u>\$ 752,429,547</u>	<u>\$ 942,408,642</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."

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<u>\$ 4,726,489,052</u>	<u>\$ 4,416,494,782</u>	<u>\$ 3,905,845,141</u>	<u>\$ 3,689,722,224</u>	<u>\$ 3,543,221,693</u>	<u>\$ 3,565,587,027</u>
945,297,810	883,298,956	781,169,028	737,944,445	708,644,339	713,117,405
-	-	-	-	-	-
<u>\$ 945,297,810</u>	<u>\$ 883,298,956</u>	<u>\$ 781,169,028</u>	<u>\$ 737,944,445</u>	<u>\$ 708,644,339</u>	<u>\$ 713,117,405</u>



**CITY OF OCALA, FLORIDA  
PLEGDED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Capital Improvement Bonds and Certificates:				
Net revenue available for debt service	\$ 9,339,678	\$ 9,886,289	\$ 9,628,290	\$ 8,733,751
Debt Service payments:				
Principal	1,265,000	1,265,000	1,290,000	1,325,000
Interest	1,388,006	1,360,422	1,331,339	1,580,000
Total debt service payments	<u>\$ 2,653,006</u>	<u>\$ 2,625,422</u>	<u>\$ 2,621,339</u>	<u>\$ 2,905,000</u>
Coverage (times)	3.52x	3.77x	3.67x	3.01x
Optional Gas Tax Bonds:				
Net revenue available for debt service	\$ 2,957,912	\$ 3,113,220	\$ 3,180,946	\$ 2,892,928
Debt Service payments:				
Principal	1,415,000	1,450,000	1,480,000	1,520,000
Interest	452,321	412,730	372,060	328,436
Total debt service payments	<u>\$ 1,867,321</u>	<u>\$ 1,862,730</u>	<u>\$ 1,852,060</u>	<u>\$ 1,848,436</u>
Coverage (times)	1.58x	1.67x	1.72x	1.57x
Electric System Bonds:				
Gross revenues	\$ 133,762,878	\$ 162,504,999	\$ 151,504,058	\$ 175,441,091
Less: operating expenses	<u>115,542,920</u>	<u>142,349,614</u>	<u>138,048,277</u>	<u>159,954,673</u>
Net revenue available for debt service	18,219,958	20,155,385	13,455,781	15,486,418
Debt Service payments:				
Principal	2,105,000	-	-	-
Interest	164,699	-	-	-
Total debt service payments	<u>\$ 2,269,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage (times)	8.03x	N/A	N/A	N/A
Water & Sewer Bonds:				
Gross revenues	\$ 22,873,163	\$ 24,875,305	\$ 26,282,949	\$ 27,064,562
Less: operating expenses	<u>9,875,460</u>	<u>10,914,429</u>	<u>11,487,524</u>	<u>13,475,885</u>
Net revenue available for debt service	12,997,703	13,960,876	14,795,425	13,588,677
Debt Service payments:				
Principal	2,940,000	3,060,000	3,170,000	3,295,000
Interest	3,782,530	2,695,072	2,575,873	1,951,105
Total debt service payments	<u>\$ 6,722,530</u>	<u>\$ 5,755,072</u>	<u>\$ 5,745,873</u>	<u>\$ 5,246,105</u>
Coverage (times)	1.93x	2.43x	2.57x	2.59x
Utility System Bonds:				
Net revenue available for debt service	\$ 22,225,432	\$ 28,361,189	\$ 22,505,333	\$ 23,828,990
Debt Service payments:				
Principal	-	495,000	625,000	640,000
Interest	539,561	2,730,607	2,718,536	4,431,856
Total debt service payments	<u>\$ 539,561</u>	<u>\$ 3,225,607</u>	<u>\$ 3,343,536</u>	<u>\$ 5,071,856</u>
Coverage (times)	41.19x	8.79x	6.73x	4.70x

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.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	9,907,154	\$ 8,463,599	\$ 8,223,166	\$ 8,241,933	\$ 8,167,557	\$ 8,261,105
	1,360,000	1,410,000	1,450,000	1,490,000	2,560,000	765,000
	1,915,464	1,878,711	1,837,357	1,791,234	1,701,799	1,043,246
\$	<u>3,275,464</u>	<u>\$ 3,288,711</u>	<u>\$ 3,287,357</u>	<u>\$ 3,281,234</u>	<u>\$ 4,261,799</u>	<u>\$ 1,808,246</u>
	3.02x	2.57x	2.50x	2.51x	1.92x	4.57 x
\$	2,900,317	\$ 2,840,703	\$ 2,664,586	\$ 2,547,557	\$ 2,471,488	-
	1,555,000	1,600,000	1,650,000	1,740,000	2,720,000	-
	281,365	231,779	179,724	123,105	63,290	-
\$	<u>1,836,365</u>	<u>\$ 1,831,779</u>	<u>\$ 1,829,724</u>	<u>\$ 1,863,105</u>	<u>\$ 2,783,290</u>	<u>\$ -</u>
	1.58x	1.55x	1.46x	1.37	0.89x	N/A
\$	177,960,026	\$ 174,289,475	\$ 141,324,385	\$ 140,511,811	\$ 150,413,508	\$ 149,817,925
	161,634,774	152,595,345	131,538,100	122,286,613	128,161,245	129,528,370
	<u>16,325,252</u>	<u>21,694,130</u>	<u>9,786,285</u>	<u>18,225,198</u>	<u>22,252,263</u>	<u>20,289,555</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	N/A	N/A	N/A	N/A	N/A	N/A
\$	26,352,644	\$ 27,855,619	\$ 27,109,092	\$ 27,994,759	\$ 26,291,964	\$ 26,974,511
	13,015,589	12,100,557	13,963,526	13,708,115	14,441,410	14,908,787
	<u>13,337,055</u>	<u>15,755,062</u>	<u>13,145,566</u>	<u>14,286,644</u>	<u>11,850,554</u>	<u>12,065,724</u>
	3,440,000	3,590,000	3,745,000	-	-	-
	1,120,591	969,335	807,685	145,495	-	-
\$	<u>4,560,591</u>	<u>\$ 4,559,335</u>	<u>\$ 4,552,685</u>	<u>\$ 145,495</u>	<u>\$ -</u>	<u>\$ -</u>
	2.92x	3.45x	2.89x	98.19x	N/A	N/A
\$	25,101,716	\$ 32,889,857	\$ 18,379,166	\$ 32,366,347	\$ 34,102,817	\$ 32,355,279
	650,000	660,000	685,000	1,670,000	5,095,000	5,245,000
	6,835,339	6,818,629	6,799,444	6,758,853	6,880,763	6,763,874
\$	<u>7,485,339</u>	<u>\$ 7,478,629</u>	<u>\$ 7,484,444</u>	<u>\$ 8,428,853</u>	<u>\$ 11,975,763</u>	<u>\$ 12,008,874</u>
	3.35x	4.40x	2.46x	3.84x	2.85x	2.69 x

**CITY OF OCALA, FLORIDA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup></b>	<b>Per Capita Personal Income</b>	<b>Median Household Income <sup>3</sup></b>	<b>County Unemployment Rate <sup>3</sup></b>
2005	49,439	\$ 1,329,563,027	\$ 26,893	\$ 35,974	2.9%
2006	51,853	1,443,289,625	27,834 <sup>4</sup>	37,773 <sup>4</sup>	3.2%
2007	54,238	1,562,512,924	28,808 <sup>4</sup>	39,661 <sup>4</sup>	5.4%
2008	54,462	1,608,190,168	29,529 <sup>4</sup>	41,644 <sup>4</sup>	8.6%
2009	54,800	1,658,625,128	30,267 <sup>4</sup>	43,727 <sup>4</sup>	13.2%
2010	56,315	1,747,091,441	31,024 <sup>4</sup>	45,913 <sup>4</sup>	13.9%
2011	56,545	1,798,082,530	31,799 <sup>4</sup>	48,209 <sup>4</sup>	12.4%
2012	57,041	1,836,528,091	32,197 <sup>4</sup>	49,414 <sup>4</sup>	9.8%
2013	57,387	1,870,763,977	32,599 <sup>4</sup>	50,649 <sup>4</sup>	7.6%
2014	57,494	1,958,593,423	34,066 <sup>4</sup>	51,915 <sup>4</sup>	7.3%

<sup>1</sup> The City of Ocala Office of Business and Financial Services, Bureau of Economic and Business Research, University of Florida.

<sup>2</sup> Amount computed from population and per capita personal income statistics for Marion County, Florida.

<sup>3</sup> Bureau of Labor Statistics. Amounts indicated are for Marion County, Florida.

<sup>4</sup> Estimated Per Capita and Median Household Income.

**CITY OF OCALA, FLORIDA  
PRINCIPAL EMPLOYERS  
CURRENT AND NINE YEARS AGO**

<u>Employer</u>	<u>September 30, 2014</u>			<u>September 30, 2005</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	6,071	1	4.99%	N/A	-	N/A
Munroe Regional Medical Center	2,648	2	2.18%	N/A	-	N/A
State of Florida	2,600	3	2.14%	N/A	-	N/A
Wal-Mart	2,370	4	1.95%	N/A	-	N/A
Ocala Regional Medical Center and West Marion Community Hospital	2,020	5	1.66%	N/A	-	N/A
Publix Supermarkets	1,488	6	1.22%	N/A	-	N/A
Marion County Board of Commissioners	1,462	7	1.20%	N/A	-	N/A
AT&T	1,000	8	0.82%	N/A	-	N/A
City of Ocala	942	9	0.77%	N/A	-	N/A
Lockheed Martin	981	10	0.81%	N/A	-	N/A
Total	<u>21,582</u>		<u>17.73%</u>	<u>-</u>		<u>0.00%</u>
Ocala MSA Labor Force			<u>121,747</u>			<u>-</u>

Source: Ocala/Marion County Chamber & Economic Partnership.  
<http://ocalacep.com/growing-jobs/business-retention/major-employers>

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**

	2005	2006	2007	2008	2009
Legislative.....	6.00	6.00	6.00	6.00	6.00
Executive.....	28.75	28.75	28.75	26.00	25.00
Business and Financial Services.....	22.00	22.00	22.00	22.00	21.00
Purchasing.....	13.00	13.00	13.00	13.00	14.00
Human Resources and Risk.....	7.00	7.00	7.00	7.00	7.00
Development Services.....					
Planning.....	11.00	10.00	11.50	10.50	10.00
Building.....	23.00	25.00	26.00	26.00	30.00
Police					
Officers.....	166.00	171.00	171.00	171.00	171.00
Civilians.....	84.00	84.00	85.00	86.25	85.50
Fire					
Firefighters and Officers.....	116.00	118.00	133.00	133.00	133.00
Civilians.....	11.00	11.00	13.00	13.00	12.00
Engineering.....	68.25	68.25	67.00	67.00	62.00
Recreation.....	64.75	63.25	64.25	64.75	30.50
Public Works.....	146.00	146.00	148.00	141.00	154.50
Fleet/Facilities.....	33.00	32.00	32.00	32.00	31.00
Airport.....	5.00	5.00	5.00	5.00	5.00
Golf.....	33.50	33.75	31.00	31.00	27.50
Water & Sewer.....	72.50	72.50	73.75	76.75	76.75
Telecommunications.....	6.00	5.50	6.00	6.00	6.00
Electric.....	173.25	173.75	174.00	181.00	173.00
Stormwater.....	6.00	7.00	8.00	8.00	8.00
Information & Technology.....	18.75	17.00	17.50	17.00	17.00
Community Programs.....	5.00	5.00	5.00	5.00	5.00
<b>Total</b>	<b>1,119.75</b>	<b>1,124.75</b>	<b>1,147.75</b>	<b>1,148.25</b>	<b>1,110.75</b>

Source: The City of Ocala Office of Business and Financial Services

Note: All numbers are assumed to be FTEs for all reporting categories

2010	2011	2012	2013	2014
6.00	6.00	6.00	6.00	6.00
23.00	19.00	16.00	13.75	14.00
23.00	19.00	21.00	23.50	23.63
-	-	-	-	-
5.00	9.00	10.00	9.00	7.00
		38.00	40.25	35.25
32.00	33.00	-	-	-
-	-	-	-	-
159.00	170.00	161.00	164.00	164.00
84.00	88.00	95.00	89.50	81.50
131.00	130.00	127.00	129.00	125.00
15.00	17.00	21.00	15.00	6.00
59.00	27.00	26.00	22.00	19.00
53.00	58.00	66.00	64.00	53.41
97.00	101.00	115.00	99.00	107.00
38.00	39.00	37.00	31.75	28.56
5.00	5.00	5.00	5.00	5.00
13.00	8.00	8.00	-	-
72.00	79.00	78.00	77.25	89.30
6.00	6.00	6.00	7.00	7.00
161.00	165.00	165.00	155.75	153.25
8.00	18.00	-	-	-
16.00	17.00	17.00	17.00	15.00
2.00	2.00	1.00	1.00	1.25
1,008.00	1,016.00	1,019.00	969.75	941.15

**CITY OF OCALA, FLORIDA  
SCHEDULE OF AIRPORT SUBSIDY CASH FLOW ANALYSIS  
FOR THE LAST SIX FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
City Leases at Airport:			
Sports Complex Lease	\$ 132,512	\$ 132,512	\$ 132,512
Water & Sewer Lease	10,185	10,490	10,805
Electric Facility Lease	34,638	-	-
Total Value of City Leases	<u>177,335</u>	<u>143,002</u>	<u>143,317</u>
City Payment For Leases at Airport:			
Water & Sewer Lease	11,059	10,490	10,805
Electric Facility Lease	34,638	-	-
Total Payments For City Leases	<u>45,697</u>	<u>10,490</u>	<u>10,805</u>
City Leases - Less Payments made:	<u>(131,638)</u>	<u>(132,512)</u>	<u>(132,512)</u>
City Funds Expended on Behalf of Airport:			
Grant Match	582,962	102,365	167,885
Total City Funds Expended on Behalf of Airport	<u>582,962</u>	<u>102,365</u>	<u>167,885</u>
<b>Net Subsidy</b>	<u>\$ 451,324</u>	<u>\$ (30,147)</u>	<u>\$ 35,373</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>TOTAL</u>
\$ 132,512	\$ 132,512	\$ 132,512	\$ 795,072
-	-	-	31,480
-	-	-	34,638
<u>132,512</u>	<u>132,512</u>	<u>132,512</u>	<u>861,190</u>
-	-	-	32,354
-	-	-	34,638
-	-	-	66,992
<u>(132,512)</u>	<u>(132,512)</u>	<u>(132,512)</u>	<u>(794,198)</u>
-	-	-	853,212
-	-	-	853,212
<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ 59,014</u>



**CITY OF OCALA, FLORIDA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS\***

	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Police</b>			
Number of calls for service	233,500	239,167	233,516
Traffic citations issued	12,841	11,887	14,114
Cases investigated	5,825	6,099	7,208
Arrests	2,804	2,959	3,105
<b>Fire</b>			
Number of calls for service	11,192	19,802	17,309
Fires reported	238	178	262
Inspections	2,038	2,469	2,816
<b>Building Permits: (includes plumbing, gas, (electric, water , heating &amp; air conditioning)</b>			
Building permits issued	1,526	1,616	1,630
Value of permits issued (in thousands)	\$79,351,004	\$68,726,914	\$ 169,265,866
<b>New Construction - Units and Value:</b>			
Commercial - Number of Units	54	31	41
Commercial - Value	\$ 36,029,542	\$ 11,551,770	\$ 76,095,142
Residential - Number of Units	31	76	81
Residential - Value	\$ 4,652,855	\$ 17,730,674	\$ 22,875,600
<b>Streets and Drainage</b>			
Street Resurfacing (miles)	-	2.50	4.60
Potholes repaired	463	566	745
<b>Parks and Recreation</b>			
Athletic field permits issued	79	116	83
Participants using the pools	25,450	26,130	39,733
Golf rounds	83,607	83,612	81,746
<b>Fleet Maintenance</b>			
Vehicles owned by the City	1,207	1,213	1,223
Percent maintained by Fleet	58	40	51
Preventive maintenance completed	1,069	854	1,255
<b>Solid Waste</b>			
Number of customers	15,022	15,312	15,236
Residential refuse collected (in tons)	16,086	14,655	15,079
Residential recyclables collected (in tons)	2,323	3,788	3,925
Commercial refuse collected (in tons)	34,448	35,902	37,289
<b>Electric</b>			
Avg. Number of active customers	50,552	50,769	48,834
Avg. Monthly Consumption (in KWH)	1,956	1,954	2,037
<b>Water</b>			
Number of customers	23,386	23,699	23,250
Max. daily plant capacity (in gallons)	24,420	24,420	24,420
Avg. monthly consumption	14,212	10,419	10,455
<b>Wastewater</b>			
Number of customers	27,909	28,429	27,509
Sanitary/Storm Mains Cleaned (ft.)	152,797	156,398	16,029

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**

<b>FUNCTION:</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Area: Land (square miles)	41.94	43.16	43.74	44.48
Miles of Streets, Sidewalks and Bike Paths				
Streets - Paved	290.34	290.34	291.32	292.32
Streets - Unpaved	6.26	6.26	6.26	6.26
Sidewalks	61.71	62.71	69.42	76.20
Bike Paths	25.47	25.47	25.81	32.41
Miles of Sewers				
Storm	74.89	74.78	76.63	80.95
Sanitary	308.29	308.29	312.22	317.31
Force Main	78.10	78.10	80.09	82.80
Water Lines		346.2	350.0	356.4
Number of Lift Stations	105	105	114	118
Building Permits: (includes plumbing, gas, (electric, water , heating & air conditioning)				
Permits Issued	3,042	3,202	2,607	2,159
Permit Value	\$ 260,076,222	\$ 298,505,664	\$ 265,150,530	\$ 189,168,148
New Construction - Units and Value:				
Commercial - Number of Units	185	156	175	134
Commercial - Value	\$ 102,095,524	\$ 102,815,257	\$ 151,119,124	\$ 133,422,696
Residential - Number of Units	867	881	393	253
Residential - Value	\$ 122,621,881	\$ 145,571,695	\$ 70,027,178	\$ 38,741,704
Fire Protection				
Stations	5	6	6	6
Employees - Sworn	116	118	133	133
Employees - Civilian	12	10	12	12
Fire and rescue response time (minutes)	4	4.5	4.5	4.5
Police Protection				
Stations	5	5	5	6
Employees - Sworn	155	171	160	158
Employees - Civilian	84	84	85	86
Vehicular Patrol Units - Marked Vehicles	112	112	113	113
Vehicular Patrol Units - Motorcycles	6	6	6	9
Vehicular Patrol Units - Other Vehicles	69	73	73	78
Recreation				
Land area (acres)	744	717	755	693
Activity centers	9	9	6	6
Pools	2	2	2	2
Playgrounds (not reported prior to 2004)	19	18	19	17

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	44.48	44.48	44.72	44.72	44.72	44.79
	296.10	296.10	297.12	335.00	338.00	339.35
	4.81	4.81	4.81	3.38	3.38	3.38
	225.58	228.38	233.28	233.30	223.30	242.20
	33.21	36.46	36.46	18.62	18.62	27.30
	264.60	380.05	281.80	285.36	277.20	277.20
	340.00	341.30	343.10	349.76	353.45	352.68
	79.60	80.00	81.20	89.00	91.50	90.00
	530.0	534.0	536.0	555.5	562.5	568.2
	118	119	121	122	123	129
	1,826	1,676	1,524			
\$	77,215,703	\$ 82,992,944	\$ 66,223,835	Moved to Operating Indicators		
	52	38	52			
\$	26,693,633	\$ 23,428,680	\$ 33,214,686	Moved to Operating Indicators		
	67	106	39			
\$	10,916,289	\$ 18,038,057	\$ 7,753,050			
	6	6	6	5	5	6
	133	131	130	127	129	129
	12	15	17	21	3	4
	6.7	6.8	6.8	5.8	6.3	6.3
	6	5	5	4	4	4
	158	159	170	161	164	164
	86	84	88	95	96	96
	113	119	119	114	124	124
	9	8	8	7	6	6
	78	82	82	81	80	80
	693	424	424	795	805	837
	6	6	9	5	5	5
	2	2	2	2	2	2
	17	17	19	18	18	20

## **OTHER REPORTS**

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

CITY OF OCALA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR 2014 THROUGH SEPTEMBER 30, 2014

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>FEDERAL AWARDS</b>			
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Florida Department of Agriculture:</i>			
Cooperative Forestry Assistance	10.664	20357	8,118
<i>Direct Programs:</i>			
Rural Business Enterprise Grants	10.769	09-042-596000392	16,820
<b>Total U.S. Department of Agriculture</b>			<b>24,938</b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<i>Direct Programs:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-12-0029	98,188
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-12-0029	350,644
<i>Total CDBG-Entitlement Grants Cluster</i>			448,832
<i>Passed through Marion County, Florida:</i>			
HOME Investment Partnership Program	14.239	MC-09-DC-09-0232	1,771
HOME Investment Partnership Program	14.239	MC-10-DC-10-0232	57,080
HOME Investment Partnership Program	14.239	MC-11-DC-11-0232	86,960
HOME Investment Partnership Program	14.239	MC-12-DC-12-0232	8,647
HOME Investment Partnership Program	14.239	MC-13-DC-13-0232	11,348
<i>Total HOME Investment Partnership Program Grants</i>			165,806
<b>Total U.S. Department of Housing and Urban Development</b>			<b>614,638</b>
<b><u>U.S. Department of Justice:</u></b>			
<i>Passed through State Office of Attorney General:</i>			
Crime Victim Assistance	16.575	V13071	42,675
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	16.607	2012BUBX12061760	777
Bulletproof Vest Partnership Program	16.607	2013BUBX13067213	6,027
<i>Total Bulletproof Vest Partnership Program Grants</i>			6,804
<b>ARRA Public Safety Partnership and Community Policing Grants</b>	16.710	2009RKWX0231	9,681
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2787	12,374
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0866	20,638
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0484	23,468
<i>Passed through Florida Department of Law Enforcement</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-JAGC-MARI-E5-190	34,338
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>			90,818
<i>Direct Programs:</i>			
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2013-CD-BX-0063	46,712
<b>Total U.S. Department of Justice</b>			<b>196,690</b>

CITY OF OCALA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR 2014 THROUGH SEPTEMBER 30, 2014  
(CONTINUED)

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b><u>US. Department of Transportation:</u></b>			
<i>Passed through Florida Department of Transportation:</i>			
Highway Planning & Construction FM# 431927-1-18-01	20.205	AR083	150,978
Highway Planning & Construction FM# 417960-1-14-90	20.205	A5065	328,884
Highway Planning & Construction FM# 417960-1-14-91	20.205	A5065	65,032
<i>Total Highway Planning &amp; Construction</i>			<u>544,894</u>
<i>Passed through Florida Department of Transportation:</i>			
Metropolitan Planning Program FM# 422440-1-14-21 AQN78	20.505	FL-80-X022	69,346
<i>Direct Programs:</i>			
Federal Transit Formula Grants	20.507	FL-90-X771	2,451
Federal Transit Formula Grants	20.507	FL-90-X821	846,156
Federal Transit Formula Grants	20.507	FL-90-X857	291,935
<b>ARRA</b> Federal Transit Formula Grants	20.507	FL-96-X024	10,553
Bus & Bus Facilities Formula Program	20.526	FL-04-0051-00	24,642
Bus & Bus Facilities Formula Program	20.526	FL-04-0103-00	64,283
<i>Total Federal Transit Cluster</i>			<u>1,240,020</u>
<i>Passed through Florida Department of Transportation:</i>			
State and Community Highway Safety	20.600	OP-14-02-06	12,574
State and Community Highway Safety	20.601	K8-14-06-04	35,076
<i>Total Highway Safety Cluster</i>			<u>47,650</u>
<b>Total U.S. Department of Transportation</b>			<u><b>1,901,910</b></u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed through Florida Department of Health:</i>			
Injury Prevention Program	93.136	A93B6E	5,000
<b>Total U.S. Department of Health and Human Services</b>			<u><b>5,000</b></u>
<b><u>U.S. Department of Homeland Security:</u></b>			
<i>Direct Programs:</i>			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-06501	10,000
<b>Total U.S. Department of Homeland Security</b>			<u><b>10,000</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS:</b>			<u><u><b>2,753,176</b></u></u>



CITY OF OCALA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR 2014 THROUGH SEPTEMBER 30, 2014  
(CONCLUDED)

State Grantor/ Pass-Through Grantor/Program Title	State CSFA Number	Pass-Through Grantor Number	State Expenditures
<b>STATE FINANCIAL ASSISTANCE</b>			
<b><u>Florida Department of Environmental Protection:</u></b>			
<i>Direct Programs:</i>			
Florida Recreation Development Assistance Program	37.017	A5146	260
Florida Recreation Development Assistance Program	37.017	A5147	14,260
Total Florida Recreation Development Assistance Program Grants			<u>14,520</u>
<i>Passed through St. Johns River Water Management District</i>			
Florida Springs Initiative Grant Program	37.052	27656	<u>293,393</u>
<b>Total Florida Department of Environmental Protection</b>			<b><u>307,913</u></b>
<b><u>Florida Department of State:</u></b>			
<i>Direct Programs:</i>			
Specific Cultural Project	45.062	14.5.300.254	<u>8,213</u>
<b>Total Florida Department of State</b>			<b><u>8,213</u></b>
<b><u>Florida Housing Finance Corporation:</u></b>			
<i>Direct Programs:</i>			
State Housing Initiatives Partnership Program	52.901	SHIP	<u>116,709</u>
<b>Total Florida Housing Finance Corporation</b>			<b><u>116,709</u></b>
<b><u>Florida Department of Transportation:</u></b>			
<i>Direct Programs:</i>			
Commission for the Transportation Disadvantaged Planning Grant Program FM# 432029-1-14-01	55.002	AR266	13,579
Commission for the Transportation Disadvantaged Planning Grant Program FM# 432029-1-14-01	55.002	ARH89	1,300
Total Commission for the Transportation Disadvantaged Planning Grant Program			<u>14,879</u>
Aviation Development Grants FM# 431585-1-94-01	55.004	AR104	<u>11,044</u>
Public Transit Block Grant Program FM# 416366-2-94-01	55.010	AQN79	133,531
Public Transit Block Grant Program FM# 404615-1-84-01	55.010	AOZ45	478,135
Total Public Transit Block Grant Program			<u>611,666</u>
Economic Development Transportation Projects-Road Fund FM#433802-1-58-01	55.032	AR089	<u>2,032,409</u>
<b>Total Florida Department of Transportation</b>			<b><u>2,669,998</u></b>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:</b>			<b><u>3,102,833</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE:</b>			<b><u>5,856,009</u></b>

**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 information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 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 the City of Ocala, Florida (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 15, 2015.

**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 opinion 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 operations 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 over financial reporting 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**

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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 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 April 15, 2015.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Purvis, Gray and Company, LLP*

April 15, 2015  
Ocala, Florida

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
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 U.S. Office of Management and Budget (OMB) Circular A-133, *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, 2014. 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 with 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

**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, 2014.

**Certified Public Accountants**

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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 IN ACCORDANCE WITH OMB CIRCULAR A-133  
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, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 OMB Circular A-133 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 OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Purvis, Gray and Company, LLP*

April 15, 2015  
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF OCALA, FLORIDA**

**PART A - SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements of the City of Ocala, Florida (the City).
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City.
3. No instances of noncompliance material to the basic financial statements of the City are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City.
4. No significant deficiencies relating to the audit of the major federal programs and state projects are reported in the report on compliance with requirements applicable to each major federal programs' and state projects' internal control over compliance in accordance with the Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and Chapter 10.550, *Rules of the Auditor General*.
5. The independent auditors' report on compliance with requirements applicable to each major federal programs' and state projects' internal control over compliance in accordance with OMB Circular A-133, *Compliance Supplement*, and Chapter 10.550, *Rules of the Auditor General* expresses an unmodified opinion for the major federal award programs and state projects for the City.
6. The audit disclosed no findings required to be reported under Section 510(a) of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* relative to the major federal programs and state projects for the City.
7. The programs tested as major programs included the following:
  - **Federal Programs**
    - U.S. Department of Housing and Urban Development:
      - ▶ Community Development Block Grants/Entitlement Grants, CFDA No. 14.218
    - U.S. Department of Transportation:
      - ▶ Highway Planning and Construction, CFDA No. 20.205
  - **State Projects**
    - Florida Department of Environmental Protection:
      - ▶ Florida Springs Initiative Grant Program, CFSA No. 37.052
    - Florida Department of Transportation:
      - ▶ Economic Development Transportation Projects-Road Fund, CFSA No. 55.032
8. The threshold for distinguishing Type A and Type B programs was \$300,000 for major federal award programs and \$300,000 for major state projects.
9. The City qualified as a low-risk auditee pursuant to OMB Circular A-133.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF OCALA, FLORIDA  
(Concluded)**

**PART B - FINDINGS - FINANCIAL STATEMENTS**

No findings and questioned costs related to financial statements were disclosed during the audit.

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

No findings and questioned costs related to major federal award programs were disclosed during the audit.

**PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS**

No findings and questioned costs related to major state projects were disclosed during the audit.

**PART E - SUMMARY SCHEDULE OF PRIOR FINDINGS**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs and state projects.

No Corrective Action Plan is required because there were no findings required to be reported under the *Federal* or *State Single Audit Acts*.

## INDEPENDENT ACCOUNTANT'S REPORT

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

### Report on Compliance

We have examined 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, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

### Management's Responsibility

Management is responsible for the City's compliance with those requirements.

### Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our examination. Our examination was conducted in accordance with 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.

### Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014. However, please see Management Letter Comment 2014-01 containing investment policy recommendations.

### Restriction on Use

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*

April 15, 2015  
Ocala, Florida

### Certified Public Accountants

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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, 2014, and have issued our report thereon dated April 15, 2015.

### 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; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

### Other Reports and Schedule

We have issued our 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*; Independent Auditors' Report on Compliance for each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*; Independent Auditors' Report on Compliance with Section 218.415, Florida Statutes; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 15, 2015, 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; however, see Management Letter Comment 2013-4 Capital Asset Accounting Procedures still remaining.

### 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, 2014, for this information).

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

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition**

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report 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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the Management Letter any recommendations to improve financial management. Current year findings are included in the Management Letter Comments as reference numbers 2014-01 through 2014-08.

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 Commissioners, 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.



April 15, 2015  
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 items came to our attention. These items involve primarily operational matters, which, if improved, will result in more efficient and effective operations:

### **Prior Year Comments and Recommendations Remaining (Updated For Current Year)**

While much progress has been made in these areas, they are not yet complete and we recommend that the City continue its efforts in these areas:

#### **2013-04—Capital Assets Accounting Procedures**

The City has a very significant investment in capital assets in both its governmental and business-type activities. The City has also made tremendous improvements in accounting for its capital assets area over the past few years. As the City continues to improve on its financial reporting processes and City management continues to seek opportunities to enhance controls to ensure that transactions are recorded properly and to streamline the financial reporting process and the accuracy, completeness, and timeliness of financial information, we encourage the City to continue these efforts in this area.

#### *2014 Update:*

During 2014, the City was not able to analyze, close out, unitize, place in service, and depreciate certain construction projects on a timely basis that were completed prior to September 30, 2014, as a result of reorganizations and other factors. We recommend that the City consider whether to devote additional resources to ensure that the unitization, placing capital assets into service, and depreciation is caught up and is done timely for 2015.

Additionally, Internal Audit noted an instance where a completed project was not classified as “completed” even though the supporting documentation provided evidence of such. In addition to consulting the departments managing the construction projects about the status of those projects, we encourage the Finance department to review the latest invoices for all capital projects to ensure that all completed projects are unitized and placed in service timely.

Additionally, the City began and is in the process of reviewing its capital asset records to ensure that all capital assets are being depreciated and determine whether capital assets on record exist and are in use or have been previously disposed of. We encourage the City to complete this review as soon as practical, and we recommend that the City consider whether to devote additional resources to this review, both from the Office of Budget and Finance and the custodians of the assets, the user departments.

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

**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Current Year Comments and Recommendations**

**2014-01—Investment Policy**

During our review of the City’s Investment Policy (the Policy), we noted that the Policy states that “Investment Firms” must provide the following information prior to executing investment trades with the City’s Investment Manager(s):

- Audited Annual Financial Statements
- Regulatory History, through either the Office of the Comptroller of the Currency for Dealer Banks, or the FINRA for Securities Firms
- State of any Pending Lawsuits Materially Affecting the Firm’s Business
- Proof of State Registration
- All firms are required to settle DTC (Depository Trust Company), extended settlements require approval.

The Policy does not state the frequency with which this information should be collected from Investment Firms and is vague in regards to who should be collecting and maintaining the information (the City or the Investment Managers). City Management has interpreted the Policy to require that Investment Managers collect and maintain the information, and the City is in the process of ascertaining whether the Investment Managers are obtaining and maintaining this information.

We recommend that the City revise the current Policy to indicate the frequency with which this information should be collected, specifically identify who is responsible for collecting and maintaining the information, as well as describe what procedures the City will perform to monitor compliance with this aspect of the Policy.

Additionally, the Policy should be reviewed for terminology and definitions as the terms Investment Firms and Investment Managers are vague and could have multiple meanings.

**2014-02—Information Technology (IT) Risk Assessment Report and Strategic Direction**

During 2014, the City contracted with an external vendor to provide an IT Risk Assessment that included a review of IT policies and procedures. The report, which was provided to management and presented to City Council, identified the following areas for improvement:

- Communication and Interaction between IT and Other City Departments
- Joint Planning for Technology Projects, Including Technology Investment Decisions
- Project Management
- Technology Architecture and Security

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

**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Current Year Comments and Recommendations** *(Continued)*

**2014-02—Information Technology (IT) Risk Assessment Report and Strategic Direction**  
*(Concluded)*

- IT Skills and Competencies
- IT Support for City Departmental Business
- IT Vendor Management

The City has begun the process of addressing the recommendations in the report; however, many recommendations are incomplete or still in process. We encourage management to provide periodic updates to City Council on the status of the report's recommendations.

**2014-03—Utility Billing System Reports**

The City implemented a new utility billing system (Cogsdale) effective October 1, 2013. During 2014, Finance compared monthly billings and cash receipts postings between the utility billing system and the financial system to ensure that all revenue and cash receipts processed through the utility billing system were properly accounted for in the financial system.

However, during our audit of utility billing revenues and accounts receivables, we noted differences between utility billing system reports and financial system account balances, some of which required adjustments to the account balances, and some of which the City could not fully reconcile.

Additionally, we noted differences between different reports and screens within the utility billing system. These reports and screens would present similar information in different formats, yet show differences in total.

We recommend that the City work with its software vendor to ensure that all reports related to revenue, cash receipts, and accounts receivable are reconcilable with each other and with the financial system account balances to ensure that all revenue and cash receipts processed through the utility billing system are properly accounted for in the financial system.

**2014-04—Airport Commission Revenues**

During our audit, we noted that the City receives commission revenues from seven different vendors at the airport. The City has corporate agreements 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, we noted that the City currently does not have a system in place to test and confirm these monthly sales balances being reported by the tenants. As a result, there is a risk that commission revenue may be understated due to inaccurate monthly summary sales being reported to the City. This condition can lead to incorrect billings and the potential for lost revenues.

The City is in the process of negotiating and amending contracts that would give it the right to review the books and financial records for these entities. Additionally, we suggest that the City take steps to develop a plan to perform attestation procedures for monthly gross receipt and fuel sales being reported by tenants.

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

**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Current Year Comments and Recommendations** *(Continued)*

**2014-05—City and Office of Budget and Finance Reorganizations**

During late 2014, under the direction of new management, the City reorganized, including moving the Customer Service Office (CSO) that is responsible for all aspects of utility billing, collections, and customer service totaling approximately \$200 million per year, from reporting to the Electric Department to reporting to the Office of Budget and Finance (finance). This is a topic that has been discussed through the years as to whether the CSO fit better with the utility or with finance. We concur with the reorganization and believe that this is primarily a financial function, but one that interacts heavily with the utility. As a result of finance assuming responsibility for this major new financial function, key personnel of finance were redeployed to oversee and overhaul controls and operations of the CSO, leaving finance somewhat thinly staffed. This and other staffing factors have led to the City getting behind in its accounting and publishing its Comprehensive Annual Financial Report (CAFR) later than normal and appear to be long-term in nature.

Accordingly, we recommend that the City review the staffing requirements of finance in light of the new CSO responsibilities.

**2014-06—Telecom Strategic Direction and Billing Procedures**

The City operates a telecommunications utility (the Utility) providing broadband communications over its fiber optics network. During 2014 and 2015, the City performed a management review of the Utility, the results of which were presented to the City Council in early 2015. The key issue noted was that 65 customer connections were not being billed prior to the review, resulting in \$209,000 in back billings to these customers.

Additional analysis of the utility also indicates:

- A clear policy prescribing communication and information flows with the CSO for contracting, connecting, and billing customers has not been established, which contributed significantly to the unbilled connections noted above.
- Billing rates for the telecommunication connections were determined by management and have never been approved by City Council, and appear to be inconsistently applied in all cases.
- The Utility is a highly complicated technology dependent operation and appears to lack a cohesive business plan and long-term operating strategy.
- The Utility is currently providing service to some residential accounts. Although not evidenced by ordinance or resolution, it appears that the City Council has at least informally directed that the Utility serve only commercial accounts.

It is our understanding that City management is further studying and evaluating the items noted above and is developing a long-term plan to effectively operate the Utility. We recommend that management continue its efforts in this area.

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

**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Current Year Comments and Recommendations** *(Continued)*

**2014-07—Pension Plans**

Effective October 1, 2013, the City significantly modified the general employee defined benefit pension plan (the Plan) to limit the cost of the Plan and reduce the underfunding of the Plan over time. The new Plan is a hybrid-type plan consisting of both a defined benefit and defined contribution plans, with many variables including frozen and optional fixed or variable benefits, employer contribution corridors, and variable member contribution rates, all of which tend to increase the inherent complexity of administering the Plan. Historically, the major portion of the day-to-day administration of the Plan has been accomplished with in-house personnel supported by plan actuaries. Additionally, the City accounts for the Police Officers and Firefighter defined benefit pension plans.

- *Segregation of Duties*—During our audit, we noted that the pension specialist performs and records nearly all administrative and accounting activity associated with all three defined benefit pension plans, and the new general employee defined contribution plan noted above; benefit calculations for retirees, in accordance with plan definitions, direct deposit setup for retirees, all investment reconciliations, all Deferred Retirement Option Plan activity, expense payments, actuary interface, and more.

Currently, there is no one in the Accounting Department specifically identified to monitor and review the pension administration and accounting on a routine basis to overcome the lack of segregation of duties previously noted. This could lead to benefit calculation errors, accounting misstatements, or other unintended outcomes. Accordingly, we recommend that an accountant from the department be designated to review all accounting and key administrative functions of the pension plans.

- *City and Plan Financial Reporting*—The City implemented the new Governmental Accounting Standards Board (GASB) Statement No. 67 dealing with plan reporting during 2014 and will implement the new GASB Statement No. 68 dealing with employer reporting of pension costs during 2015. GASB Statement No. 68 will require the City to record its unfunded pension amounts, now called the Net Pension Liability in its economic resourced based financial statements.

There are intricate interactions between the two statements when the underlying pension plans do not issue stand-alone financial statements and are only publicly reported in the City's CAFR. Accordingly, we recommend that the City determine if it should issue stand-alone pension plan financial statements for 2015 or continue to only report the plans as pension trust funds in the CAFR. We are currently performing research on this topic and will inform the City of our conclusions to help with this decision.

**2014-08—Purchasing/Contract Policies**

At the time of our interim work in June of 2014, we noted in a memorandum to the City, several matters dealing with the organizational structure of the purchasing function and pointed out several areas needing updating within the existing purchasing policy, including the need to address contract content and procedures.

Since that time, the City has fully converted from decentralized to centralized purchasing, adopted a new and more comprehensive purchasing policy, implemented a new online e-procurement system, and conducted numerous purchasing and contracting training courses for the various departments of the City.

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

**MANAGEMENT LETTER COMMENTS**  
*(Concluded)*

**Current Year Comments and Recommendations** *(Concluded)*

**2014-08—Purchasing/Contract Policies** *(Concluded)*

To complete the work in this area, we recommend that the City continue its efforts in developing a comprehensive contracts policy that would address both purchasing contracts and revenue contracts. The City should also review the existing contract management system in use to determine if it continues to meet the needs of the City, given the large number of contracts that the City is a party to that have multiple trigger dates, and follow-ups that are difficult to track.

Our Management Letter Comments 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, 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*

April 15, 2015  
Ocala, Florida





Find your place

**OFFICE OF BUSINESS AND FINANCIAL SERVICES  
110 SE WATULA AVENUE  
OCALA, FLORIDA 34471**

**City's Response to Auditor's Recommendations**

**Prior Year Comments:**

**2013-04:** The financial software is limited in this area, which make additional data entry necessary. The staff member assigned to this area is prepared to enter assets as soon as the audit is complete. There have been meetings with custodians of assets to ensure proper recording. This area will be reviewed closely in August. Staff will work to ensure all concerns for recording and unitizing capital assets are addressed.

**Current Year Comments:**

**2014-01:** Although this policy was revised in September 2013, these recommendations will be reviewed with the Investment Consultant and brought to the Investment Committee in August for consideration.

**2014-02:** The IT Risk Assessment Report and strategic direction are vital to the City. Management has reviewed the recommendation and implemented them where appropriate for the organization. Council will be kept apprised of the progress.

**2014-03:** Finance will review all reporting aspects of the utility billing software to ensure accurate information is presented and differences can be reconciled with accounts receivable, as well as revenue and cash receipts.

**2014-04:** Staff concurs that accurately reporting revenues is vital to the Airport operations. Finance will work with the department to develop a plan to reconcile monthly receipts and fuel sales.

**2014-05:** The finance staffing requirements will be reviewed in order to provide more strength in the accounting department to support the Finance Director and ensure the CAFR is completed timely.

**2014-06:** The City agrees that Telecom is a growing utility for the City, as noted in the City Council's Strategic Planning Session held in January 2015. All the items from the auditor's analysis will be evaluated to determine the best course of action for the City. A consultant's report is being developed to assist with the business plan and strategy.

**2014-07:** Finance will work with the pension office to prepare financial reports. In addition, the part time position is still open and will be filled to improve segregation of duties. The Pension Board will consider a standalone report that satisfies GASB 67.

**2014-08:** The City will develop a contract policy, which will include some key items, such as, all aspects of contract management including approval process, and closer management of revenue contracts. In the meantime, the City Attorney has provided guidance related to terms that are important and the Contract Director works closely with the departments to ensure an executed contract includes the recommendation: proper venue, indemnification, confidentiality clauses, automatic renewal clauses, and attorneys' fees clause.



**Diane Reichard, CPA, CGMA, CGFO, CPFO**  
**Chief Financial Officer/Assistant City Manager**  
**City of Ocala, Florida**