

City of Ocala, Florida



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Comprehensive Annual Financial Report
for September 30, 2012

CITY OF OCALA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Prepared by:
Office of Budget and Finance

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL.....	i
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	viii
LIST OF OFFICIALS.....	ix
CITY OF OCALA ORGANIZATION CHART	x

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	17
Statement of Activities	18
Balance Sheet – All Governmental Funds.....	20
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds.....	30
Statement of Fiduciary Net Assets.....	34
Statement of Changes in Fiduciary Net Assets	35
Notes to Financial Statements	36

**CITY OF OCALA, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2012**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION - CONTINUED

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	82
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – CRA Fund	83
Historical Trend Information for Pension Trust Funds - Schedule of Funding Progress	84
Historical Trend Information for Pension Trust Funds - Schedule of Contributions from Employer and Other Contributing Entities	86
Historical Trend Information for Other Post Employment Benefits	88

SUPPLEMENTAL INFORMATION:

List of Nonmajor Governmental Funds	89
Combining Balance Sheet – Nonmajor Governmental Funds	91
Combining Statement of Revenues, Expenses and Changes in Fund Balances – Nonmajor Governmental Funds	92
Nonmajor Governmental Funds - Special Revenue Funds:	
Combining Balance Sheet	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	95
Schedules of Revenues and Expenditures - Budget and Actual:	
Downtown Development Fund	97
Local Gasoline Tax Fund	98
Stormwater Utility Fund	99
SHIP Local Housing Assistance Fund	100
Nonmajor Governmental Funds - Debt Service Funds:	
Combining Balance Sheet	101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	103
Schedules of Revenues and Expenditures - Budget and Actual:	
2002 Improvement Certificates Fund	105
2003 Improvement Certificates Fund	106
2007-A Improvement Certificates Fund	107
2007-B Improvement Certificates Fund	108
2012 Improvement Certificates Fund	109
2002 Optional Gas Tax Bonds Fund	110
Nonmajor Governmental Funds - Capital Project Funds:	
Combining Balance Sheet	111
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	112

**CITY OF OCALA, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2012**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION – CONTINUED

SUPPLEMENTAL INFORMATION - CONTINUED

Nonmajor Governmental Funds - Capital Project Funds - Continued:

Schedule of Revenues and Expenditures - Budget and Actual:

2002 Capital Improvement Fund	113
2007-A Capital Improvement Fund.....	114

Internal Service Funds:

List of Internal Service Funds	115
Combining Balance Sheet	116
Combining Statement of Revenues, Expenses and Changes in Net Assets	117
Combining Statement of Cash Flows.....	118

STATISTICAL SECTION

Description of Schedules	120
Net Assets by Component - Last Ten Fiscal Years.....	121
Changes in Net Assets by Component - Last Ten Fiscal Years	123
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	127
Changes in Fund Balances of Governmental Funds- Last Ten Fiscal Years	129
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	131
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	133
Principal Property Taxpayers - Current and Nine Years Ago.....	134
Property Tax Levies and Collections - Last Ten Fiscal Years.....	135
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	136
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years.....	137
Direct and Overlapping Governmental Activities Debt	138
Legal Debt Margin Information	139
Pledged Revenue Coverage - Last Ten Fiscal Years	141
Demographic and Economic Statistics - Last Ten Fiscal Years.....	143
Principal Employers - Current and Nine Years Ago	144

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION - CONTINUED

Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	145
Schedule of Airport Subsidy Cash Flow Analysis	147
Operating Indicators by Function – Last Ten Fiscal Years.....	149
Capital Assets and Other Statistics by Function – Last Ten Fiscal Years	151

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 Chapter 10.550, *Rules of the Auditor General* of the State of Florida

Schedule of Expenditures of Federal Awards and State Projects	153
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 <i>Government Auditing Standards</i>	155
Independent Auditors' Report on Compliance with Requirements that could have a direct and Material Effect on Each Major Program and State Projects and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.....	157
Schedule of Findings and Questioned Costs – Federal Award Programs and State Projects.....	159
Management Letter	161
Management Letter Comments	163
Management's Responses to Auditor's Recommendations	169



Find your place

OFFICE OF BUDGET AND FINANCE
110 SE WATULA AVENUE
OCALA, FLORIDA 34471

March 26, 2013

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, 2012. 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 plus the 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). Because 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, 2012, 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

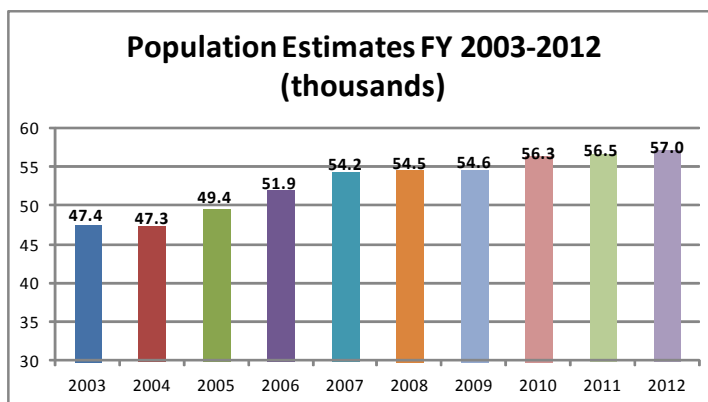
for rendering an unqualified opinion on the City’s financial statements for the fiscal year ended September 30, 2012, as fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

Profile of the City

The City of Ocala is the most populous city in and serves as the county seat of Marion County. Ocala is located in north central Florida approximately 67 miles northwest of Orlando and approximately 40 miles east of the Gulf of Mexico near the site of Ocale, a major Timucua village and chiefdom during the 16th century. The City takes its name from the historical village, the name of which is believed to mean “Big Hammock” in the Timucua language. There are approximately 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, 2012, the official population estimate was 57,041.



The City of Ocala was established in 1846 and operates 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:

- ✓ electrical power
- ✓ code enforcement
- ✓ telecommunications
- ✓ golf course
- ✓ airport
- ✓ community development
- ✓ police and fire protection
- ✓ mass transit
- ✓ economic development
- ✓ water and waste water
- ✓ cultural affairs
- ✓ parks and recreation
- ✓ storm water management
- ✓ street maintenance, traffic engineering and parking
- ✓ refuse collection
- ✓ building inspections

Internal support services include the following:

- ✓ accounting and reporting
- ✓ accounts payable and reporting
- ✓ billing and collections
- ✓ budget and budget monitoring
- ✓ cash management
- ✓ City-wide management
- ✓ computer systems support
- ✓ debt management
- ✓ equal opportunity
- ✓ fleet maintenance
- ✓ facilities maintenance
- ✓ human resources
- ✓ information systems
- ✓ investment management
- ✓ labor relations
- ✓ mail services
- ✓ property control
- ✓ purchasing
- ✓ risk management
- ✓ strategic planning

All moneys 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 these 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 of these is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council. Annual budgets are legally adopted for activities of the *general fund*, *special revenue funds*, and *debt service funds*. *Capital projects funds* and certain *special revenue funds* (such as multi-year grant funds and tax increment funds) are appropriated on a project basis. Budgets are controlled at the department level and total expenditures may not legally exceed appropriations for each budgeted funds without Council approval. Encumbrances 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.

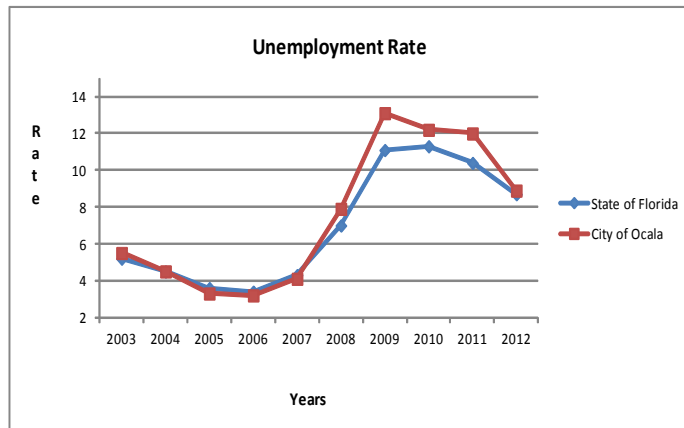
Local economy. Horse breeding, dominated by Thoroughbreds and Arabians, is a major industry in the Ocala area. The tourist industry also has a significant impact on the economy, with the Silver Springs and Rainbow Springs attractions and the Ocala National Forest nearby. In addition, Ocala has become known as a center for the food distribution industry with Signature Brands, LLC, Cheney Brothers, Inc. and Gordon Food Services all locating major facilities within the City.

Economic development projects with Sitel Worldwide Corporation and Ansafone Contract Centers, LLC have been approved by City Council.

Sitel Worldwide Corporation is a global Business Process Outsourcing (BPO) leader. Sitel's estimated capital investment for building renovations is \$200,000 and estimated investment in machinery and equipment is \$2.5 million. It is anticipated that Sitel will create, over a three-year period, a minimum of 500 new full-time jobs including call center agents and associated support and management personnel with an average annual wages of \$20,000. It is projected that the addition of 500 jobs to Ocala's telemarketing bureaus on other contact centers will generate an additional 147 jobs and approximately \$13.7 million in new earnings in the community. Ansafone Contact Centers, LLC is the leading outsourced contact center solution provider for organizations in the United States and Canada specializing in campaigns that require inbound and outbound call platforms and web-based interaction. Ansafone will create, over a three-year period, a minimum of 300 new full-time jobs including call center agents and associated support and

management personnel with average annual wages of \$22,000. It is projected that the addition of 300 jobs to Ocala's telemarketing bureaus on other contact centers will generate an additional 74 jobs and approximately \$7.7 million in new earnings in the community.

The City's unemployment rate is 8.9%, which is slightly higher than the state and national averages but has decreased from 12.0% from the same time last year. This is due to a boost to the local economy.



The General Fund's main revenue sources include Property Tax, State Revenue Sharing, Half Cent Sales Tax and the transfer from the Electric Fund. The Florida Legislature and electorate have passed two initiatives which have resulted in reduced property tax revenues. This has been exacerbated by the recession which has caused the decline or stagnation of the other major revenue sources.

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

- Construction of a general aviation terminal/parking lot
- Wayfinding signage program
- Implementation of recurring annual funding for the following areas:
 - Annual City-wide resurfacing and sidewalk program
 - Facilities maintenance
 - Fleet management
 - Information technology upgrades
- Infrastructure for Ocala 489 development project
- Overhead/Underground/Lighting work orders
- Substation upgrades
- Drainage well upgrades
- City Hall courtyard renovations
- Water and sanitary sewer main improvements and extensions
- Tuscawilla Park improvements
- Downtown parking garage

- Improvements to the downtown square

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 targeted maximum funding level for the ERSR is 25% of projected annual fuel costs and the minimum funding level is 15% of projected annual fuel costs.
- **Three-year Budget Model** – The City will develop and maintain a comprehensive three-year budget model to assist in making financial decisions regarding long-term revenue and expenditure requirements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ocala for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

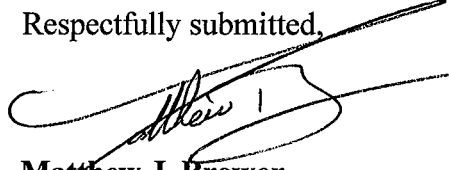
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. 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.

A Comprehensive Annual Financial Report could not have been prepared without the efficient and dedicated services of all staff members involved. Many individuals are responsible for its completion. The utmost appreciation is extended to many City employees throughout the organization who maintained financial records upon which this report is based. Special recognition is given to the employees of the Office of Budget and Finance who work diligently to ensure the timeliness and accuracy of the report.

We would also like to acknowledge the leadership and support of the City Council, whose continued interest is to maintain a fiscally sound government. This has proven to be an invaluable asset to our staff 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.

Respectfully submitted,



Matthew J. Brower
City Manager



Mary Ann Davis, CGFM
Controller

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emmer

Executive Director

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

ELECTED OFFICIALS

CITY COUNCIL

R. Kent Guinn, Mayor
Suzy Heinbockel, President
Mary S. Rich, President Pro-Tem
Daniel Owen
John McLeod
Jay Musleh

APPOINTED OFFICIALS

City Manager
City Attorney
City Clerk
Internal Auditor

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

CABINET MEMBERS

Deputy City Manager, Development Services
Assistant City Manager Public Services
Assistant City Manager Utility Services
Chief Financial Officer
Chief of Staff Support Services

John Zabler
Catherine Cameron
Larry Novak
John Lege
Sandra R. Wilson

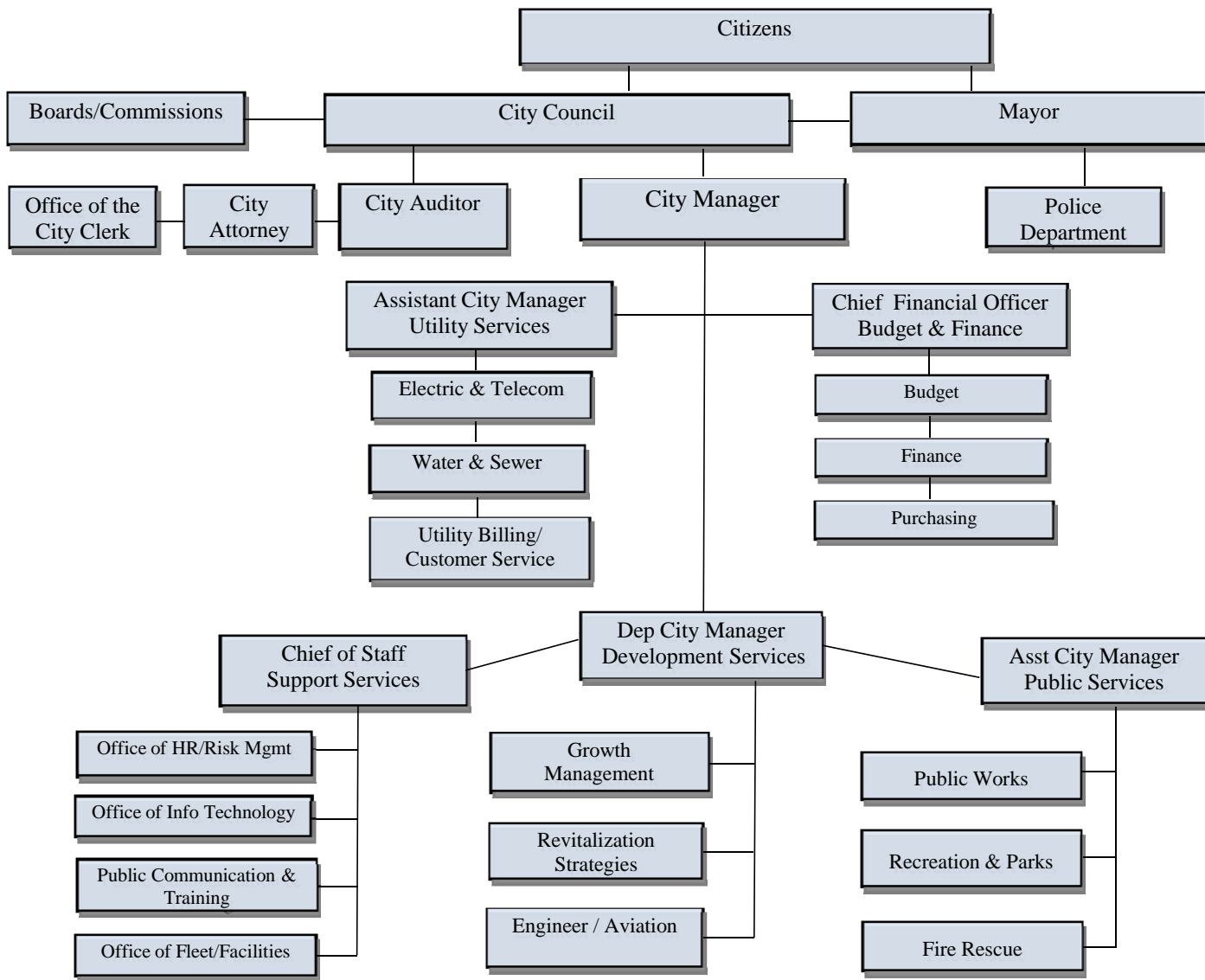
Finance Staff

Controller
Senior Accountant
Senior Treasury Analyst
Accountant
Accountant
Accountant
A/P-A/R Supervisor
Accounts Receivable
Accounts Payable
Payroll Manager
Payroll Specialist
Pension Benefits Coordinator
Grants Coordinator

Mary Ann Davis
Michelle Hicks
Marie Brooks
Anthony Webber
Olga Rabel
Johnna Agin
Linda Wright
Debra Moscato
Debbie Crews
Maribel Lozada
Lisa Mauldin
Alicia Gaither
Tammi Haslam

CITY OF OCALA

Organizational Chart



FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocala, Florida (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2013, 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.

Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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*, and 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 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. The 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.

Purvis, Gray and Company, LLP

March 26, 2013
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

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, 2012. Management's Discussion and Analysis is designed to (a) assist the reader to focus on significant financial issues, (b) provide an overview of the City's financial activities, (c) identify changes in the City's financial position, (d) identify material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$554,775,131 (*net assets*). Of this amount, \$138,223,364 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$6,761,310 as a result of FY 2012 operations.
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$61,809,901, a decrease of \$3,871,958 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$15,196,270, which equals 21.0% of total general fund expenditures and transfers out.
- The City's total outstanding long-term debt decreased \$3,266,589 during the current fiscal year. The reduction in long-term debt is due to principal payments made offset by an increase in compensated absences, claims and judgements, and other post employment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 in this statement 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 government-wide financial statements can be found on pages 17 to 19 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Fund financial statements. A *fund* is a grouping 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	Proprietary Funds	Fiduciary Funds
Scope	Includes the City's basic services such as police, fire services, recreation, parks and traffic control	Services provided by the City that are operated similar to businesses and for which the City charges a fee	Funds for which the City is the trustee or agent for someone else's resources
Examples	Police, Fire, Street Maintenance, Parks, Recreational Activities	Electric, Water, Sewer, Solid Waste, Airport, Golf, Transit, Communications	City's retirement pension fund
Financial Statements	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	Only assets expected to be deleted and liabilities that come due during the year; capital assets are not included	All assets and liabilities, both financial and capital, both short and long-term	All assets and liabilities, both short and long-term; capital assets, if any, are included
Type of inflow / outflow information	Revenues for which cash is received during, or soon after the end of, the year; expenditures when goods or services were received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

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.

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 several 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 major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the combining statements in the other supplemental information section of this report.

The basic governmental fund financial statements can be found on pages 20 to 23 of this report.

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 utility, water and sewer, sanitation, golf course, airport, telecommunications and transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds to account for fleet and facilities management and self-insurance programs. Because these services benefit governmental more 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.

The basic proprietary fund financial statements can be found on pages 24 to 33 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 fiduciary funds of the City are pension trust funds.

The basic fiduciary fund financial statements can be found on pages 34 and 35 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 36 through 80 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with its General Fund budget and 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 81 to 87 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 88 to 118 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$554,775,131 at the close of the most recent fiscal year. Approximately 69.0% of the City's net assets reflect 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 debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently 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'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business -type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 107,222,834	\$ 112,325,679	\$ 192,444,545	\$ 192,449,282	\$ 299,667,379	\$ 304,774,961
Capital assets (net)	183,800,115	186,607,738	371,123,200	376,937,629	554,923,315	563,545,367
Total Assets	291,022,949	298,933,417	563,567,745	569,386,911	854,590,694	868,320,328
Current and other liabilities	10,169,871	9,880,827	61,493,917	65,484,696	71,663,788	75,365,523
Long-term liabilities	59,578,684	62,064,495	168,573,091	169,353,869	228,151,775	231,418,364
Total Liabilities	69,748,555	71,945,322	230,067,008	234,838,565	299,815,563	306,783,887
Net Assets:						
Invested in capital assets,						
net of related debt	143,798,547	139,025,810	238,797,203	252,616,203	382,595,750	391,642,013
Restricted	15,804,304	21,083,016	18,151,713	23,487,318	33,956,017	44,570,334
Unrestricted	61,671,543	66,879,269	76,551,821	58,444,825	138,223,364	125,324,094
Total Net Assets	<u>\$ 221,274,394</u>	<u>\$ 226,988,095</u>	<u>\$ 333,500,737</u>	<u>\$ 334,548,346</u>	<u>\$ 554,775,131</u>	<u>\$ 561,536,441</u>

An additional portion of the City's net assets -- \$33,956,017 or 6.1% -- represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* -- \$138,223,364 -- may be used to meet the City's ongoing obligations to its citizens and creditors.

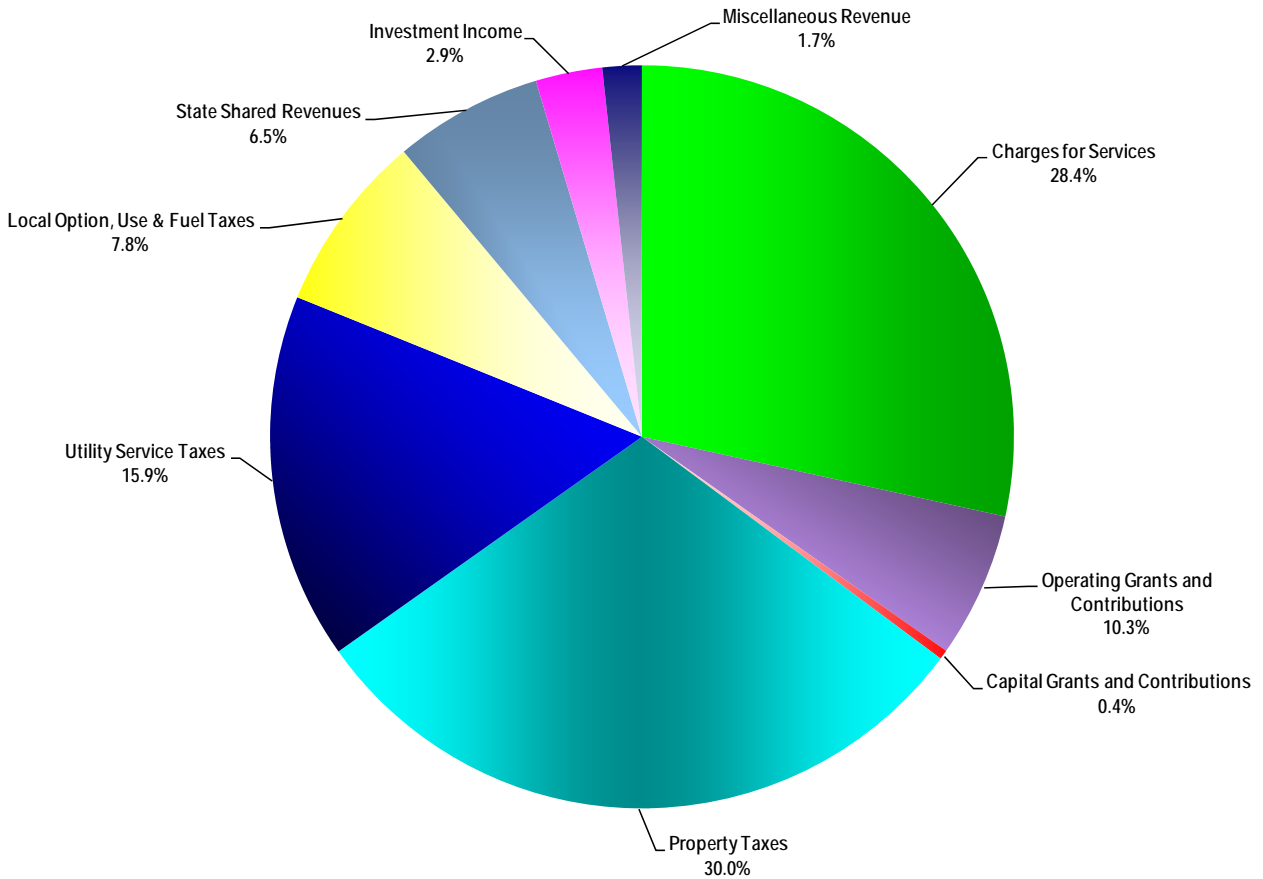
**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

CITY OF OCALA CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 20,354,410	\$ 20,109,324	\$ 180,405,422	\$ 181,029,821	\$ 200,759,832	\$ 201,139,145
Operating grants and contributions	4,531,360	4,768,303	2,039,616	2,084,740	6,570,976	6,853,043
Capital grants and contributions	290,385	1,474,530	738,514	2,582,497	1,028,899	4,057,027
General revenues:						
Taxes	38,469,577	38,305,533	-	-	38,469,577	38,305,533
State shared revenues	4,624,982	4,250,585	-	-	4,624,982	4,250,585
Other	3,295,682	3,026,117	3,003,332	2,643,391	6,299,014	5,669,508
Total Revenues	71,566,396	71,934,392	186,186,884	188,340,449	257,753,280	260,274,841
EXPENSES:						
General government	21,121,585	24,264,441	-	-	21,121,585	24,264,441
Public safety	38,601,843	38,347,627	-	-	38,601,843	38,347,627
Physical environment	3,371,441	2,926,147	-	-	3,371,441	2,926,147
Transportation	16,209,344	15,289,841	-	-	16,209,344	15,289,841
Economic Environment	1,421,490	1,693,471	-	-	1,421,490	1,693,471
Human services	295,471	344,194	-	-	295,471	344,194
Culture and recreation	5,532,341	5,688,221	-	-	5,532,341	5,688,221
Interest on long term debt	1,901,112	1,973,381	-	-	1,901,112	1,973,381
Electric	-	-	131,739,257	141,265,888	131,739,257	141,265,888
Water and sewer	-	-	27,502,689	26,910,447	27,502,689	26,910,447
Sanitation	-	-	8,403,943	8,300,875	8,403,943	8,300,875
Municipal golf courses	-	-	1,838,581	1,864,304	1,838,581	1,864,304
International airport	-	-	2,133,709	1,319,583	2,133,709	1,319,583
Communications	-	-	1,718,074	1,918,905	1,718,074	1,918,905
Suntran	-	-	2,723,710	2,552,321	2,723,710	2,552,321
Total Expenses	88,454,627	90,527,323	176,059,963	184,132,323	264,514,590	274,659,646
Change in net assets before transfers	(16,888,231)	(18,592,931)	10,126,921	4,208,126	(6,761,310)	(14,384,805)
Transfers	11,174,530	14,072,349	(11,174,530)	(14,072,349)	-	-
Change in net assets	(5,713,701)	(4,520,582)	(1,047,609)	(9,864,223)	(6,761,310)	(14,384,805)
Net assets - beginning	226,988,095	231,508,677	334,548,346	344,412,569	561,536,441	575,921,246
Net assets - ending	\$ 221,274,394	\$ 226,988,095	\$ 333,500,737	\$ 334,548,346	\$ 554,775,131	\$ 561,536,441

Net assets for the City's business-type activities decreased by \$1,047,609 during FY 2012, while net assets for governmental activities decreased \$5,713,701 for the same period. Overall, the City's net assets decreased to \$554,775,131.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**



Key Elements of Revenues of Governmental Activities:

- Property taxes, which provided 30.0% of governmental revenues, decreased by \$150,963. In fiscal year 2012, the City's millage rate was 5.9332 per \$1000 of taxable property. This rate was the rolled-back rate. The City's total taxable property valuation for FY 2012 was \$3.79 billion which represents a .5% decrease over fiscal year 2011 taxable property value. The property tax levy collection rate decreased to 95.8% of taxes levied in FY 2012.
- Charges for services provided 28.4% of governmental revenues. Charge for services decreased \$245,086, an decrease of 1.2%.
- Investment income was \$2,069,520, an increase of \$564,847 from the prior year. The City continues to work with three professional management firms in order to successfully meet its investment objectives.
- Utility services taxes provided 15.9% of governmental revenues. Utility services taxes totalled \$11,406,395 for Fiscal Year 2012. Utility service taxes increased \$540,338, an increase of 5.0%.
- Operating grants and contributions continued to account for 10.3% of governmental revenues.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Key Element of Expenses of Governmental Activities

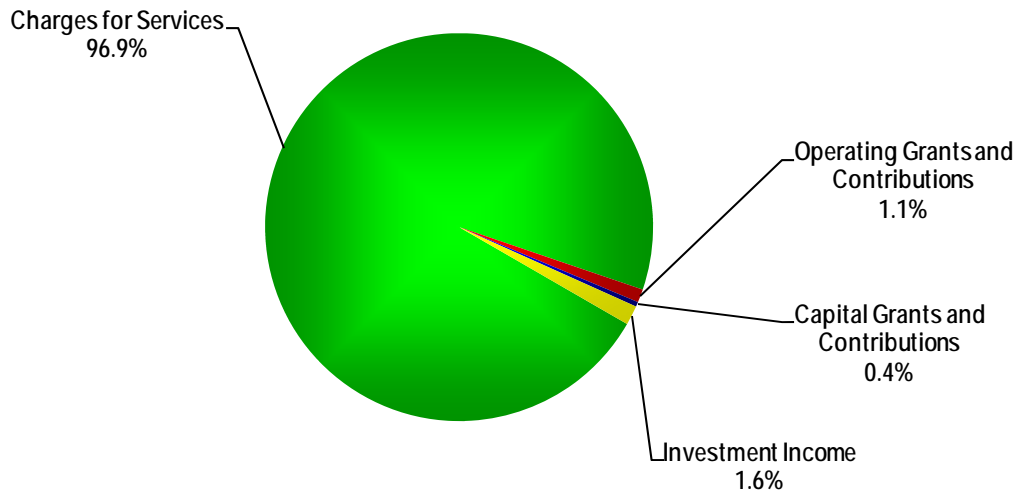
In FY 2012, expenses for Governmental Activities decreased 2.3% to \$88,454,627. General Government had the largest decrease of \$3,142,856, while expenses for Culture and Recreation, Economic Environment, Human Services decreased at a much lessor amount. Public Safety, Physical Environment, and Transportation all had slight increases.

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General Government	\$21,121,585	23.9%	\$12,162,943	48.3%	\$ (8,958,642)
Public Safety	38,601,843	43.6%	9,420,540	37.4%	\$ (29,181,303)
Physical Environment	3,371,441	3.8%	-	0.0%	\$ (3,371,441)
Transportation	16,209,344	18.3%	1,658,796	6.6%	\$ (14,550,548)
Economic Environment	1,421,490	1.6%	1,483,038	5.9%	\$ 61,548
Human Services	295,471	0.3%	-	0.0%	\$ (295,471)
Culture and Recreation	5,532,341	6.3%	450,838	1.8%	\$ (5,081,503)
Interest On Long Term Debt	1,901,112	2.1%	-	0.0%	\$ (1,901,112)
	<u>\$88,454,627</u>	<u>100.0%</u>	<u>\$25,176,155</u>	<u>100.0%</u>	<u>\$ (63,278,472)</u>

Key Elements of Revenues of Business-type Activities:

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Key Element of Expenses of Business-type Activities

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Electric	\$ 131,739,257	74.8%	\$ 139,322,347	76.1%	\$ 7,583,090
Water and Sewer	27,502,689	15.6%	27,168,527	14.8%	(334,162)
Sanitation	8,403,943	4.8%	10,049,279	5.5%	1,645,336
Municipal Golf Courses	1,838,581	1.0%	1,113,876	0.6%	(724,705)
International Airport	2,133,709	1.2%	895,418	0.5%	(1,238,291)
Communications	1,718,074	1.0%	2,437,730	1.3%	719,656
Suntran	2,723,710	1.6%	2,196,375	1.2%	(527,335)
	<u>\$ 176,059,963</u>	<u>100.0%</u>	<u>\$ 183,183,552</u>	<u>100.0%</u>	<u>\$ 7,123,589</u>

Please note that all of the expense numbers 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 City's Electric Utility Fund had net revenue of \$7,583,090 in FY 2012 as shown in the Statement of Activities. That compares to net expense of \$920,809 in the prior year, which represents an increase of \$8,503,899 in FY 2012. Electric Utility Fund operating expenses decreased from \$141,265,888 in FY 2011 to \$131,739,257 in FY 2012. However, program revenues decreased from \$140,345,079 in FY 2011 to \$139,322,347 in FY 2012. This resulted in a \$424,235 gain in the Electric Fund. The cause of the gain appears to be due to multiple factors, including a increase in sales, an decrease in expenses, and a decrease in other revenue sources.

The City's Water and Sewer Fund had a net expense of \$334,162 in FY 2012. That compares to a net increase of \$608,977 in FY 2011, which represents a decrease of \$943,139 in FY 2012. The majority of this decrease is due to a larger transfer out for FY 2012. Capital contributions decreased from \$932,973 in FY 2011 to \$378,364 in FY 2012.

The highest priority of the Municipal Golf Course Fund continues to be self-sufficiency. City Management continues to look at ways to reduce operating expenses and enhance revenues. In FY 2012, program expenses exceeded revenue by \$724,705, which is a 4% change. Golf Course Fund expenses decreased \$25,723 in FY 2012, which represents a 1% decrease from FY 2011. In FY 2013, the City is outsourcing management operations to reduce expenses with the goal in mind to make the golf operations self-sufficient.

The Ocala International Airport program expenses exceeded revenues by \$1,238,291 for FY 2012. Operating revenues exceeded expenses by \$832,372 in FY 2011. The City Council is evaluating industrial and commercial development on the airport's 1,500 acres.

The City's public mass transit system, SunTran's program expenses exceeded revenues by \$527,335. Expenses totaled \$2,723,710 as compared to \$2,196,375 in program revenues. Expenses increased 6.7% in FY 2012 while program revenues increased 6.0%.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$61,809,901, a decrease of \$3,871,958 in comparison with the prior year. Approximately 66.7% of this total amount, \$41,211,695, is the total unrestricted fund balance. The *unassigned fund balance* of \$15,196,270 is available for spending at the government's discretion. A portion of the funds balance or \$357,305 is *nonspendable* and represents \$179,557 for prepaid items and \$177,748 for inventories. The *assigned fund balance*, the amount constrained by the City to be used for specific purposes, totaled \$18,439,496. The *restricted* amount of \$20,240,901 can only be used as legally allowed including \$3,800,984 to pay debt service; \$3,685,413 in the CRA Fund, and various amounts in the General Fund, Special Revenue Funds, and Capital Projects Fund.

**City of Ocala
Governmental Funds - Fund Balance
As of September 30**

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Nonspendable	\$ 357,305	\$ -	\$ -	\$ -	\$ -	\$ 357,305
Restricted	2,698,762	3,685,413	6,365,130	3,800,984	3,690,612	20,240,901
Unrestricted						
Committed	2,231,685	-	5,344,244	-	-	7,575,929
Assigned	18,439,496	-	-	-	-	18,439,496
Unassigned	15,196,270	-	-	-	-	15,196,270
Total Fund Balance	<u>\$ 38,923,518</u>	<u>\$ 3,685,413</u>	<u>\$ 11,709,374</u>	<u>\$ 3,800,984</u>	<u>\$ 3,690,612</u>	<u>\$ 61,809,901</u>

The General Fund is the City's chief operating fund. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$15,196,270, while total fund balance was \$38,923,518. As a measure of the General Funds liquidity, it may be useful to compare *unassigned fund balance* to total General Fund expenditures and transfers out. *Unassigned fund balance* represents nearly 21.0% of total General Fund expenditures and transfers out.

The fund balance of the City's General Fund decreased \$2,212,720 during FY 2012 compared to an increase of \$2,131,090 in FY 2011.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Proprietary Funds. 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.

Unrestricted net assets of proprietary funds at the end of the year were the following:

Fund	Unrestricted Net Assets
Electric System Revenue	\$ 18,765,011
Water and Sewer	46,748,011
Sanitation	6,899,486
Municipal Golf Course	(84,705)
Ocala International Airport	505,621
Communications	3,904,462
SunTran	(186,065)
Total	<u>\$ 76,551,821</u>

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

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget totaled \$81,376,228. Various budget amendments were approved by City Council. During the year, appropriations increased \$11,323,782 from the original to the final budget in the General Fund. Actual expenditures were \$20,450,525 lower than the final budget.

GENERAL FUND ORIGINAL/FINAL BUDGET

	<u>Original</u>	<u>Final</u>
REVENUES:		
Taxes	\$ 33,000,608	\$ 33,000,608
State shared revenues	4,574,979	4,574,979
Intergovernmental revenues	1,047,174	6,108,360
Permits and fees	1,810,200	1,810,200
Fines and forfeitures	356,300	356,300
Charges for services	13,445,452	13,377,952
Investment income	834,900	834,900
Miscellaneous	784,614	1,186,778
Total Revenues	<u>55,854,227</u>	<u>61,250,077</u>
EXPENDITURES		
General government	21,683,986	20,777,305
Public safety	36,903,361	36,841,771
Transportation	5,292,797	6,443,847
Economic environment	1,644,497	2,579,739
Physical Environment	-	7,500
Human services	-	457,987
Culture and recreation	5,460,497	5,142,427
Capital Outlay	4,373,482	10,874,915
Total Expenditures	<u>75,358,620</u>	<u>83,125,491</u>
Excess(deficiency) of revenues over expenditures	<u>(19,504,393)</u>	<u>(21,875,414)</u>
Other Financing Sources (Uses)		
Transfers in	13,648,105	16,736,335
Transfers out	(6,017,608)	(9,574,519)
Total other financing sources(uses)	<u>7,630,497</u>	<u>7,161,816</u>
Net change in fund balance	(11,873,896)	(14,713,598)
Fund balance - beginning	11,873,896	14,713,598
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

The original CRA Fund budget totaled \$71,628. Various budget amendments were approved by City Council. During the year, appropriations increased \$106,296 from the original to the final budget in the CRA Fund. Actual expenditures were \$53,514 lower than the final budget.

CRA FUND ORIGINAL/FINAL BUDGET

	<u>Original</u>	<u>Final</u>
REVENUES:		
Taxes	\$ 244,746	\$ 244,746
Total Revenues	<u>244,746</u>	<u>244,746</u>
EXPENDITURES		
General government	<u>71,628</u>	<u>138,450</u>
Total Expenditures	<u>71,628</u>	<u>138,450</u>
Excess(deficiency) of revenues over expenditures	<u>173,118</u>	<u>106,296</u>
Other Financing Sources (Uses)		
Transfers in	<u>378,159</u>	<u>378,159</u>
Total other financing sources(uses)	<u>378,159</u>	<u>378,159</u>
Net change in fund balance	551,277	484,455
Fund balance - beginning	<u>(551,277)</u>	<u>(484,455)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>

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, 2012 totaled \$554,923,316 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, intangibles, leasehold improvements, equipment, infrastructure, and construction in progress. The City's investment in capital assets decreased \$8,622,051. This represents a 1.5%.decrease from FY 2011.

Major capital asset additions in FY 2012 included the following:

Governmental Activities:

- The SW 67th Avenue Project was completed at a cost of \$2,760,866.
- The NE/SE 36th Avenue Project was completed at a cost of \$895,436.
- The SW 44th Avenue/SW 42nd Street Flyover DCS Project was completed at a cost of \$568,124.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

**CITY OF OCALA, FLORIDA
CAPITAL ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 19,719,267	\$ 20,810,043	\$ 22,743,452	\$ 23,417,982	\$ 42,462,719	\$ 44,228,025
Intangible (Easement, ROW)	2,012,590	-	1,050,709	-	3,063,299	-
Buildings	38,023,541	35,024,194	28,768,757	28,715,070	66,792,298	63,739,264
Impv Other Than Bldgs	-	-	534,498,938	514,581,040	534,498,938	514,581,040
Crystal River Unit # 3	-	-	16,168,423	16,168,423	16,168,423	16,168,423
Equipment	46,329,478	47,213,291	8,999,044	11,580,677	55,328,522	58,793,968
Intangible (Software)	2,810,562	-	4,123,578	-	6,934,140	-
Infrastructure	304,291,573	302,037,760	-	-	304,291,573	302,037,760
Construction in Progress	5,021,696	4,460,851	3,367,049	10,988,270	8,388,745	15,449,121
	<u>418,208,707</u>	<u>409,546,139</u>	<u>619,719,950</u>	<u>605,451,462</u>	<u>1,037,928,657</u>	<u>1,014,997,601</u>
Less: Accumulated Depr	(234,408,592)	(222,938,401)	(248,596,749)	(228,513,833)	(483,005,341)	(451,452,234)
Capital Assets, Net	<u>\$ 183,800,115</u>	<u>\$ 186,607,738</u>	<u>\$ 371,123,201</u>	<u>\$ 376,937,629</u>	<u>\$ 554,923,316</u>	<u>\$ 563,545,367</u>

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 Dearmin to Baseline 69KV Transmission Line Project was completed at a cost of \$3,283,722.
- The Sewer Main Rehab Phase III-Relining Clay Pipes Project was completed at a cost of \$1,611,981.
- The SW44th Avenue/SW 42nd Street Flyover Water/Sewer Project was completed at a cost of \$1,336,524.
- The Dixie Substation Project was completed at a cost of \$752,257.

Additional information on the City's capital assets is presented in Notes to Financial Statements on pages 62 through 63.

Long-term debt. At the end of FY 2012, outstanding long-term debt of the City was \$228,151,774. That was a decrease of \$3,266,590 or 1.4% from outstanding long-term debt of \$231,418,364 at the end of FY 2011. Electric Utility 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.

During FY 2012, the City issued no new bonds.

In FY 2012 the City's bonded debt decreased 2.8% from the prior year. This was due to principal bond payments made during the fiscal year. During the year, the City refunded the 2002 Capital Improvement Bonds in an approximate \$1,103,132 net present value savings. The City had no outstanding general obligation debt at the close of FY 2012. The City maintains excellent bond ratings from the major ratings agencies.

Additional information on the City's debt is present in Notes to Financial Statements on pages 72 to 76 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following were some of the significant factors considered in preparing the City's FY 2013 budget:

- The FY 2013 budget has been prepared as the City continues on its prescribed flight path of embracing change, reform and a culture of discipline intended to achieve new elevations and heights in organizational effectiveness and fiscal reform.
- The City's leadership, lead by the City Council and Mayor, recognizes the critical role it must play in establishing the appropriate tenor and investment required for economic transformation of our local economy. The City has aggressively, but strategically, began sowing the seeds for tomorrow's recovery. To date the signature investments include Ocala 489 (i.e. Magna), Ocala Business Park at Ocala International Airport, and establishing a state-of-the-art business incubator. The FY 2013 budget continues strategic funding for these projects while preserving flexibility for pursuing additional economic opportunities.
- The budget is balanced with no tax or fee increases and no reduction in service levels. The General Fund Expenditure Budget for FY 2013 totals \$80,634,333.
- The City Comprehensive FY 2013 Budget totals \$603,847,245.
- The FY 2012 Budget was based on four strategies. These strategies are: operational efficiencies, tempering escalating personnel cost, a refocus on the core mission of the City and financial transformation. These strategies remained a vital cornerstone in the development of the FY 2013 budget.
- Each department continues to review its operations comprehensively and is putting together strategies to reduce expenditures without significantly impacting services. These efficiencies to date have included reorganization of some department and/or divisions, the consolidation of service functions, re-assignment of staff to more critical tasks, reductions in personnel needs, fleet needs, facility needs, and better utilization of technology. Each department will continue to focus on all areas of their operation to reduce costs while maintaining operational efficiency.
- Through strong financial policies, as adopted by the City Council, the City was able to present stakeholders with an adopted budget that is balanced, addresses priority needs, maintains or enhances service levels and did not require an increase in property taxes or user fees.
- With the adoption of this budget, the City is adopting new key management polices intended to provide formal policy statement designed to establish the financial goals of the organization and the principles that will govern budget management.
- The unemployment rate for the City continues to be higher than the state-wide average. This is primarily due to a sharp downturn in housing construction and manufacturing markets.
- The taxable value of commercial and residential property decreased 4% in FY 2012, falling from \$3.706 billion to \$3.554 billion. This decrease was due to the continued downturn in the housing market.
- Building permit activity continued to decrease during FY 2012.
- Population increased slightly to an estimated 57,041.

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 addresses to the Chief Financial Officer, Office of Budget and Finance, Ocala City Hall, 110 SE Watula Avenue, Ocala, Florida 34471, or telephone (352) 629-8368.



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BASIC FINANCIAL STATEMENTS

**CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Assets	Governmental Activities	Business Type Activities	Total
Cash and Investments	\$ 2,435	\$ 9,728,814	\$ 9,731,249
Equity In pooled cash fund	94,493,698	152,972,039	247,465,737
Accounts and notes receivable	1,413,782	21,453,187	22,866,969
Accrued interest receivable	184,798	417,021	601,819
Internal balances	1,129,236	(1,129,236)	-
Due from other governments	3,063,036	905,769	3,968,805
Pension asset	6,252,288	-	6,252,288
Prepays	179,557	194,593	374,150
Inventories	177,748	6,211,323	6,389,071
Other assets	326,256	1,691,035	2,017,291
Capital assets not being depreciated:			
Land	21,731,857	22,743,452	44,475,309
Construction in progress	5,021,696	3,367,048	8,388,744
Capital assets, net of accumulated depreciation:			
Buildings	27,732,804	13,793,029	41,525,833
Improvements other than buildings	-	324,319,468	324,319,468
Machinery and equipment	17,317,779	3,830,492	21,148,271
Intangibles	2,129,982	3,069,711	5,199,693
Infrastructure	109,865,997	-	109,865,997
Total assets	291,022,949	563,567,745	854,590,694
Liabilities			
Accounts payable and accrued liabilities	8,294,781	18,825,604	27,120,385
Accrued interest payable	745,985	3,469,025	4,215,010
Unearned revenue	1,088,402	32,863,381	33,951,783
Other liabilities	40,703	6,335,907	6,376,610
Noncurrent liabilities:			
Due within one year	9,478,642	6,773,486	16,252,128
Due in more than one year	50,100,042	161,799,605	211,899,647
Total liabilities	69,748,555	230,067,008	299,815,563
Net Assets			
Invested In capital assets, net of related debt	143,798,547	238,797,203	382,595,750
Restricted for:			
Transportation	6,090,196	-	6,090,196
Capital projects	-	13,056,713	13,056,713
Debt service	3,054,999	5,095,000	8,149,999
Development district improvements	3,933,773	-	3,933,773
Public safety	2,579,220	-	2,579,220
Grants	146,116	-	146,116
Unrestricted	61,671,543	76,551,821	138,223,364
Total net assets	\$ 221,274,394	\$ 333,500,737	\$ 554,775,131

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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 21,121,585	\$ 11,756,605	\$ 406,338	\$ -
Public safety	38,601,843	8,180,181	1,240,359	-
Physical environment	3,371,441	-	-	-
Transportation	16,209,344	-	1,412,198	246,598
Economic environment	1,421,490	30,604	1,408,647	43,787
Human services	295,471	-	-	-
Culture and recreation	5,532,341	387,020	63,818	-
Interest on long term debt	1,901,112	-	-	-
Total governmental activities	88,454,627	20,354,410	4,531,360	290,385
Business-type activities:				
Electric	131,739,257	139,183,371	-	138,976
Water and sewer	27,502,689	26,575,860	214,303	378,364
Sanitation	8,403,943	10,049,016	-	263
Municipal golf courses	1,838,581	1,113,876	-	-
International airport	2,133,709	674,507	-	220,911
Communications	1,718,074	2,437,730	-	-
Suntran	2,723,710	371,062	1,825,313	-
Total business-type activities	\$ 176,059,963	\$ 180,405,422	\$ 2,039,616	\$ 738,514

General Revenues:

Property taxes
Utility service taxes
Local option, use & fuel tax
State shared revenues - unrestricted
Investment income
Miscellaneous

Transfers

Transfers

Total general revenues and transfers

Change In net assets

Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and Change In Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (8,958,642)	\$ -	\$ (8,958,642)
(29,181,303)	-	(29,181,303)
(3,371,441)	-	(3,371,441)
(14,550,548)	-	(14,550,548)
61,548	-	61,548
(295,471)	-	(295,471)
(5,081,503)	-	(5,081,503)
(1,901,112)	-	(1,901,112)
<u>(63,278,472)</u>	<u>-</u>	<u>(63,278,472)</u>
-	7,583,090	7,583,090
-	(334,162)	(334,162)
-	1,645,336	1,645,336
-	(724,705)	(724,705)
-	(1,238,291)	(1,238,291)
-	719,656	719,656
-	(527,335)	(527,335)
<u>-</u>	<u>7,123,589</u>	<u>7,123,589</u>
21,480,323		21,480,323
11,406,395	-	11,406,395
5,582,859	-	5,582,859
4,624,982	-	4,624,982
2,069,520	3,003,332	5,072,852
1,226,162	-	1,226,162
<u>11,174,530</u>	<u>(11,174,530)</u>	<u>-</u>
<u>57,564,771</u>	<u>(8,171,198)</u>	<u>49,393,573</u>
(5,713,701)	(1,047,609)	(6,761,310)
226,988,095	334,548,346	561,536,441
<u>\$ 221,274,394</u>	<u>\$ 333,500,737</u>	<u>\$ 554,775,131</u>

**CITY OF OCALA, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 2,435	\$ -	\$ -	\$ 2,435
Equity in pooled cash fund	40,068,113	3,678,547	19,467,536	63,214,196
Accounts and notes receivable	1,043,972	-	272,211	1,316,183
Accrued interest receivable	126,146	10,314	48,338	184,798
Due from other funds	904,253	-	224,983	1,129,236
Due from other governments	1,824,854	-	1,238,182	3,063,036
Prepays	179,557	-	-	179,557
Inventories	177,748	-	-	177,748
Other assets	6,358	-	-	6,358
Total assets	<u>44,333,436</u>	<u>3,688,861</u>	<u>21,251,250</u>	<u>69,273,547</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	5,114,304	3,448	1,260,038	6,377,790
Unearned revenue	295,614	-	790,242	1,085,856
Total liabilities	<u>5,409,918</u>	<u>3,448</u>	<u>2,050,280</u>	<u>7,463,646</u>
Fund Balances:				
Nonspendable	357,305	-	-	357,305
Restricted	2,698,762	3,685,413	13,856,726	20,240,901
Committed	2,231,685	-	5,344,244	7,575,929
Assigned	18,439,496	-	-	18,439,496
Unassigned	15,196,270	-	-	15,196,270
Total fund balances	<u>38,923,518</u>	<u>3,685,413</u>	<u>19,200,970</u>	<u>61,809,901</u>
Total liabilities and fund balances	<u>\$ 44,333,436</u>	<u>\$ 3,688,861</u>	<u>\$ 21,251,250</u>	<u>\$ 69,273,547</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 ASSETS
AS OF SEPTEMBER 30, 2012**

Total fund balances of governmental funds \$ 61,809,901

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$ 387,312,327 and the accumulated depreciation is \$ 216,899,902. 170,412,425

The net pension asset is an asset for the government-wide statement of net assets. A net pension asset is not considered to represent a financial asset and, therefore, is not reported in the governmental funds. 6,252,288

The internal service fund is used by management to charge the costs of fleet & facilities management and risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 31,092,272

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 Assets. Long term liabilities at year end consist of:

Revenue bonds and certificates	(40,950,000)
Less: Deferred charge on refunding (to be amortized as interest expense).	351,708
Deferred charge for issuance costs (to be amortized over life of debt)	363,722
Bond (premium) discount (to be amortized over life of debt)	(312,986)
Arbitrage rebate liability	(40,703)
Accrued interest payable	(745,985)
Compensated absences	(5,264,044)
OPEB liability payable	(1,694,204)
	(1,694,204)

Total net assets of governmental activities \$ 221,274,394

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, 2012**

	General Fund	CRA Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 21,201,843	\$ 216,060	\$ 62,420	\$ 21,480,323
Utility service taxes	11,406,395	-	-	11,406,395
Local option, use & fuel tax	890,954	-	4,691,905	5,582,859
State shared revenues	4,624,982	-	-	4,624,982
Intergovernmental revenues	2,976,495	-	640,880	3,617,375
Permits and fees	1,968,607	-	-	1,968,607
Fines and forfeitures	551,217	-	-	551,217
Charges for services	13,158,882	-	4,675,704	17,834,586
Investment income	974,692	77,832	399,088	1,451,612
Gifts	433,052	-	771,318	1,204,370
Miscellaneous	1,098,557	-	127,605	1,226,162
Total revenues	<u>59,285,676</u>	<u>293,892</u>	<u>11,368,920</u>	<u>70,948,488</u>
Expenditures				
Current:				
General government	18,158,621	84,936	106,293	18,349,850
Public safety	36,171,183	-	-	36,171,183
Physical environment	7,500	-	2,947,133	2,954,633
Transportation	5,265,150	-	2,903,880	8,169,030
Economic environment	1,238,500	-	55,388	1,293,888
Human services	284,499	-	-	284,499
Culture and recreation	4,870,127	-	132,794	5,002,921
Capital outlay	3,015,339	-	4,749,633	7,764,972
Debt service:				
Principal payments	-	-	3,905,000	3,905,000
Interest and fees	-	-	2,139,000	2,139,000
Total expenditures	<u>69,010,919</u>	<u>84,936</u>	<u>16,939,121</u>	<u>86,034,976</u>
Excess (deficiency) of revenues over expenditures	<u>(9,725,243)</u>	<u>208,956</u>	<u>(5,570,201)</u>	<u>(15,086,488)</u>
Other financing sources (uses)				
Transfers in	10,751,089	333,835	5,692,066	16,776,990
Transfers out	(3,238,566)	-	(2,363,894)	(5,602,460)
Bond Proceeds	-	-	8,405,000	8,405,000
Payment To Refunded Bonds Escrow Agent	-	-	(8,365,000)	(8,365,000)
Total other financing sources (uses)	<u>7,512,523</u>	<u>333,835</u>	<u>3,368,172</u>	<u>11,214,530</u>
Net change in fund balances	<u>(2,212,720)</u>	<u>542,791</u>	<u>(2,202,029)</u>	<u>(3,871,958)</u>
Fund balances - beginning	<u>41,136,238</u>	<u>3,142,622</u>	<u>21,402,999</u>	<u>65,681,859</u>
Fund balances - ending	<u>\$ 38,923,518</u>	<u>\$ 3,685,413</u>	<u>\$ 19,200,970</u>	<u>\$ 61,809,901</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, 2012**

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

Net change in fund balances - total governmental funds \$ (3,871,958)

Governmental funds report capital purchases as expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which depreciation expense of \$10,550,472 exceeded capital purchases of \$7,775,504. (2,774,968)

The issuance of bonds and similar long term debt provides current financial resources to governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. 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:

Debt issued or incurred:	
Issuance of bonds	(8,405,000)
Bond issuance costs	37,230
Principal repayments:	
Bonds and Certificates	3,905,000
Payment to escrow agent for refunding	8,365,000
Amortization of bond discount, premium, issuance costs and deferred amounts on refunding	(18,838)

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	(592,919)
Accrued interest on long term debt	237,888
OPEB liability payable	(413,171)
Arbitrage rebate liability	(40,703)

A net pension asset does not represent a use of current financial resources and, therefore, is not an asset for the governmental funds. Payments made contributing to the net pension asset are therefore expenditures for the governmental funds. In the statement of net assets, however, these payments increase the net pension asset. (381,962)

The internal service fund is used by management to charge the costs of activities that benefit the entire government. The net income (expense) of the internal service fund is reported with governmental activities. (1,759,300)

Change in net assets of governmental activities \$ (5,713,701)

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

**CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Assets				
Current Assets:				
Cash and investments	\$ 2,750	\$ 250	\$ 175	\$ 2,420
Equity in pooled cash and investment fund	20,859,091	45,743,928	7,087,938	-
Restricted assets available for current liabilities	2,425,378	7,754,751	-	-
Accounts and notes receivable	9,323,647	1,560,559	598,858	-
Accrued interest receivable	156,060	109,862	17,681	255
Accrued unbilled revenues	9,816,157	-	-	-
Due from other funds	-	1,335,325	450,729	-
Prepays	178,002	213	-	2,039
Inventories	5,160,363	936,348	-	23,164
Due from other governments	-	-	-	-
Other current assets	-	93,772	-	-
Total current assets	47,921,448	57,535,008	8,155,381	27,878
Noncurrent Assets:				
Restricted Assets:				
Cash and investments:				
Crystal river decommissioning trust	9,723,119	-	-	-
Equity in pooled cash and investment fund:				
Construction accounts	14,753,554	6,441,368	-	-
Debt service accounts	1,996,161	6,567,864	-	-
Impact fee accounts	-	9,478,849	-	-
Rate stabilization	32,180,810	-	-	-
Renewal and replacement	2,178,730	1,350,194	-	-
Accrued interest receivable:				
Construction accounts	45,246	26,581	-	-
Impact fee accounts	-	35,280	-	-
Renewal and replacement	6,096	7,564	-	-
Less: Portion classified as current	(2,425,378)	(7,754,751)	-	-
Total restricted assets	58,458,338	16,152,949	-	-
Issuance costs on long-term debt	636,767	960,496	-	-
Capital assets, net:				
Land	5,487,398	10,971,451	22,359	394,678
Buildings	4,123,966	2,112,396	639,902	792,655
Improvements other than buildings	118,874,506	184,353,224	3,538	2,956,123
Machinery and equipment	731,209	415,797	386,362	-
Intangible assets	2,518,326	523,052	-	-
Construction in process	1,551,798	1,584,004	-	-
Total capital assets (net)	133,287,203	199,959,924	1,052,161	4,143,456
Total noncurrent assets	192,382,308	217,073,369	1,052,161	4,143,456
Total assets	\$ 240,303,756	\$ 274,608,377	\$ 9,207,542	\$ 4,171,334

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
\$ 100	\$ -	\$ -	\$ 5,695	\$ -
494,781	3,835,520	3,251	78,024,509	31,279,502
-	-	-	10,180,129	-
46,161	107,805	-	11,637,030	11,199
1,682	10,714	-	296,254	86,400
-	-	-	9,816,157	-
-	-	-	1,786,054	-
220	14,119	-	194,593	-
-	91,448	-	6,211,323	-
111,465	-	794,304	905,769	-
-	-	-	93,772	-
<u>654,409</u>	<u>4,059,606</u>	<u>797,555</u>	<u>119,151,285</u>	<u>31,377,101</u>
-	-	-	9,723,119	-
-	-	-	21,194,922	-
-	-	-	8,564,025	-
-	-	-	9,478,849	-
-	-	-	32,180,810	-
-	-	-	3,528,924	-
-	-	-	71,827	-
-	-	-	35,280	-
-	-	-	13,660	-
-	-	-	(10,180,129)	-
-	-	-	<u>74,611,287</u>	-
-	-	-	<u>1,597,263</u>	-
5,867,566	-	-	22,743,452	-
4,927,811	-	1,196,299	13,793,029	-
13,352,033	4,780,044	-	324,319,468	270,025
47,774	476,590	1,772,760	3,830,492	12,567,187
-	28,333	-	3,069,711	331,734
<u>124,327</u>	<u>106,919</u>	<u>-</u>	<u>3,367,048</u>	<u>218,744</u>
<u>24,319,511</u>	<u>5,391,886</u>	<u>2,969,059</u>	<u>371,123,200</u>	<u>13,387,690</u>
<u>24,319,511</u>	<u>5,391,886</u>	<u>2,969,059</u>	<u>447,331,750</u>	<u>13,387,690</u>
<u>\$ 24,973,920</u>	<u>\$ 9,451,492</u>	<u>\$ 3,766,614</u>	<u>\$ 566,483,035</u>	<u>\$ 44,764,791</u>

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Liabilities				
Current Liabilities:				
Payable from unrestricted assets:				
Accounts payable and accrued liabilities	\$ 10,585,004	\$ 617,766	\$ 562,906	\$ 56,354
Deferred cost of power adjustment	4,737,004	-	-	-
Claims payable	-	-	-	-
Compensated absences payable	1,030,464	330,883	194,464	9,674
Due to other funds	2,452,299	-	-	22,994
Customer deposits	6,301,104	-	-	4,250
Capital Lease payable	-	-	-	-
Unearned revenue	279,798	399,622	-	3,151
Total current liabilities payable from unrestricted assets	25,385,673	1,348,271	757,370	96,423
Payable from restricted assets:				
Accounts payable and accrued liabilities	429,217	1,186,887	-	-
Accrued interest payable	1,346,161	2,122,864	-	-
Revenue bonds payable within one year	650,000	4,445,000	-	-
Total current liabilities payable from restricted assets	2,425,378	7,754,751	-	-
Total current liabilities	27,811,051	9,103,022	757,370	96,423
Noncurrent Liabilities:				
Nuclear decommissioning costs	9,723,119	-	-	-
Compensated absences payable	500,932	303,144	307,452	-
Capital lease payable	-	-	-	-
OPEB obligation payable	415,237	193,944	191,073	16,160
Unearned revenue-rate stabilization	32,180,810	-	-	-
Revenue bonds and notes payable after one year	56,650,339	93,444,670	-	-
Total noncurrent liabilities	99,470,437	93,941,758	498,525	16,160
Total liabilities	127,281,488	103,044,780	1,255,895	112,583
Net Assets				
Invested in capital assets, net of related debt	91,422,431	109,498,699	1,052,161	4,143,456
Restricted for debt service	650,000	4,445,000	-	-
Restricted for capital projects	2,184,826	10,871,887	-	-
Unrestricted (accumulated deficit)	18,765,011	46,748,011	6,899,486	(84,705)
Total net assets	\$ 113,022,268	\$ 171,563,597	\$ 7,951,647	\$ 4,058,751

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
\$ 53,532	\$ 53,311	\$ 543,623	\$ 12,472,496	\$ 1,916,991
-	-	-	4,737,004	-
-	-	-	-	8,602,000
41,197	71,804	-	1,678,486	-
-	-	439,997	2,915,290	-
30,553	-	-	6,335,907	-
-	-	-	-	1,023,519
-	-	-	682,571	2,546
<u>125,282</u>	<u>125,115</u>	<u>983,620</u>	<u>28,821,754</u>	<u>11,545,056</u>
-	-	-	1,616,104	-
-	-	-	3,469,025	-
-	-	-	5,095,000	-
-	-	-	10,180,129	-
<u>125,282</u>	<u>125,115</u>	<u>983,620</u>	<u>39,001,883</u>	<u>11,545,056</u>
-	-	-	9,723,119	-
10,183	13,708	-	1,135,419	-
-	-	-	-	2,127,463
13,323	16,321	-	846,058	-
-	-	-	32,180,810	-
-	-	-	150,095,009	-
<u>23,506</u>	<u>30,029</u>	<u>-</u>	<u>193,980,415</u>	<u>2,127,463</u>
<u>148,788</u>	<u>155,144</u>	<u>983,620</u>	<u>232,982,298</u>	<u>13,672,519</u>
24,319,511	5,391,886	2,969,059	238,797,203	10,236,708
-	-	-	5,095,000	-
-	-	-	13,056,713	-
<u>505,621</u>	<u>3,904,462</u>	<u>(186,065)</u>	<u>76,551,821</u>	<u>20,855,564</u>
<u>\$ 24,825,132</u>	<u>\$ 9,296,348</u>	<u>\$ 2,782,994</u>	<u>\$ 333,500,737</u>	<u>\$ 31,092,272</u>

CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Operating Revenues:				
Charges for services	\$ 147,912,950	\$ 26,502,547	\$ 10,037,245	\$ 1,109,804
Less: Rate stabilization transfer	(11,190,618)	-	-	-
Other	2,461,039	73,313	11,771	4,072
Total operating revenues	139,183,371	26,575,860	10,049,016	1,113,876
Operating Expenses:				
Purchase of electricity	95,927,007	-	-	-
Distribution	10,246,379	2,097,148	-	-
Operation and maintenance	4,466,669	458,725	4,618,440	1,096,013
Water and sewer treatment	-	5,680,549	-	-
Sewer collection	-	2,814,521	-	-
Internal service	-	-	-	-
Administration	8,910,911	2,892,502	3,667,713	245,039
Depreciation and amortization	8,118,682	9,557,674	117,790	487,546
Other	2,735,647	1,220	-	9,983
Total operating expenses	130,405,295	23,502,339	8,403,943	1,838,581
Operating income (loss)	8,778,076	3,073,521	1,645,073	(724,705)
Non-Operating Revenues (Expenses):				
Investment income	1,328,440	1,441,146	137,021	2,410
Interest expense	(1,333,962)	(4,000,350)	-	-
Other non-operating revenue	-	214,303	-	-
Total non-operating revenues (expenses)	(5,522)	(2,344,901)	137,021	2,410
Income (loss) before capital contributions and transfers	8,772,554	728,620	1,782,094	(722,295)
Capital Contributions	138,976	378,364	263	-
Transfers:				
Transfers in	601,000	-	-	295,855
Transfers out	(9,088,295)	(1,702,183)	(928,158)	(173,000)
Total transfers	(8,487,295)	(1,702,183)	(928,158)	122,855
Change in net assets	424,235	(595,199)	854,199	(599,440)
Net assets - beginning	112,598,033	172,158,796	7,097,448	4,658,191
Net assets - ending	\$ 113,022,268	\$ 171,563,597	\$ 7,951,647	\$ 4,058,751

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

<u>ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
<u>Ocala</u>				<u>ACTIVITIES</u>
<u>International</u>	<u>Communi-</u>	<u>SunTran</u>	<u>Total</u>	<u>Internal</u>
<u>Airport</u>	<u>cations</u>			<u>Service</u>
				<u>Funds</u>
\$ 668,654	\$ 2,436,658	\$ 330,795	\$ 188,998,653	\$ 12,677,087
-	-	-	(11,190,618)	-
5,853	1,072	40,267	2,597,387	1,854,366
<u>674,507</u>	<u>2,437,730</u>	<u>371,062</u>	<u>180,405,422</u>	<u>14,531,453</u>
-	-	-	95,927,007	-
-	-	-	12,343,527	-
394,785	1,292,095	2,495,923	14,822,650	-
-	-	-	5,680,549	-
-	-	-	2,814,521	-
-	-	-	-	14,996,139
384,034	-	-	16,100,199	-
1,354,890	425,979	227,787	20,290,348	1,953,225
-	-	-	2,746,850	-
<u>2,133,709</u>	<u>1,718,074</u>	<u>2,723,710</u>	<u>170,725,651</u>	<u>16,949,364</u>
<u>(1,459,202)</u>	<u>719,656</u>	<u>(2,352,648)</u>	<u>9,679,771</u>	<u>(2,417,911)</u>
12,666	81,649	-	3,003,332	658,611
-	-	-	(5,334,312)	-
-	-	1,825,313	2,039,616	-
<u>12,666</u>	<u>81,649</u>	<u>1,825,313</u>	<u>(291,364)</u>	<u>658,611</u>
<u>(1,446,536)</u>	<u>801,305</u>	<u>(527,335)</u>	<u>9,388,407</u>	<u>(1,759,300)</u>
<u>220,911</u>	<u>-</u>	<u>-</u>	<u>738,514</u>	<u>-</u>
-	-	328,251	1,225,106	-
-	(508,000)	-	(12,399,636)	-
-	(508,000)	328,251	(11,174,530)	-
<u>(1,225,625)</u>	<u>293,305</u>	<u>(199,084)</u>	<u>(1,047,609)</u>	<u>(1,759,300)</u>
<u>26,050,757</u>	<u>9,003,043</u>	<u>2,982,078</u>	<u>334,548,346</u>	<u>32,851,572</u>
<u>\$ 24,825,132</u>	<u>\$ 9,296,348</u>	<u>\$ 2,782,994</u>	<u>\$ 333,500,737</u>	<u>\$ 31,092,272</u>

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Cash Flows from Operating Activities:				
Cash received from customers	\$ 165,864,208	\$ 27,128,207	\$ 10,083,740	\$ 1,133,885
Cash paid to suppliers for goods and services	(139,328,059)	(8,211,514)	(4,462,474)	(1,180,909)
Cash paid to employees for services	(12,925,578)	(5,426,899)	(3,570,931)	(238,622)
Net cash provided by (used in) operating activities	<u>13,610,571</u>	<u>13,489,794</u>	<u>2,050,335</u>	<u>(285,646)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	601,000	-	-	295,855
Transfers out	(9,088,295)	(1,702,183)	(928,158)	(173,000)
Operating grants	-	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>(8,487,295)</u>	<u>(1,702,183)</u>	<u>(928,158)</u>	<u>122,855</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on bonds and notes	(630,000)	(1,040,000)	-	-
Interest paid on bonds and notes	(1,343,806)	(3,513,456)	-	-
Proceeds from sale of capital assets	7,360	-	-	-
Acquisition and construction of capital assets	(5,915,262)	(8,079,575)	-	-
Contributions received from other governments and developers	207,678	592,668	263	-
Net cash provided by (used in) capital and related financing activities	<u>(7,674,030)</u>	<u>(12,040,363)</u>	<u>263</u>	<u>-</u>
Cash Flows from Investing Activities:				
Investment income	1,334,751	1,461,997	137,781	2,924
Net cash provided by investing activities	<u>1,334,751</u>	<u>1,461,997</u>	<u>137,781</u>	<u>2,924</u>
Net increase (decrease) in cash and cash equivalents	(1,216,003)	1,209,245	1,260,221	(159,867)
Cash and cash equivalents, beginning	<u>73,007,039</u>	<u>\$ 68,660,032</u>	<u>\$ 5,827,892</u>	<u>\$ 162,287</u>
Cash and cash equivalents, ending	<u>\$ 71,791,036</u>	<u>\$ 69,869,277</u>	<u>\$ 7,088,113</u>	<u>\$ 2,420</u>

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

<u>ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
<u>Ocala</u>	<u>Communi-</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES</u>
<u>International</u>	<u>cations</u>			<u>Internal</u>
<u>Airport</u>				<u>Service</u>
				<u>Funds</u>
\$ 750,561	\$ 2,423,609	\$ 434,979	\$ 207,819,189	\$ 12,704,192
(593,602)	(660,779)	(2,561,207)	(156,998,544)	(11,938,721)
(354,644)	(621,557)	(6,947)	(23,145,178)	1,322
<u>(197,685)</u>	<u>1,141,273</u>	<u>(2,133,175)</u>	<u>27,675,467</u>	<u>766,793</u>
-	-	328,251	1,225,106	-
-	(508,000)	-	(12,399,636)	-
-	-	1,825,313	1,825,313	-
-	(508,000)	2,153,564	(9,349,217)	-
-	-	-	(1,670,000)	-
-	-	-	(4,857,262)	-
-	-	-	7,360	-
(168,030)	(763,109)	(25,787)	(14,951,763)	(2,038,899)
220,911	-	-	1,021,520	-
52,881	(763,109)	(25,787)	(20,450,145)	(2,038,899)
13,549	83,486	-	3,034,488	673,540
13,549	83,486	-	3,034,488	673,540
(131,255)	(46,350)	(5,398)	910,593	(598,566)
<u>\$ 626,136</u>	<u>\$ 3,881,870</u>	<u>\$ 8,649</u>	<u>152,173,905</u>	<u>31,881,834</u>
<u>\$ 494,881</u>	<u>\$ 3,835,520</u>	<u>\$ 3,251</u>	<u>\$ 153,084,498</u>	<u>\$ 31,283,268</u>

(Continued)

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Total current cash and investments per the balance sheet	\$ 20,861,841	\$ 45,744,178	\$ 7,088,113	\$ 2,420
Total noncurrent cash and investments per the balance sheet	<u>60,832,374</u>	<u>23,838,275</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>81,694,215</u>	<u>69,582,453</u>	<u>7,088,113</u>	<u>2,420</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	8,778,076	3,073,521	1,645,073	(724,705)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation & amortization	8,118,682	9,557,674	117,790	487,546
Loss(gain) on capital asset disposal	-	-	-	9,984
(Increase) decrease in assets:				
Accounts and notes receivable	4,739,235	(1,352,377)	(632,051)	19,777
Accrued unbilled revenue	(641,325)	-	-	-
Due from other funds	-	1,836,594	666,774	-
Inventories	(128,579)	(10,579)	-	(680)
Due from other governments	-	-	-	-
Other current assets	117,087	23,000	-	17,133
Increase (decrease) in liabilities:				
Accounts payable	(15,746,672)	270,301	155,967	(101,348)
Compensated absences payable	153,928	53,314	57,989	5,185
OPEB obligation payable	97,905	48,645	38,793	1,232
Due to other funds	(3,534,514)	-	-	-
Customer deposits	277,752	-	-	-
Unearned revenue	11,190,618	(10,299)	-	230
Nuclear decommissioning costs	188,378	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 13,610,571</u>	<u>\$ 13,489,794</u>	<u>\$ 2,050,335</u>	<u>\$ (285,646)</u>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 494,881	\$ 3,835,520	\$ 3,251	\$ 78,030,204	\$ 31,279,502
-	-	-	84,670,649	-
<u>494,881</u>	<u>3,835,520</u>	<u>3,251</u>	<u>162,700,853</u>	<u>31,279,502</u>
(1,459,202)	719,656	(2,352,648)	9,679,771	(2,417,911)
1,354,890	425,979	227,787	20,290,348	1,953,225
-	-	-	9,984	122,094
1,140	(106,738)	11,650	2,680,636	27,007
-	-	-	(641,325)	-
-	92,617	-	2,595,985	-
-	(15,193)	-	(155,031)	-
74,914	-	63,917	138,831	-
-	(9,119)	-	148,101	-
(198,817)	8,627	49,946	(15,561,996)	1,082,309
25,080	21,134	-	316,630	-
4,310	4,310	-	195,195	-
-	-	(122,177)	(3,656,691)	-
-	-	-	277,752	-
-	-	(11,650)	11,168,899	69
-	-	-	188,378	-
<u>\$ (197,685)</u>	<u>\$ 1,141,273</u>	<u>\$ (2,133,175)</u>	<u>\$ 27,675,467</u>	<u>\$ 766,793</u>

**CITY OF OCALA, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012**

	PENSION TRUST FUNDS
Assets	
Cash and cash equivalents	\$ 5,719,361
Receivables:	
Interest and dividends receivable	151,198
Accounts receivable	33,360
Due from other governments	3,050
Total receivables	187,608
Investments, at fair value:	
Fixed income	40,169,525
Mutual Funds: Real Estate	10,063,322
Mutual Funds: Equities	15,897,090
Common Stock	71,507,117
Hedge Fund (mutual fund)	4,279,103
Emerging Markets	3,893,516
International Equities	23,544,266
Real Estate	375,000
Total investments	169,728,939
Total assets	175,635,908
Liabilities	
Accounts payable	9,489,313
Total liabilities	9,489,313
Net assets held in trust for pension benefits	\$ 166,146,595

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

**CITY OF OCALA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	PENSION TRUST FUNDS
Additions	
Contributions:	
Employer	\$ 14,288,304
State	805,651
Employee	3,590,374
Total contributions	<u>18,684,329</u>
Investment income:	
Investment gain	27,029,990
Less: Investment management fees	<u>(666,074)</u>
Net investment gain	<u>26,363,916</u>
Total additions	<u>45,048,245</u>
Deductions	
Pension payments	16,182,555
Refunds to employees	288,474
Administration	298,676
Total deductions	<u>16,769,705</u>
Net (decrease)	28,278,540
Net assets held in trust for pension benefits - beginning	<u>137,868,055</u>
Net assets held in trust for pension benefits -ending	<u>\$ 166,146,595</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, 2012**

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. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement 20 *Accounting and Financial Reporting for Proprietary funds and other Government Entities that use Proprietary Fund Accounting*. 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 Section 8 for 1,191 low-income families,

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

seniors and persons with disabilities. It has 186 units of public housing and 39 market rentals of which 211 are located within the City of Ocala. The annual operating budget (for the fiscal year ended September 30, 2012) was \$10,891,772 of which the Federal Government provided \$ 10,354,681.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government 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. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. 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, 2012**

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 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 in the following categories are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

<i>Ad Valorem Taxes</i>	<i>Intergovernmental Revenue</i>
<i>Sales & Franchise Taxes</i>	<i>Interest Earned</i>

Interest and investment income earnings are recognized when earned and allocated monthly based on each fund's equity in the pool.

The following governmental fund revenues are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period:

<i>Fees</i>	<i>Licenses and Permits</i>
<i>Miscellaneous Charges</i>	<i>Rents</i>

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

GASB Statement 34 sets 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 portion of CR-3 and 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 by the Florida Public Service Commission.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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.

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 nonoperating 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 principal operating revenues for the City's internal service funds related to general insurance and fleet and facilities management are charges to other funds for sales and 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 nonoperating 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).

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

Internal Service Funds account for the activities of the City's risk management and fleet and facilities 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 930 units of gas-driven vehicles and equipment, as well as approximately 100 facilities.

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, 2012.

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 2012, 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, 2012, 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. Encumbrances lapse at year end.

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, 2012**

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. The balances are as follows: Governmental funds \$1,316,183, Business-type funds \$11,637,030, and Fiduciary funds \$33,360. Where appropriate, an associated allowance for doubtful accounts has been established in the related fund. As of September 30, 2012 the allowance for doubtful accounts in the Governmental and Business-type funds was \$91,601 and \$1,191,636, respectively. 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. The unbilled amount for FY 2012 is \$9,816,157.

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

	General Fund	Enterprise Funds
Fleet-bulk fuel	\$ (14,312)	
Recreation	(100)	
Golf		\$ (1,878)
Water & Sewer		(75,920)
Electric		(418,408)
Communications		(7,415)

Certain payments to vendors for services that will benefit periods beyond September 30, 2012 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 assets because their use is limited by

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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.

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

	<u>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

In accordance with FASB Statement No. 62, the Electric and Water and Sewer System enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. For the year ended September 30, 2012, capitalization of net interest costs was as follows:

	Water and Sewer System	Electric System	Total
Interest expense	\$ 688,725	\$ 1,360,716	\$ 2,049,441
Amortization of bond issuance costs	(25,635)	(51,605)	(77,240)
Interest income	(22,866)	(250,447)	(273,313)
	\$ 640,224	\$ 1,058,664	\$ 1,698,888

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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. *Bond Discounts, Bond Premiums, and Issuance Costs*

In the governmental funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Source/Use".

In the proprietary funds (and for the governmental activities, in the government-wide statements) bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable, whereas issuance costs are recorded as other assets.

10. *Deferred Gain/Loss from Current Refunding or Advance Refunding of Debt*

In the proprietary funds (and for the governmental activities, in the government-wide statements) the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred account is offset against the new liability.

11. *Deferred Revenue*

In the governmental funds, certain revenue transactions have been reported as deferred revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period.

12. *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.

13. *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.

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

14. *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.

15. *Accrued Revenue*

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

16. *Rate Stabilization Account*

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. The City implemented the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980-10-05 *Accounting Methods Used in Regulated Operations* topic [Formerly known as Statement of Financial Accounting Standards No. 71 (SFAS 71) *Accounting for the Effects of Certain Types of Regulations*], which allows 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. Deferred revenues are recorded as Net Power Costs Recovered in Advance or Net Power Costs Recoverable from Future Billings. The revenues are set aside for rate stabilization and revenue is recognized from the deferred revenue account as rate stabilization funds are used to "stabilize" the customers' utility bills. As of September 30, 2012 the rate stabilization fund balance was \$32,010,810.

17. *Deferred Cost of Power Adjustment*

Deferred cost of power adjustment represents the City's cost of power adjustment revenues collected, but for which costs have not been incurred. These amounts will be returned to the customers in future years through reduced utility billings or be used for other lawful purposes in accordance with the City's rate tariff on file with the Public Service Commission; including funding for the City's Rate Stabilization account/fund.

18. *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 \$805,651 for FY 2012. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements. Funds received are recorded as a revenue in the General Fund and immediately transferred to the Police and Fire Pension Plan as an expense to the General Fund.

19. *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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

The City's General Fund also incurs certain expenditures on behalf of other funds of the City. The General Fund is reimbursed for these expenditures based on actual cost allocations. The amounts reimbursed are recorded as a 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.

20. Fund Equity

The City implemented the provisions of GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in 2011, as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

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. The intent shall be expressed by the management of the City. Decision-making with regard to these amounts may be made by a committee or other governmental official.

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. There is an exception to the use of this fund. 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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.

	GENERAL FUND	CRA FUND	OTHER GOVTL FUNDS
<u>NONSPENDABLE</u>			
Inventory	\$ 179,557	\$ -	\$ -
Prepays	177,748	-	-
Total Nonspendable	357,305	-	-
<u>RESTRICTED</u>			
Transportation			
Gas Tax Revenues from State	-	-	\$ 6,090,196
Capital Projects			
Bond Proceeds -Cap Impv Bonds 2002	-	-	1,157,210
Bond Proceeds -Cap Impv Bonds 2007A	-	-	2,533,402
	-	-	3,690,612
Debt Service			
Resv for Cap Impv Bonds 2007A	-	-	350,103
Resv for Cap Impv Bonds 2003	-	-	1,517,934
Resv for Optional Gas Tax Bonds 2002	-	-	1,846,960
Resv for Cap Impv Bonds 2007B	-	-	85,987
	-	-	3,800,984
Public Safety			
Fire Impact Fees	532,722	-	-
Police Automation	761,929	-	-
Police Education & Training	201,291	-	-
Local Confiscations	183,462	-	-
Federal Confiscations	442,601	-	-
Reserves for Public Safety Programs	457,215	-	-
	2,579,220	-	-
Development District Improvements			
Downtown Development Board	-	-	248,360
Community Redevelopment Trust	-	3,685,413	-
	-	3,685,413	248,360
Grants			
State Housing Impv Project (SHIP)	-	-	26,574
Reserves for Tree Mitigation	132,482	-	-
Transportation Planning Organization (TPC)	(11,483)	-	-
Community Devel Block Grant (CDBG)	(1,457)	-	-
	119,542	-	26,574
Total Restricted	2,698,762	3,685,413	13,856,726
<u>UNRESTRICTED</u>			
Committed			
Stormwater Utility	-	-	5,344,244
Payroll	22,047	-	-
Economic Improvement Program	2,209,638	-	-
Total Committed	2,231,685	-	5,344,244

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

Assigned			
Subsequent year budget	6,093,284	-	-
Public safety-reserve for special investigation	24,683	-	-
Reserves for Fire/Streets/Sidewalks	12,321,529	-	-
Total Assigned	<u>18,439,496</u>	<u>-</u>	<u>-</u>
Unassigned	<u>15,196,270</u>	<u>-</u>	<u>-</u>
Total Unrestricted	<u>35,867,451</u>	<u>-</u>	<u>5,344,244</u>
Total Fund Balances	<u>\$ 38,923,518</u>	<u>\$ 3,685,413</u>	<u>\$ 19,200,970</u>

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, sanitation). The principal operating revenue of the proprietary funds is receipts from customers. Operating expenses for these operations include all costs related to providing the service. These costs include 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, 2012 was \$5.9332 per \$1,000 of assessed property value. Current tax collections (inclusive of legally available early payment discounts) for the City were approximately 95.8% 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%.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

The property tax calendar for revenues billed, received, and accrued for fiscal year ended September 30, 2012 is shown as follows:

Lien Date	January 1, 2011
Certification of Taxable Value	July 1, 2011
Final public hearing to adopt proposed millage rate	September 20, 2011
Certification of final Taxable Value	October 3, 2011
Beginning of fiscal year for tax assessment	October 1, 2011
Tax bills rendered	November 1, 2011
Property Tax Payable:	
Maximum Discount by	November 30, 2011
Due Date	March 31, 2012
Delinquent on	April 1, 2012
Tax Certificates issued for delinquent taxes by	May 31, 2012

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.

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)

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012, the carrying amount of the City's deposits was \$29,542,033. 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 will maintain a compensating/floor balance of \$15 million which is used to offset any monthly direct service charges. During most of 2012, an interest rate floor was in place due to a low interest rate environment. As of September 30, 2012, the interest rate floor was .10%.

Cash equivalents consist of 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 fund is divided into two separate funds; namely Florida PRIME and Fund B. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in Florida PRIME, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$45,715,823 is reported at amortized cost. The Florida PRIME investment pool had a weighted average days to maturity of 39 days as of September 30, 2012. Florida PRIME is rated AAAM by Standard & Poor's. Details on Fund B are in the Investment Portfolio section of this note.

2. Restricted Assets

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

	Enterprise
Debt Service	\$ 8,564,025
Capital Projects	30,780,878
Renew al and Replacement	3,542,584
Rate Stabilization	32,180,810
CR#3 Decommissioning Trust	9,723,119
Total Restricted Assets	\$ 84,791,416

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

3. Investments

The City's investment guidelines, except for pension fund and deferred compensation assets (see Notes on pages 13 and 20, respectively) 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

GASB Statement No. 53 (GASB 53), Accounting and Financial Reporting for Derivative Instruments established accounting and reporting requirements for derivative instruments. The City has no derivative investments in its portfolio at September 30, 2012. 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 April 5, 2011, the City of Ocala adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that 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: The Florida State Board of Administration's Local Government Surplus Funds Trust Fund, 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 A by Moody's or A by Standard & Poor's (S&P); Commercial paper rated at least Prime-1 by Moody's or A-1 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

c. Third Party Portfolio Managers

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

Pool 1 (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 3 to 5 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 60% 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 1-2 Year Unsubordinated U.S. Treasury/Agencies index, Pool II is benchmarked against Bank of America Merrill Lynch 1-5 Year Government/Corporate "A" rated and above index, and Pool III is compared to the Bank of America Merrill Lynch 1-10 Year Domestic Master "A" rated and above index.

Total Funds Recap:

<u>Security Type</u>	<u>Average Rating</u>	<u>Fair Value</u>	<u>Effective Duration (In Years)</u>
Carrying Value of Cash	n/a	\$ 29,452,033	n/a
Treasury Investment Portfolio	AA+	171,860,269	2.51
SBA Fund B	Not Rated	445,741	4.08
SBA Florida PRIME	AAAm	45,715,824	39 Days
CR-3 Decommissioning Trust	AAAm A1+/P1	9,723,119	n/a
Total		<u>\$ 257,196,986</u>	<u>1.68</u>

The City's investment in Fund B Surplus Funds Trust Fund in the amount of \$445,741 is reported at fair value. The Fund B Surplus Trust Funds investment pool had a weighted average life of 4.08 years as of September 30, 2012.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

The City utilizes “effective duration” as a measurement of interest rate risk and as of September 30, 2012 the Treasury investment portfolio had an overall effective duration of 3.14 years. As of September 30, 2012, the Treasury investment portfolio had the following investment types and effective duration presented in terms of years:

Total Treasury Portfolio (Pools I, II, III)			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA+	\$ 45,948,301	2.86
Federal Agency Bond / Note	AA	27,510,479	1.64
Mortgage Backed Pass-through Security	AA+	16,502,723	3.43
GNMA Collateralized Mortgage Obligation	AA+	321,529	0.82
Corporate Notes	A	62,618,082	2.70
Commercial Paper	A-1	8,989,604	2.36
Municipal Bond / Note	AA+	2,509,246	2.65
Money Market Mutual Fund	A-1	7,460,305	0.03
Total Treasury Portfolio-Pools I, II, and III		\$ 171,860,269	2.51

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.

POOL I – Short-Term Investments:

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	\$ 20,399,752	1.94
Federal Agency Bond / Note	AA+	5,796,767	2.24
Mortgage Backed Pass-through Security	AA+	3,612,402	3.59
GNMA Collateralized Mortgage Obligation	AA+	321,529	3.06
Corporate Notes	AA	14,423,072	1.34
Commercial Paper	A-1	2,298,472	0.21
Municipal Bond / Note	AA+	2,168,260	2.74
Money Market Mutual Fund	AAAm	369,557	0.00
Sub-total Pool I		49,389,811	1.87

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

POOL II – Short Intermediate Investments:

U.S. Treasury Bond / Note	AA	\$	17,082,775	4.31
Federal Agency Bond / Note	AA		19,483,631	0.97
Mortgage Backed Pass-through Security	AAA		955,293	2.45
Corporate Notes	A		31,341,078	2.12
Money Market Mutual Fund	AAA		2,245,250	0.08
Sub-total Pool II			<u>71,108,027</u>	<u>2.27</u>

POOL III – Intermediate Investments:

U.S. Treasury Bond / Note	AA+	\$	8,465,774	2.16
Federal Agency Bond / Note	AA+		2,230,081	5.99
Mortgage Backed Securities	AA+		11,935,028	3.46
Corporate Notes	A		16,853,932	4.96
ABS / CMBS	AAA		6,691,132	2.12
Municipal Bond / Note	AA+		340,986	7.00
Money Market Mutual Fund	A-1		4,845,498	0.00
Sub-total Pool III			<u>51,362,431</u>	<u>3.37</u>
Total of Pools I, II, and III		\$	<u>171,860,269</u>	

In addition to the investment portfolio, the City has a Crystal River #3 Decommissioning Trust Fund. The balance as of September 30, 2012 was as follows:

CR #3 Decommissioning Trust:			Effective
<u>Security Type</u>	<u>Average Rating</u>	<u>Fair Value</u>	<u>Duration</u>
			<u>(In Years)</u>
Money Market Mutual Fund	AAAm	\$ 5,361,006	n/a
Commercial Paper	A1+/P1	4,362,113	n/a
Total		<u>\$ 9,723,119</u>	<u>n/a</u>

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 2011 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.

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 Surplus Funds Trust Fund	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, 2012, 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 the rest of the City's full-time employees (the General Employees' Retirement System). The provisions of each of the Plans are established by City Ordinance. During fiscal year 2000 the City's pension plans were restructured, which addressed the changes in the requirements of the Florida Statutes, Chapters 175 and 185.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 \$ 805,651 for the fiscal year ended September 30, 2012.

Pension plan contributions include provision for normal cost plus an amount sufficient to amortize the past service liability over a twenty-six 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, 2012, the carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	\$ 1,156,457
Police Officers' Retirement System	275,787
Firefighters' Retirement Plan	213,024
Total Pension Trust Funds	<u>\$ 1,645,268</u>

These deposits, consisting of non-interest bearing demand accounts, were entirely insured by federal depository insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default 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 bench mark 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 that a government pension plan can invest in unless specifically authorized in an investment policy. The investment policies of the City's various pension

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

plans generally allow for cash and fixed-income instruments very similar to those permitted for the City's investment pool, i.e., the Florida State Board of Administration's Local Government Surplus Funds Trust Fund, 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. Unlike the investment pool, the General Employees' 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 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, 2012, the investments of the City's pension plans are as follows:

<u>Investment Type</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>Credit Rating</u>	<u>Duration (In Years)</u>
<u>General Employees Retirement System:</u>				
Cash Checking	\$ 1,147,929	n/a	n/a	n/a
Cash and Cash Equivalents	1,756,971	1.92%	n/a	n/a
Fixed Income	15,042,521	16.45%	A+	4.73
Mutual Funds: Real Estate	6,782,306	7.42%	n/a	n/a
Mutual Funds: Equities	4,114,328	4.50%	n/a	n/a
Common Stock	42,502,550	46.48%	n/a	n/a
Hedge Fund (mutual fund)	4,279,103	4.68%	n/a	n/a
Emerging Markets	3,893,516	4.26%	n/a	n/a
International Equities	13,074,275	14.30%	n/a	n/a
Fund total	<u>\$ 92,593,499</u>	<u>100.00%</u>		
<u>Police Officers Retirement System:</u>				
Cash Checking	\$ 267,074	n/a	n/a	n/a
Cash and Cash Equivalents	693,349	1.50%	n/a	n/a
Common Stock	24,951,463	53.83%	n/a	n/a
Fixed Income	14,992,486	32.34%	AA-	4.50
Real Estate	375,000	0.81%	n/a	n/a
International Equities	5,340,413	11.52%	n/a	n/a
Fund total	<u>\$ 46,619,785</u>	<u>100.00%</u>		

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

Firefighters Retirement Plan:

Cash Checking	\$ 206,773	n/a	n/a	n/a
Cash and Cash Equivalents	1,647,265	4.57%	n/a	n/a
Fixed Income	10,134,518	28.13%	AA	5.18
Mutual Funds: Equities	11,782,762	32.70%	n/a	n/a
Mutual Funds: Real Estate	3,281,016	9.11%	n/a	n/a
Common Stock	4,053,104	11.25%	n/a	n/a
International Equities	5,129,578	14.24%	n/a	n/a
Fund total	<u>\$ 36,235,016</u>	<u>100.00%</u>		

Total pension plan cash and investments \$ 175,448,300

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, 2012, 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, 2012, 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, 2012, 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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.

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 24% as of September 30, 2012. 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 14% to international equities as of September 30, 2012. 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, 2012. 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, 2012:

	General Government	Business- Type	Totals
Federal Government	\$ 218,443	\$ 570,761	\$ 789,204
State of Florida	1,319,096	256,786	1,575,882
Marion County, Florida	1,525,497	78,222	1,603,719
Total	<u>\$3,063,036</u>	<u>\$ 905,769</u>	<u>\$3,968,805</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

6. Interfund Transactions

The composition of interfund balances as of September 30, 2012 is as follows:

	Interfund Receivables/ Payables
Due to General Fund from:	
Electric System Revenue Fund	\$ 441,262
Golf Fund	22,994
SunTran Fund	439,997
Total due to General Fund from other funds	\$ 904,253
Due to nonmajor governmental funds from:	
Electric System Revenue Fund	\$ 224,983
Due to Water and Sewer Fund from:	
Electric System Revenue Fund	\$ 1,335,325
Due to Sanitation Fund from:	
Electric System Revenue Fund	\$ 450,729
Totals at the fund level	\$ 2,915,290

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. 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

Interfund transfers for the year ended September 30, 2012 consisted of the following:

Transfers to General Fund from:	
Electric System Revenue Fund	\$ 8,660,000
Water and Sewer Fund	1,173,000
Sanitation Fund	750,000
Communications Fund	127,000
Non-major Funds	41,089
Total transfers to General Fund	<u>\$ 10,751,089</u>
Transfers to nonmajor governmental funds from:	
Electric System Revenue Fund	\$ 428,295
Water and Sewer Fund	243,183
Sanitation Fund	178,158
Municipal Golf Course Fund	173,000
General Fund	3,008,711
Non-major Funds	1,994,554
Total transfers to nonmajor governmental funds	<u>\$ 6,025,901</u>
Transfers to SunTran Fund from:	
Nonmajor governmental funds	<u>\$ 328,251</u>
Transfers to Municipal Golf Course Fund from:	
General Fund	\$ 229,855
Water and Sewer Fund	66,000
Total transfers to Municipal Golf Course Fund	<u>\$ 295,855</u>
Transfers to Electric System Revenue Fund from:	
Water and Sewer Fund	\$ 220,000
Communications Fund	381,000
Total transfers to Electric System Revenue Fund	<u>\$ 601,000</u>
Total transfers at the fund level	<u>\$ 18,002,096</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.

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

	In	Out	
	<u>Governmental</u>	<u>Business-Type</u>	
General Fund	\$ 8,660,000	\$ (8,660,000)	Electric Fund
General Fund	1,173,000	(1,173,000)	Water & Sewer Fund
General Fund	750,000	(750,000)	Sanitation Fund
General Fund	127,000	(127,000)	Communications Fund
General Fund	(229,855)	229,855	Golf Fund.
Non-major Funds	428,295	(428,295)	Electric Fund
Non-major Funds	243,183	(243,183)	Water & Sewer Fund
Non-major Funds	178,158	(178,158)	Sanitation Fund
Non-major Funds	173,000	(173,000)	Golf Fund.
Non-major Funds	(328,251)	328,251	SunTran Fund
TOTAL TRANSFERS	<u>\$ 11,174,530</u>	<u>\$ (11,174,530)</u>	

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

7. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 20,810,043	\$ 735,345	\$ (28,839)	\$ (1,797,282)	\$ 19,719,267
Intangible (Easement, ROW)	-	330,055		1,682,535	2,012,590
Construction In progress	4,460,851	5,727,474	(5,166,629)	-	5,021,696
Total capital assets not being depreciated	<u>25,270,894</u>	<u>6,792,874</u>	<u>(5,195,468)</u>	<u>(114,747)</u>	<u>26,753,553</u>
Capital assets being depreciated:					
Buildings and improvements	35,024,194	2,885,455	(855)	114,747	38,023,541
Equipment	47,213,291	2,901,761	(1,170,039)	(2,615,535)	46,329,478
Intangible (Software)	-	195,027		2,615,535	2,810,562
Infrastructure (roads and streets)	302,037,760	2,253,813	-	-	304,291,573
Total capital assets being depreciated	<u>384,275,245</u>	<u>8,236,056</u>	<u>(1,170,894)</u>	<u>114,747</u>	<u>391,455,154</u>
Less accumulated depreciation:					
Buildings and improvements	(8,710,012)	(1,581,195)	470	-	(10,290,737)
Equipment	(27,309,987)	(3,463,140)	1,083,844	677,584	(29,011,699)
Intangible (Software)	-	(2,996)		(677,584)	(680,580)
Infrastructure (roads and streets)	(186,918,402)	(7,507,174)	-	-	(194,425,576)
Total accumulated depreciation	<u>(222,938,401)</u>	<u>(12,554,505)</u>	<u>1,084,314</u>	<u>-</u>	<u>(234,408,592)</u>
Total capital assets being depreciated-net	<u>161,336,844</u>	<u>(4,318,449)</u>	<u>(86,580)</u>	<u>114,747</u>	<u>157,046,562</u>
Governmental activities capital assets-net	<u>\$ 186,607,738</u>	<u>\$ 2,474,425</u>	<u>\$ (5,282,048)</u>	<u>\$ -</u>	<u>\$ 183,800,115</u>
Business Type Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 23,417,982	\$ 24,193	\$ -	\$ (698,723)	\$ 22,743,452
Intangible (Easement, ROW)	-	351,986		698,723	1,050,709
Construction In progress	10,988,270	8,429,899	(16,051,120)	-	3,367,049
Total capital assets not being depreciated	<u>34,406,252</u>	<u>8,806,078</u>	<u>(16,051,120)</u>	<u>-</u>	<u>27,161,210</u>
Capital assets being depreciated:					
Buildings	28,715,070	53,687	-	-	28,768,757
Improvements and extensions	514,581,040	20,295,126	(377,228)	-	534,498,938
Equipment	11,580,677	484,992	(233,638)	(2,832,987)	8,999,044
Intangible (Software)	-	1,290,591		2,832,987	4,123,578
Crystal river unit no.3	16,168,423	-	-	-	16,168,423
Total capital assets being depreciated	<u>571,045,210</u>	<u>22,124,396</u>	<u>(610,866)</u>	<u>-</u>	<u>592,558,740</u>
Less accumulated depreciation:					
Buildings	(14,045,793)	(929,935)	-	-	(14,975,728)
Improvements and extensions	(195,527,105)	(18,414,970)	78,080	1,604,059	(212,259,936)
Equipment	(5,113,036)	(724,657)	169,968	499,173	(5,168,552)
Intangible (Software)	-	(1,344)		(2,103,232)	(2,104,576)
Crystal river unit no.3	(13,827,899)	(260,058)	-	-	(14,087,957)
Total accumulated depreciation	<u>(228,513,833)</u>	<u>(20,330,964)</u>	<u>248,048</u>	<u>-</u>	<u>(248,596,749)</u>
Total capital assets being depreciated-net	<u>342,531,377</u>	<u>1,793,432</u>	<u>(362,818)</u>	<u>-</u>	<u>343,961,991</u>
Business-type activities capital assets-net	<u>\$ 376,937,629</u>	<u>\$ 10,599,510</u>	<u>\$ (16,413,938)</u>	<u>\$ -</u>	<u>\$ 371,123,201</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

	Depreciation Expense
Governmental activities:	
General government	\$ 735,696
Public safety	1,012,537
Physical environment	388,512
Transportation	457,152
Human services	2,964
Economic environment	119,325
Infrastructure	7,507,174
Culture and recreation	327,112
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	
	2,004,033
Total depreciation expense - governmental activities	\$ 12,554,505
Business-type activities:	
Electric	\$ 8,137,252
Water and sewer	9,579,721
Sanitation	117,790
Golf Course	487,545
Airport	1,354,890
Communications	425,979
SunTran	227,787
Total depreciation expense - business-type activities	\$ 20,330,964

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 an employer's liability of \$1,000,000 per accident/disease. The City has workers' compensation insurance with a \$500,000 deductible per occurrence with limits of \$5,000,000. The disability income replacement, dental programs 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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

employee health insurance program was partially self-insured, with a pooling limit of \$150,000. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2012.

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, 2012 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$8,602,000 reported in the Fund at September 30, 2012 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
2009-2010	\$3,980,864	\$5,477,971	\$3,850,835	\$5,608,000
2010-2011	5,608,000	5,726,850	3,334,850	8,000,000
2011-2012	8,000,000	3,582,477	2,980,477	8,602,000

2. Leases

Operating – The City has no operating leases as of September 30, 2012.

Capital – The City has entered into a lease agreement with Motorola for radio equipment. This lease qualifies as a capital lease in Governmental activities for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. As of year-end, equipment leased under capital assets consisted of machinery and equipment in the governmental activities of \$3,150,982, with accumulated depreciation of \$ 551,422.

Fiscal Year Ending September 30	Government Activities
2013	\$ 1,077,313
2014	1,077,313
2015	1,077,314
Total Minimum Lease Payments	3,231,940
Less Amount Representing Interest	(80,958)
Present Value of Minimum Lease Payments	<u>\$ 3,150,982</u>

3. Pension Plans

The City maintains a single-employer, defined benefit pension plan which covers substantially all of the City's full-time employees excluding certified law enforcement officers and certified firefighters (General Employees' Retirement System), a single-employer defined benefit pension plan which covers all of its full-time certified law enforcement officers (Police Officers' Retirement System) and a single-employer defined benefit pension plan which covers all of its full-time certified firefighters (Firefighters' Retirement Plan). The provisions of each of the Plans are established by City Ordinance. All benefit provisions, including changes in contribution requirements, can be amended only 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. During fiscal year 2000, the City's pension plans were restructured, which addressed the changes in the requirements of the Florida Statutes, Chapters 175 and 185.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

a. Plan Descriptions and Provisions

General Employees' Retirement System - The General Employees' Retirement System is a contributory defined benefit pension plan covering substantially all full-time employees of the City excluding certified law enforcement officers and certified firefighters. The City is required to contribute 35.49% and general employees contribute 8.18% of their salaries or wages to the General Employees' Retirement System.

Employees are eligible to retire at age sixty-five (65) with five (5) years of credited service or at any age with thirty (30) years of credited service; or may elect early retirement at age fifty-five (55) with five (5) years of credited service or at any age with twenty-five (25) years of credited service. Employees become vested after five (5) years of credited service.

Police Officers' Retirement System - The Police Officers' Retirement System 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.

A law enforcement officer is eligible to retire on the first day of any month coincident with, or next following the earlier of the attainment of age fifty-two (52) and the completion of ten (10) years of credited service or the completion of twenty-five (25) years of credited service or may elect to take early retirement on the first day of any month coincident with or next following the attainment of age fifty (50) and the completion of ten (10) years of credited service. Those electing early retirement have the option of receiving either a deferred or an immediate monthly retirement benefit. Law enforcement officers become vested in the plan after ten (10) years of credited service.

Pursuant to Florida Statutes Section 185.08, an excise tax amounting to 0.85% 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 2012 fiscal year the amount of these contributions totaled \$412,295, all of which is available to the plan for the provision of benefits, in accordance with Chapter 185, Florida Statutes. The City is required to contribute 30.98% and the law enforcement officers contribute 8.0% of their salaries or wages to the Police Officers' Retirement System.

Firefighters' Retirement Plan - The Firefighters' Retirement Plan 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.

Firefighters are eligible for normal service retirement on the first day of the month coincident with or next following the earlier of the sum of age and years of service equal to seventy (70), the attainment of age fifty-five (55) and the completion of ten (10) years of credited service, or the completion of twenty-five (25) years of credited service. There shall be no mandatory retirement age. Early retirement is available to firefighter members on the first day of the month coincident with or next following the attainment of age fifty (50) and the completion of ten (10) years of credited service. Those electing early retirement may receive either a deferred or an immediate monthly retirement benefit. Firefighters become vested in the Plan after ten (10) years of credited service.

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 2012

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

fiscal year the amount of these contributions totaled \$393,356; however, the amount available to the plan for the provision of benefits is frozen, in accordance with Chapter 175, Florida Statutes at \$240,401. The City is required to contribute 25.65% and the firefighters contribute 8.42% of their salaries or wages to the Firefighters' Retirement Plan.

b. Participation

At September 30, 2012, participation in the plans consisted of the following:

	General	Police	Fire
Retirees and beneficiaries currently receiving benefits	586	79	58
DROP retirees	20	15	10
Terminated employees entitled to benefits not yet receiving them	224	13	3
	830	107	71
Current employees:			
Vested	438	78	67
Nonvested	131	68	54
Total	569	146	121

c. Investments

Investments of the three plans, consisting of domestic and international common stocks, government and non-government obligations and mutual funds, are stated at fair value based on quoted market prices at the end of the fiscal year.

d. Contributions Required and Contribution Made

The contribution requirement for the General Employees' Retirement System for the 2012 fiscal year, established through an actuarial valuation performed as of October 1, 2010, was \$10,018,065 (43.67% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled \$2,338,100 (8.18% of current covered payroll); actual employer contributions to the General Employees' Retirement System amounted to \$10,027,129 (35.49% 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.

The contribution requirement for the Police Officers' Retirement System for the 2012 fiscal year, established through an actuarial valuation performed as of October 1, 2010, was \$2,924,100 (44.45% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled \$641,778 (8.00% of current covered payroll), actual City contributions were \$2,476,952 (30.98% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$412,295 (4.82% 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

The contribution requirement for the Firefighters' Retirement Plan for the 2012 fiscal year, determined through an actuarial valuation performed as of October 1, 2012, was \$1,852,589 (26.96% of current covered payroll). Actual employee contributions totaled \$610,496 (8.39% of current covered payroll), actual City contributions were \$1,784,225 (25.65% of current covered payroll) plus an additional contribution of \$234,000 and actual state contributions deposited directly to the plan amounted to \$393,356 (5.46% of current covered payroll). Accumulated excess contributions in the Accrued (Prepaid) Position Account were available to assist in funding the City's contribution requirement for the year. Net pension obligation for each of these Plans is presented in the three-year trend information in this note.

e. 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, 2012, are as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Totals</u>
Annual Required Pension Contribution	\$ 10,018,065	\$ 2,924,100	\$ 2,111,966	\$ 15,054,131
Interest on Net Pension Obligation	(532,011)	(39,155)	-	(571,166)
Actuarial Adjustment	794,670	37,854	7,475	839,999
Annual Pension Cost	10,280,724	2,922,799	2,119,441	15,322,964
(Actual Pension Contributions)	10,027,129	2,889,247	2,024,626	14,941,002
Increase (Decrease) in NPO	253,595	33,552	94,815	381,962
Net Pension Obligation(Asset)-Beginning	(6,258,957)	(471,743)	96,450	(6,634,250)
Net Pension (Asset)-Ending	<u>\$ (6,005,362)</u>	<u>\$ (438,191)</u>	<u>\$ 191,265</u>	<u>\$ (6,252,288)</u>

f. Actuarial Valuation Information

Actuarial information as of the latest valuation is as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>
Valuation Date	October 1, 2012	October 1, 2012	October 1, 2012
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	27 Years **	27 Years **	20 Years
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing	Expected Value
Actual Assumptions (All Plans):			
Net Investment Rate of Return	8.0%	8.3%	7.75%
Projected Salary Increases*	6.0%	6.0%	0.0 - 3.25 %
*Includes Inflation at	3.0%	3.0%	3.25%
Cost of Living Adjustments	3.0%	0.0%	0.0%

** As of 10/1/2010

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

g. 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:			
9/30/09	\$ 5,896,981	95.36%	\$ (6,915,256)
9/30/10	6,683,254	94.14%	(6,523,793)
9/30/11	9,552,787	97.23%	(6,258,957)
9/30/12	10,280,724	97.53%	(6,005,362)
Police Officers' Plan:			
9/30/09	\$ 1,346,148	98.00%	\$ (505,603)
9/30/10	2,238,883	99.00%	(479,392)
9/30/11	2,695,947	100.00%	(471,743)
9/30/12	2,922,799	99.00%	(438,191)
Firefighters' Plan:			
9/30/09	\$ 1,293,087	107.00%	\$ (4,700)
9/30/10	1,795,369	86.00%	(23,676)
9/30/11	1,999,430	93.00%	96,450
9/30/12	2,111,966	96.00%	191,265

h. 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)
10/1/2012	\$89,418,349	\$ 193,785,518	\$ 104,367,169	46.14	\$27,343,524	381.69

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)
10/1/2012	\$46,567,206	\$ 70,808,298	\$ 24,241,092	65.77	\$ 8,558,207	283.25

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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)
10/1/2012	\$33,413,783	\$ 47,877,470	\$ 14,463,687	69.79	\$ 6,961,657	208.00

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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

i. Combining Statements

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

The following is the combining statement of plan net assets for the pension trust funds at September 30, 2012:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Assets				
Cash and cash equivalents	\$ 2,904,900	\$ 960,423	\$ 1,854,038	\$ 5,719,361
Receivables:				
Accrued interest receivable	33,935	117,263	-	151,198
Accounts receivable	33,160	194	6	33,360
Prepaid expense	2,600	-	450	3,050
Total receivables	<u>69,695</u>	<u>117,457</u>	<u>456</u>	<u>187,608</u>
Investments, at fair value				
Fixed Income	15,042,521	14,992,486	10,134,518	40,169,525
Mutual Funds: Real Estate	6,782,306	-	3,281,016	10,063,322
Mutual Funds: Equities	4,114,328	-	11,782,762	15,897,090
Common Stock	42,502,550	24,951,463	4,053,104	71,507,117
Hedge Fund (mutual fund)	4,279,103	-	-	4,279,103
Emerging Markets	3,893,516	-	-	3,893,516
International Equities	13,074,275	5,340,413	5,129,578	23,544,266
Real Estate	-	375,000	-	375,000
Total investments	<u>89,688,599</u>	<u>45,659,362</u>	<u>34,380,978</u>	<u>169,728,939</u>
Total Assets	<u>92,663,194</u>	<u>46,737,242</u>	<u>36,235,472</u>	<u>175,635,908</u>
Liabilities				
Accounts payable	5,260,893	2,621,906	1,606,514	9,489,313
Total liabilities	<u>5,260,893</u>	<u>2,621,906</u>	<u>1,606,514</u>	<u>9,489,313</u>
Net Assets				
Net assets reserved for employees' pension benefits	<u>\$ 87,402,301</u>	<u>\$ 44,115,336</u>	<u>\$ 34,628,958</u>	<u>\$ 166,146,595</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

The following is the combining statement of changes in plan net assets for the pension trust funds for the fiscal year ended September 30, 2012:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Additions:				
Contributions:				
Employer	\$ 10,027,128	\$ 2,476,952	\$ 1,784,224	\$ 14,288,304
State	-	412,295	393,356	805,651
Employee	2,338,100	641,778	610,496	3,590,374
Total contributions	<u>12,365,228</u>	<u>3,531,025</u>	<u>2,788,076</u>	<u>18,684,329</u>
Investment income:				
Investment income (loss)	14,324,757	7,396,151	5,309,082	27,029,990
Less: Investment management fees	(404,749)	(182,332)	(78,993)	(666,074)
Net investment income (loss)	<u>13,920,008</u>	<u>7,213,819</u>	<u>5,230,089</u>	<u>26,363,916</u>
Total additions (reductions)	<u>26,285,236</u>	<u>10,744,844</u>	<u>8,018,165</u>	<u>45,048,245</u>
Deductions:				
Pension payments	10,368,552	3,772,691	2,041,312	16,182,555
Refunds to employees	131,545	126,964	29,965	288,474
Administration	147,323	66,779	84,574	298,676
Total deductions	<u>10,647,420</u>	<u>3,966,434</u>	<u>2,155,851</u>	<u>16,769,705</u>
Net Increase (Decrease)	15,637,816	6,778,410	5,862,314	28,278,540
Net Assets Reserved for Employees'				
Pension Benefits:				
Beginning of year	<u>71,764,485</u>	<u>37,336,926</u>	<u>28,766,644</u>	<u>137,868,055</u>
End of year	<u>\$ 87,402,301</u>	<u>\$ 44,115,336</u>	<u>\$ 34,628,958</u>	<u>\$ 166,146,595</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 assets. 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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Revenue Bonds and Certificates					
2002 Optional Gas Tax Bonds	\$ 4,460,000	\$ -	(1,740,000)	\$ 2,720,000	\$ 2,720,000
2002 Capital improvement Certificates	9,695,000	-	(9,695,000)	-	-
2003 Capital improvement Certificates	10,905,000	-	(690,000)	10,215,000	1,245,000
2007A Capital improvement Certificates	15,870,000	-	-	15,870,000	-
2007B Capital improvement Certificates	3,885,000	-	(145,000)	3,740,000	10,000
2012 Refdgd Capital improvement Certif	-	8,405,000	-	8,405,000	-
Subtotal	<u>44,815,000</u>	<u>8,405,000</u>	<u>(12,270,000)</u>	<u>40,950,000</u>	<u>3,975,000</u>
Net deferred refundings and discounts	146,355	-	(228,901)	(82,546)	-
Total Revenue Bonds and Certificates	<u>44,961,355</u>	<u>-</u>	<u>(12,498,901)</u>	<u>40,867,454</u>	<u>3,975,000</u>
Other liabilities					
Capital Lease Contract Payable	3,150,982	-	-	3,150,982	1,023,519
Compensated Absences	4,671,125	4,646,816	(4,053,897)	5,264,044	2,667,123
OPEB Liability	1,281,033	413,171	-	1,694,204	-
Claims and Judgments	8,000,000	3,582,477	(2,980,477)	8,602,000	1,813,000
Total other liabilities	<u>17,103,140</u>	<u>8,642,464</u>	<u>(7,034,374)</u>	<u>18,711,230</u>	<u>5,503,642</u>
Total Governmental Activities	<u>\$ 62,064,495</u>	<u>\$ 8,642,464</u>	<u>\$ (19,533,275)</u>	<u>\$ 59,578,684</u>	<u>\$ 9,478,642</u>
Business-type Activities:					
Revenue Bonds					
2005A Utility Systems Bonds	\$ 24,160,000	\$ -	\$ (75,000)	\$ 24,085,000	\$ 75,000
2005B Utility Systems Bonds	30,065,000	-	(630,000)	29,435,000	650,000
2007A Utility Systems Bonds	64,025,000	-	-	64,025,000	-
2007B Utility Systems Bonds	23,925,000	-	(965,000)	22,960,000	1,005,000
2011 Utility Systems Bonds	13,875,000	-	-	13,875,000	3,365,000
Subtotal	<u>156,050,000</u>	<u>-</u>	<u>(1,670,000)</u>	<u>154,380,000</u>	<u>5,095,000</u>
Net deferred refundings and discounts	620,990	189,018	-	810,008	-
CR#3 decommissioning costs payable	9,534,741	188,378	-	9,723,119	-
Compensated Absences	2,497,275	2,234,828	(1,918,197)	2,813,906	1,678,487
OPEB Liability	650,863	195,194	-	846,057	-
Total Business-type Activities	<u>\$ 169,353,869</u>	<u>\$ 2,807,418</u>	<u>\$ (3,588,197)</u>	<u>\$ 168,573,090</u>	<u>\$ 6,773,487</u>

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012. 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, 2012 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.

The following is a schedule of bonds outstanding at September 30, 2012:

Description Of Bonds	Purpose Of Issue	Amount Issued	Amount Outstanding	Interest Rates
Governmental Activities:				
2002 Optional Gas Tax Bonds	Road Projects	\$ 17,565,000	\$ 2,720,000	3.40%-3.55%
2003 Capital Improvement Certificates	Refunding	15,310,000	10,215,000	5.25%-5.375%
2007A Capital Improvement Certificates	Capital Projects	15,870,000	15,870,000	4.25%-4.50%
2007B Capital Improvement Certificates	Refunding	4,290,000	3,740,000	4.00%-4.125%
2012 Refdgd Capital Improvement Certif	Refunding	8,405,000	8,405,000	1.72%
Total Governmental Activities			<u>\$ 40,950,000</u>	
Business-Type Activities:				
2005A Utility Systems Bonds	Refunding	\$ 24,625,000	\$ 24,085,000	3.25%-5.25%
2005B Utility Systems Bonds	Capital Projects	33,355,000	29,435,000	3.125%-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	22,960,000	4.00%-4.50%
2011 Utility Systems Bonds	Refunding	13,875,000	13,875,000	1.51%
Total Business-Type Activities			<u>\$ 154,380,000</u>	

The principal and interest payments during the fiscal year 2012 for governmental activities were \$ 12,270,000 and \$2,098,820, respectively. The principal and interest payments during the fiscal year 2012 for business-type activities were \$ 1,670,000 and \$7,009,103, respectively. See also the capitalization of interest note.

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:

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

Fiscal Year	Governmental Activities			
	Capital Improvement Certificates		Optional Gas Tax Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 1,255,000	\$ 1,365,169	\$ 2,720,000	\$ 63,290
2014	2,070,000	1,435,904	-	-
2015	2,180,000	1,350,965	-	-
2016	2,265,000	1,260,883	-	-
2017	2,365,000	1,166,321	-	-
2018-2022	10,345,000	4,533,070	-	-
2023-2027	7,425,000	3,069,048	-	-
2028-2032	8,410,000	1,408,888	-	-
2033	1,915,000	43,088	-	-
Total	<u>\$ 38,230,000</u>	<u>\$ 15,633,336</u>	<u>\$ 2,720,000</u>	<u>\$ 63,290</u>

Pledged revenue description

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

Sixth cent optional gas tax

Fiscal year 2012 pledged revenues	\$ 8,241,933	\$ 2,547,557
Fiscal year 2012 principal and interest paid	\$ 4,140,715	\$ 1,863,105
Outstanding principal and interest	\$ 53,863,336	\$ 2,783,290
Pledged through fiscal year	2033	2013
Estimated percentage pledged	31.12%	109.25%

Fiscal Year	Business-Type Activities	
	Utility Systems Revenue Bonds	
	Principal	Interest
2013	\$ 5,095,000	\$ 6,880,764
2014	5,245,000	6,763,874
2015	5,360,000	6,642,631
2016	5,485,000	6,515,640
2017	5,220,000	6,316,481
2018-2022	30,345,000	27,278,097
2023-2027	38,295,000	19,176,483
2028-2032	48,220,000	8,967,452
2033	11,115,000	277,875
Total	<u>\$ 154,380,000</u>	<u>\$ 88,819,297</u>

Pledged revenue description

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

Fiscal year 2012 pledged revenues	\$ 19,814,518
Fiscal year 2012 principal and interest paid	\$ 8,679,103
Outstanding principal and interest	\$ 243,199,297
Pledged through fiscal year	2033
Estimated percentage pledged	58.45%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 mature in 2014, do not represent debt or an obligation of the City and are 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, 2012 is \$ 450,000.

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, 2012, the City had an arbitrage rebate liability of \$40,703.

f. Refunding Issued by the City

On August 1, 2012 the City issued \$8,405,000 Refunding Capital Improvement Bonds, Series 2012. Proceeds were used to current refund the 2002 Capital Improvement Certificates.

Bond Series	True Interest Cost	Average Coupon Rate	Maturity Date	Net Proceeds	Cost of Issuance
2012	1.7197%	1.72%	10/1/2022	\$ 8,405,000	\$ 37,230

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

2011-2012 Bond Refunding
Economic Reasoning

	Capital Improvement Refunding Bonds, Series 2002
Bond Size	
Old Bonds (Outstanding)	\$ 9,040,000
New Bonds (Series 2011)	\$ 8,405,000
Average Annual Savings	\$ 121,130
Net Present Value Savings	\$ 1,103,132
% Savings of refunding bonds	13.125%
Future Value Savings	\$ 1,211,301

h. Current Refunded Bonds

The following schedule reflects the current refunded bonds as of September 30, 2012:

			Final		
Type	Series	Date Refunded	Payment/ Call Date	Outstanding as of Refunding	Outstanding as of 9/30/2012
Capital Improvement	2002	8/1/2012	10/1/2012	\$ 9,040,000	\$ -

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, 2012, there were no bonds outstanding that were considered defeased.

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, 2012, there was no general obligation debt outstanding.

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

5. FUND DEFICITS

At September 30, 2012 there were no funds with deficits in total net assets.

6. COMMITMENTS AND CONTINGENT LIABILITIES

Grants - The City receives significant financial assistance from federal agencies primarily in the form of capital grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Disallowed claims, if any, resulting from such audits may become liabilities of the City. However, in the opinion of management, disallowed claims, if any, will not have a material effect on the City's financial statements.

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.

Other Commitments – The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2012, in the respective funds are as follows:

General Fund	\$ 2,468,556
Internal Service Funds	132,722
Airport	58,755
Electric System Revenue Fund	1,766,364
Golf	7,679
Water and Sewer Fund	3,193,745
Total	\$ 7,627,821

FMPA All-Requirements Power Supply Project (ARP): The City purchases power exclusively from Florida Municipal Power Agency (FMPA) through the State-wide bulk power system. The City has an All-Requirements Power Supply Project Contract (effective 10/1/2002) with FMPA which requires FMPA to sell and deliver to the City and the City to purchase from FMPA all electric power that the City requires in excess of the amount the City receives from its percentage ownership interest in Crystal River 3. 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 applicable rate schedule of FMPA, 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. This is generally understood to mean paying off its portion of the project's long-term debt.

Power Supply Entitlements: The following is an excluded resource under the ARP agreement because FMPA does not own any portion of CR3.

- Crystal River Unit No. 3 (CR3): The City entered into a Participation Agreement in 1977 with Florida Power Corporation (FPC), now Progress Energy, to purchase a 1.333% undivided ownership interest, approximately 11 MW in their nuclear powered electric generating plant. During July 2012, Progress Energy merged with and became a wholly owned subsidiary of Duke Energy.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

The City is billed for its share of operating and capital costs. Operating costs are included as fuel and power supply-other expenses and capital costs are included in Property, Plant and Equipment. The amounts of utility plant in service for CR3 do not include the cost of common and external facilities for which participants pay user charges to the operating entity. Accumulated depreciation on utility plant in service is determined by each participant based on their depreciation methods and rates relating to their respective share. The City does not exercise significant influence or control over the operating or financial policies of Progress Energy.

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 \$9,723,119 at September 30, 2012 including interest earnings.

On July 12, 1990, the City and the FMPA entered into an agreement whereby the FMPA would act as agent for the City and certain other Crystal River 3 (CR3) participants to coordinate the administration of the decommissioning trust funds. Contributions to this trust fund are not available to the City for any other purpose except the decommissioning of CR3. Contributions were based on independent studies, which took in to account the anticipated future decommissioning costs and anticipated investment returns. Future contributions will be made to this trust account as needed based on updated cost estimates and trust fund earnings.

In September 2009, Crystal River Unit 3 began an outage for normal refueling and maintenance as well as an uprate project to increase its generating capability and to replace two steam generators. During preparations to replace the steam generators, workers discovered a delamination (or separation) within the concrete at the periphery of the containment building, which resulted in an extension of the outage, which has continued to date. After reviewing all options to repair the unit, on February 5, 2013, Duke Energy announced its intention to retire the Crystal River 3 ("CR3") nuclear power plant. Duke expects that the FPSC will review the retirement decision later in 2013 as part of "Phase 2" of the CR3 delamination regulatory docket. Duke is currently developing a decommissioning plan, which will evaluate various decommissioning options and the costs associated with each option. Duke intends to implement a SAFSTOR ("SAFE STORAGE") decommissioning plan assumed to be executed over an extended period (i.e., 40 to 60 years). Duke expects that the current decommissioning fund balances are sufficient to decommission the plant (including future investment growth of the funds).

In accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, City management has evaluated the City's investment in CR3's assets, which have a net carrying amount of \$2,080,466 as of September 30, 2012, for impairment.

Because of these ongoing settlement negotiations with Duke Energy, management believes the fair value of the asset is not reasonably estimable and is likely higher than the carrying value. Since GASB 42 requires that the City carry the asset at the lower of the asset's carrying value or fair value, and the fair value is not reasonably estimable; management has concluded that no write-down is necessary as of September 30, 2012. When a settlement is reached, the asset impairment will be reevaluated at that time.

The City has designated the Florida Municipal Power Agency (FMPA) as its agent in negotiations with Duke Energy, and FMPA is negotiating on various matters including: the sufficiency of the City's decommissioning account balance, the costs of replacement power that the City believes it is entitled to (to replace the anticipated power that would have been received over 20-years if the unit had been retired), and a return on the City's capital investment.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Post-employment 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 188 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. GASB No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, 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 post-employment 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 Ch. 112.08, F.S. 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. A trust has not been established. Contributions are being made based on a pay-as-you-go financing requirements.

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), an amount actuarially determined in accordance with the parameters of GASB No. 45. 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).

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

Annual required contribution (ARC)	\$ 1,366,175
Interest on net OPEB obligation	77,276
Adjustment to ARC	<u>(71,552)</u>
Annual OPEB cost (expense)	1,371,899
Contributions made	<u>(763,534)</u>
Increase in net OPEB obligation	608,365
Net OPEB obligation - beginning of year	1,931,896
Net OPEB obligation - end of year	<u><u>\$ 2,540,261</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
10/1/2010 *	\$ -	\$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%
10/1/2006	-	13,805,590	13,805,590	0.00%	39,788,441	34.70%

* Updated valuation to reflect the Voluntary Separation Incentive Program (VISIP)@ 9/30/12.

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.

e. Trend Information:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percent Contributed	Net OPEB Obligation
9/30/2010	\$ 1,283,038	\$ 771,291	60.11%	\$1,396,479
9/30/2011	1,279,738	744,321	58.16%	1,931,896
9/30/2012	1,371,899	763,534	55.66%	2,540,261

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2010
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll
Amortization period	27 years
Asset valuation method	Unfunded
Investment rate of return *	4.0%
Projected annual salaries increase *	3.5% - 7.5%
Inflation rate	3.0%
Mortality	RP-2000 Health White Collar Tables for male and female
Healthcare cost trend	9% initial trend rate dropping to 5% ultimate trend rate after 10 Years

- Includes general price inflation at 3.0%

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, 2012**

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 20,988,517	\$ 20,988,517	\$ 21,201,843	\$ 213,326
Utility service tax	11,069,091	11,069,091	11,406,395	337,304
Local option, use & fuel tax	943,000	943,000	890,954	(52,046)
State shared revenues	4,574,979	4,574,979	4,624,982	50,003
Other intergovernmental revenues	1,047,174	6,108,360	2,976,495	(3,131,865)
Permits and fees	1,810,200	1,810,200	1,968,607	158,407
Fines and forfeitures	356,300	356,300	551,217	194,917
Charges for services	13,445,452	13,377,952	13,158,882	(219,070)
Investment income	834,900	834,900	974,692	139,792
Gifts	88,700	428,673	433,052	4,379
Miscellaneous	695,914	758,105	1,098,557	340,452
Total revenues	<u>55,854,227</u>	<u>61,250,077</u>	<u>59,285,676</u>	<u>(1,964,401)</u>
Expenditures				
Current:				
General government	21,683,986	20,777,305	18,158,621	2,618,684
Public safety	36,903,361	36,841,771	36,171,183	670,588
Transportation	5,292,797	6,443,847	5,265,150	1,178,697
Economic Environment	1,644,497	2,579,739	1,238,500	1,341,239
Physical Environment	-	7,500	7,500	-
Human services	-	457,987	284,499	173,488
Culture and recreation	5,460,497	5,142,427	4,870,127	272,300
Capital outlay	4,373,482	10,874,915	3,015,339	7,859,576
Total expenditures	<u>75,358,620</u>	<u>83,125,491</u>	<u>69,010,919</u>	<u>14,114,572</u>
Excess (deficiency) of revenues over expenditures	<u>(19,504,393)</u>	<u>(21,875,414)</u>	<u>(9,725,243)</u>	<u>12,150,171</u>
Other Financing Sources (Uses)				
Transfers in	13,648,105	16,736,335	10,751,089	(5,985,246)
Transfers out	<u>(6,017,608)</u>	<u>(9,574,519)</u>	<u>(3,238,566)</u>	<u>6,335,953</u>
Total other financing sources (uses)	<u>7,630,497</u>	<u>7,161,816</u>	<u>7,512,523</u>	<u>350,707</u>
Net change in fund balance	(11,873,896)	(14,713,598)	(2,212,720)	12,500,878
Fund balance - beginning	<u>11,873,896</u>	<u>14,713,598</u>	<u>41,136,238</u>	<u>26,422,640</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,923,518</u>	<u>\$ 38,923,518</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with
	(GAAP Basis)			Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 244,746	\$ 244,746	\$ 216,060	\$ (28,686)
Investment income	-	-	77,832	77,832
Total revenues	<u>244,746</u>	<u>244,746</u>	<u>293,892</u>	<u>49,146</u>
Expenditures				
Current:				
General government	71,628	138,450	84,936	53,514
Total expenditures	<u>71,628</u>	<u>138,450</u>	<u>84,936</u>	<u>53,514</u>
Excess (deficiency) of revenues over expenditures	<u>173,118</u>	<u>106,296</u>	<u>208,956</u>	<u>102,660</u>
Other Financing Sources (Uses)				
Transfers in	378,159	378,159	333,835	(44,324)
Total other financing sources (uses)	<u>378,159</u>	<u>378,159</u>	<u>333,835</u>	<u>(44,324)</u>
Net change in fund balance	551,277	484,455	542,791	58,336
Fund balance - beginning	<u>(551,277)</u>	<u>(484,455)</u>	<u>3,142,622</u>	<u>3,627,077</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,685,413</u>	<u>\$ 3,685,413</u>

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2012**

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
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%
2004	53,517,767	76,064,649	22,546,882	70.36%	27,782,381	81.16%

(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 (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
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%
2004	34,313,287	39,757,936	5,444,649	86.31%	7,337,563	74.20%

(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, 2012**

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
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%
2004	20,590,179	26,907,346	6,317,167	76.52%	5,198,027	121.53%

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2012**

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

General Plan:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Annual Required Contribution (City)</u>	<u>Actual Contribution (City) (1)</u>	<u>Percentage Contributed</u>
2012	\$ 10,018,065	\$ 10,018,065	\$ 10,027,129 (1)	100.09%
2011	9,287,951	9,287,851	9,287,951 (1)	100.00%
2010	6,291,791	6,291,791	6,291,791 (1)	100.00%
2009	5,623,172	5,623,172	5,623,172 (1)	100.00%
2008	5,213,030	5,213,030	12,133,628 (2)	232.76%
2007	4,740,189	4,740,189	4,797,696	101.21%
2006	4,417,397	4,417,397	4,631,250	104.84%
2005	3,945,468	3,945,468	3,945,468 (3)	100.00%
2004	3,402,463	3,402,463	3,522,203	103.52%

(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>Annual Required Contribution (City)</u>	<u>Actual Contribution (City) (1)</u>	<u>Annual Required Contribution (State) (2)</u>	<u>Percentage Contributed</u>
2012	\$ 2,924,100	\$ 2,476,952	\$ 2,476,952	\$ 412,295	98.81%
2011	2,669,252	2,240,013	2,240,013	429,239	100.00%
2010	2,212,672	1,764,387	1,764,387	448,285	100.00%
2009	1,833,325	1,318,836	1,318,836	514,489	100.00%
2008	1,738,806	1,194,413	1,254,445	544,393	103.45%
2007	1,615,300	1,070,907	1,196,134	544,393	107.75%
2006	1,436,938	867,517	1,220,125	569,421	124.54%
2005	1,505,173	1,066,687	1,066,687	438,786	100.00%
2004	1,332,845	902,352	906,865	430,493	100.34%

(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 30,2012**

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

Firefighters' Plan:

Fiscal Year	Annual Required Contribution	Annual Required Contribution (City)	Actual Contribution (City) (1)	Annual Required Contribution (State) (2)	Percentage Contributed
2012	\$ 2,111,966	\$ 1,852,589	\$ 1,784,225	\$ 259,377	96.76%
2011	1,999,430	1,740,053	1,740,053	259,377	100.00%
2010	1,795,369	1,535,992	1,535,992	259,377	100.00%
2009	1,293,087	1,033,710	1,033,710	259,377	100.00%
2008	1,258,041	998,664	998,664	259,377	100.00%
2007	1,243,765	984,388	984,388	259,377	100.00%
2006	1,200,311	940,934	940,934	259,377	100.00%
2005	1,603,809	1,344,432	1,344,432	259,377	100.00%
2004	1,183,394	924,017	924,017	259,377	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 OPEB
SEPTEMBER 30, 2012**

Other Post Employment 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
10/1/2010 *	\$ -	\$ 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%
10/1/2006	-	13,805,590	13,805,590	0.00%	39,788,441	34.70%

* Updated valuation to reflect the Voluntary Separation Incentive Program (VISIP) @ 9/30/12.

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

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Contribution
2012	\$ 1,371,899	\$ 763,534	55.66%	\$ 2,540,261
2011	1,279,738	744,321	58.16%	1,931,896
2010	1,283,038	771,291	60.11%	1,396,479
2009	1,218,236	749,304	61.51%	884,732

SUPPLEMENTAL INFORMATION

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

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:

2002 Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Revenue Certificates, Series 2002.

2003 Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2003.

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.

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.

2002 Optional Gas Tax Bonds Fund - This fund is used for the payment of principal, interest and related costs of the Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002.

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2012**

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, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity In pooled cash fund	\$ 11,644,209	\$ 3,800,984	\$ 4,022,343	\$ 19,467,536
Accounts and notes receivables	272,211	-	-	272,211
Accrued interest receivable	33,356	-	14,982	48,338
Due from other funds	224,983	-	-	224,983
Due from other governments	1,238,182	-	-	1,238,182
Total assets	<u>13,412,941</u>	<u>3,800,984</u>	<u>4,037,325</u>	<u>21,251,250</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	913,325	-	346,713	1,260,038
Unearned revenue	790,242	-	-	790,242
Total liabilities	<u>1,703,567</u>	<u>-</u>	<u>346,713</u>	<u>2,050,280</u>
Fund Balances:				
Restricted	6,365,130	3,800,984	3,690,612	13,856,726
Committed	5,344,244	-	-	5,344,244
Total fund balances	<u>11,709,374</u>	<u>3,800,984</u>	<u>3,690,612</u>	<u>19,200,970</u>
Total liabilities and fund balances	<u>\$ 13,412,941</u>	<u>\$ 3,800,984</u>	<u>\$ 4,037,325</u>	<u>\$ 21,251,250</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 62,420	\$ -	\$ -	\$ 62,420
Local option, use & fuel tax	4,691,905	-	-	4,691,905
Intergovernmental revenues	640,880	-	-	640,880
Charges for services	4,675,704	-	-	4,675,704
Investment income	253,386	52,951	92,751	399,088
Gifts	771,318	-	-	771,318
Miscellaneous	115,177	-	12,428	127,605
Total revenues	11,210,790	52,951	105,179	11,368,920
Expenditures				
Current:				
General government	58,476	-	47,817	106,293
Physical Environment	2,947,133	-	-	2,947,133
Transportation	2,903,880	-	-	2,903,880
Culture and recreation	-	-	132,794	132,794
Economic environment	55,388	-	-	55,388
Capital outlay	2,781,038	-	1,968,595	4,749,633
Debt service:				
Principal payments	-	3,905,000	-	3,905,000
Interest and fees	-	2,139,000	-	2,139,000
Total expenditures	8,745,915	6,044,000	2,149,206	16,939,121
Excess (deficiency) of revenues over expenditures	2,464,875	(5,991,049)	(2,044,027)	(5,570,201)
Other financing sources (uses)				
Transfers in	61,408	5,630,658	-	5,692,066
Transfers out	(2,271,397)	(92,497)	-	(2,363,894)
Proceeds from refunding bonds	-	8,405,000	-	8,405,000
Payment To refunding bonds escrow agent	-	(8,365,000)	-	(8,365,000)
Total other financing sources (uses)	(2,209,989)	5,578,161	-	3,368,172
Net change in fund balances	254,886	(412,888)	(2,044,027)	(2,202,029)
Fund balances - beginning	11,454,488	4,213,872	5,734,639	21,402,999
Fund balances - ending	\$ 11,709,374	\$ 3,800,984	\$ 3,690,612	\$ 19,200,970

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2012**

	Downtown Development	Local Gasoline Tax
Assets		
Equity in pooled cash and investment fund	\$ 249,475	\$ 6,011,079
Accrued interest receivable	703	16,668
Accounts and notes receivable	-	-
Due from other funds	-	-
Due from other governments	638	1,237,544
Total assets	250,816	7,265,291
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	2,456	384,853
Unearned revenue	-	790,242
Total liabilities	2,456	1,175,095
 Fund Balances:		
Restricted	248,360	6,090,196
Committed	-	-
Total fund balances	248,360	6,090,196
 Total liabilities and fund balances	\$ 250,816	\$ 7,265,291

Stormwater Utility	SHIP Local Housing Assistance	Total
\$ 5,348,246	\$ 35,409	\$ 11,644,209
15,822	163	33,356
272,211	-	272,211
224,983	-	224,983
-	-	1,238,182
<u>5,861,262</u>	<u>35,572</u>	<u>13,412,941</u>
517,018	8,998	913,325
-	-	790,242
<u>517,018</u>	<u>8,998</u>	<u>1,703,567</u>
-	26,574	6,365,130
5,344,244	-	5,344,244
<u>5,344,244</u>	<u>26,574</u>	<u>11,709,374</u>
<u>\$ 5,861,262</u>	<u>\$ 35,572</u>	<u>\$ 13,412,941</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, 2012

	<u>Downtown Development</u>	<u>Local Gasoline Tax</u>
Revenues		
Property taxes	\$ 62,420	\$ -
Gas taxes	-	4,691,905
Intergovernmental revenues	-	640,880
Charges for services	-	-
Investment income	5,373	126,007
Gifts	-	771,318
Miscellaneous	-	113,267
Total revenues	<u>67,793</u>	<u>6,343,377</u>
Expenditures		
Current:		
General government	58,476	-
Physical Environment		
Transportation	-	2,903,880
Economic environment	-	-
Capital outlay	-	877,414
Total expenditures	<u>58,476</u>	<u>3,781,294</u>
Excess (deficiency) of revenues over expenditures	<u>9,317</u>	<u>2,562,083</u>
Other financing sources (uses)		
Transfers in	-	61,408
Transfers out	(10,000)	(2,261,397)
Total other financing sources (uses)	<u>(10,000)</u>	<u>(2,199,989)</u>
Net change In fund balances	(683)	362,094
Fund balances - beginning	<u>249,043</u>	<u>5,728,102</u>
Fund balances - ending	<u>\$ 248,360</u>	<u>\$ 6,090,196</u>

<u>Storm water Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Total</u>
\$ -	\$ -	\$ 62,420
-	-	4,691,905
-	-	640,880
4,675,704	-	4,675,704
120,760	1,246	253,386
-	-	771,318
47	1,863	115,177
<u>4,796,511</u>	<u>3,109</u>	<u>11,210,790</u>
-	-	58,476
2,947,133	-	2,947,133
-	-	2,903,880
-	55,388	55,388
1,903,624	-	2,781,038
<u>4,850,757</u>	<u>55,388</u>	<u>8,745,915</u>
<u>(54,246)</u>	<u>(52,279)</u>	<u>2,464,875</u>
-	-	61,408
-	-	(2,271,397)
<u>-</u>	<u>-</u>	<u>(2,209,989)</u>
(54,246)	(52,279)	254,886
<u>5,398,490</u>	<u>78,853</u>	<u>11,454,488</u>
<u>\$ 5,344,244</u>	<u>\$ 26,574</u>	<u>\$ 11,709,374</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 62,420	\$ 62,588	\$ (168)
Investment income	5,373	-	5,373
Total revenues	<u>67,793</u>	<u>62,588</u>	<u>5,205</u>
Expenditures			
Current:			
General government	58,476	88,591	30,115
Capital outlay	-	5,000	5,000
Total expenditures	<u>58,476</u>	<u>93,591</u>	<u>35,115</u>
Excess of revenues over expenditures	<u>9,317</u>	<u>(31,003)</u>	<u>40,320</u>
Other financing (uses)			
Transfers out	(10,000)	(10,000)	-
Total other financing (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	(683)	(41,003)	40,320
Fund balance - beginning	<u>249,043</u>	<u>41,003</u>	<u>208,040</u>
Fund balance - ending	<u>\$ 248,360</u>	<u>\$ -</u>	<u>\$ 248,360</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LOCAL GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Taxes	\$ 4,691,905	\$ 5,152,260	\$ (460,355)
Intergovernmental revenues	640,880	1,602,941	(962,061)
Investment income	126,007	141,249	(15,242)
Gifts	771,318	775,000	(3,682)
Miscellaneous	113,267	-	113,267
Total revenues	<u>6,343,377</u>	<u>7,671,450</u>	<u>(1,328,073)</u>
Expenditures			
Current:			
Transportation	2,903,880	3,238,696	334,816
Capital outlay	877,414	4,546,986	3,669,572
Total expenditures	<u>3,781,294</u>	<u>7,785,682</u>	<u>4,004,388</u>
Excess (deficiency) of revenues over expenditures	<u>2,562,083</u>	<u>(114,232)</u>	<u>2,676,315</u>
Other financing sources (uses)			
Transfers in	61,408	19,850	41,558
Transfers out	(2,261,397)	(2,226,622)	(34,775)
Total other financing sources (uses)	<u>(2,199,989)</u>	<u>(2,206,772)</u>	<u>6,783</u>
Net change in fund balance	362,094	(2,321,004)	2,683,098
Fund balance - beginning	<u>5,728,102</u>	<u>2,321,004</u>	<u>3,407,098</u>
Fund balance - ending	<u>\$ 6,090,196</u>	<u>\$ -</u>	<u>\$ 6,090,196</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Charges for services	\$ 4,675,704	\$ 4,613,409	\$ 62,295
Investment income	120,760	100,000	20,760
Other	47	-	47
Total revenues	<u>4,796,511</u>	<u>4,713,409</u>	<u>83,102</u>
Expenditures			
Current:			
Physical Environment	2,947,133	3,217,202	270,069
Capital outlay	1,903,624	4,265,646	2,362,022
Total expenditures	<u>4,850,757</u>	<u>7,482,848</u>	<u>2,632,091</u>
Excess (deficiency) of revenues over expenditures	<u>(54,246)</u>	<u>(2,769,439)</u>	<u>2,715,193</u>
Net change In fund balance	(54,246)	(2,769,439)	2,715,193
Fund balance - beginning	<u>5,398,490</u>	<u>2,769,439</u>	<u>2,629,051</u>
Fund balance - ending	<u>\$ 5,344,244</u>	<u>\$ -</u>	<u>\$ 5,344,244</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SHIP LOCAL HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 1,246	\$ -	\$ 1,246
Other	1,863	81,853	(79,990)
Total revenues	<u>3,109</u>	<u>81,853</u>	<u>(78,744)</u>
Expenditures			
Current:			
Economic environment	55,388	81,853	26,465
Total expenditures	<u>55,388</u>	<u>81,853</u>	<u>26,465</u>
Net change in fund balance	(52,279)	-	(52,279)
Fund balance - beginning	<u>78,853</u>	<u>-</u>	<u>78,853</u>
Fund balance - ending	<u>\$ 26,574</u>	<u>\$ -</u>	<u>\$ 26,574</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
 SEPTEMBER 30, 2012**

	2003 Improvement Certificates	2007A Improvement Certificates
Assets		
Equity in pooled cash and investment fund	\$ 1,517,934	\$ 350,103
Total restricted assets	\$ 1,517,934	\$ 350,103
 Fund Balances		
Fund Balances:		
Restricted	\$ 1,517,934	\$ 350,103
Total fund balances	\$ 1,517,934	\$ 350,103

<u>2007B Improvement Certificates</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
<u>\$ 85,987</u>	<u>\$ 1,846,960</u>	<u>\$ 3,800,984</u>
<u>\$ 85,987</u>	<u>\$ 1,846,960</u>	<u>\$ 3,800,984</u>
<u>\$ 85,987</u>	<u>\$ 1,846,960</u>	<u>\$ 3,800,984</u>
<u>\$ 85,987</u>	<u>\$ 1,846,960</u>	<u>\$ 3,800,984</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, 2012

	<u>2002</u> <u>Improvement</u> <u>Certificates</u>	<u>2003</u> <u>Improvement</u> <u>Certificates</u>	<u>2007A</u> <u>Improvement</u> <u>Certificates</u>
Revenues			
Investment income	\$ 7,833	\$ 18,193	\$ 4,268
Expenditures			
Debt service:			
Principal payments	1,330,000	690,000	-
Interest and paying agents' fees	564,890	557,219	700,706
Total expenditures	<u>1,894,890</u>	<u>1,247,219</u>	<u>700,706</u>
 (Deficiency) of revenues over expenditures	 <u>(1,887,057)</u>	 <u>(1,229,026)</u>	 <u>(696,438)</u>
Other financing sources (uses)			
Transfers in	1,043,962	1,790,869	700,206
Transfers out	(10,128)	(17,193)	(3,768)
Proceeds from refunding bonds	8,367,770	-	-
Payment to refunded bonds escrow agent	(8,365,000)	-	-
Total other financing sources (uses)	<u>1,036,604</u>	<u>1,773,676</u>	<u>696,438</u>
Net change In fund balances	(850,453)	544,650	-
Fund balances - beginning	<u>850,453</u>	<u>973,284</u>	<u>350,103</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,517,934</u>	<u>\$ 350,103</u>

<u>2007B Improvement Certificates</u>	<u>2012 Refunded Improvement Certificates</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
\$ -	\$ -	\$ 22,657	\$ 52,951
145,000	-	1,740,000	3,905,000
155,375	37,230	123,580	2,139,000
<u>300,375</u>	<u>37,230</u>	<u>1,863,580</u>	<u>6,044,000</u>
<u>(300,375)</u>	<u>(37,230)</u>	<u>(1,840,923)</u>	<u>(5,991,049)</u>
162,475	-	1,933,146	5,630,658
-	-	(61,408)	(92,497)
-	37,230	-	8,405,000
-	-	-	(8,365,000)
<u>162,475</u>	<u>37,230</u>	<u>1,871,738</u>	<u>5,578,161</u>
<u>(137,900)</u>	<u>-</u>	<u>30,815</u>	<u>(412,888)</u>
<u>223,887</u>	<u>-</u>	<u>1,816,145</u>	<u>4,213,872</u>
<u>\$ 85,987</u>	<u>\$ -</u>	<u>\$ 1,846,960</u>	<u>\$ 3,800,984</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 7,833	\$ 9,530	\$ (1,697)
Total revenues	<u>7,833</u>	<u>9,530</u>	<u>(1,697)</u>
Expenditures			
Debt service:			
Principal payments	1,330,000	1,330,000	-
Interest and paying agents' fees	564,890	564,890	-
Total expenditures	<u>1,894,890</u>	<u>1,894,890</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,887,057)</u>	<u>(1,885,360)</u>	<u>(1,697)</u>
Other financing sources (uses)			
Transfers in	1,043,962	1,034,934	9,028
Transfers out	(10,128)	(9,055)	(1,073)
Proceeds from refunding Bonds	8,367,770	2,770	8,365,000
Payment to refunded bonds escrow agent	(8,365,000)	-	(8,365,000)
Total other financing sources (uses)	<u>1,036,604</u>	<u>1,028,649</u>	<u>7,955</u>
Net change In fund balance	(850,453)	(856,711)	6,258
Fund balance - beginning	<u>850,453</u>	<u>856,711</u>	<u>(6,258)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2003 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 18,193	\$ 16,780	\$ 1,413
Total revenues	<u>18,193</u>	<u>16,780</u>	<u>1,413</u>
Expenditures			
Debt service:			
Principal payments	690,000	690,000	-
Interest and paying agents' fees	557,219	557,319	100
Total expenditures	<u>1,247,219</u>	<u>1,247,319</u>	<u>100</u>
Excess (deficiency) of revenues over expenditures	<u>(1,229,026)</u>	<u>(1,230,539)</u>	<u>1,513</u>
Other financing sources (uses)			
Transfers in	1,790,869	1,790,869	-
Transfers out	(17,193)	(15,680)	(1,513)
Total other financing sources (uses)	<u>1,773,676</u>	<u>1,775,189</u>	<u>(1,513)</u>
Net change in fund balance	544,650	544,650	-
Fund balance - beginning	<u>973,284</u>	<u>-</u>	<u>973,284</u>
Fund balance - ending	<u>\$ 1,517,934</u>	<u>\$ 544,650</u>	<u>\$ 973,284</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 4,268	\$ 4,120	\$ 148
Total revenues	<u>4,268</u>	<u>4,120</u>	<u>148</u>
Expenditures			
Debt service:			
Interest and paying agents' fees	700,706	700,956	250
Total expenditures	<u>700,706</u>	<u>700,956</u>	<u>250</u>
Excess (deficiency) of revenues over expenditures	<u>(696,438)</u>	<u>(696,836)</u>	<u>398</u>
Other financing sources (uses)			
Transfers in	700,206	700,206	-
Transfers out	(3,768)	(3,370)	(398)
Total other financing sources (uses)	<u>696,438</u>	<u>696,836</u>	<u>(398)</u>
Net change In fund balance	-	-	-
Fund balance - beginning	<u>350,103</u>	<u>-</u>	<u>350,103</u>
Fund balance - ending	<u>\$ 350,103</u>	<u>\$ -</u>	<u>\$ 350,103</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007B IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ -	\$ 1,250	\$ (1,250)
Total revenues	<u>-</u>	<u>1,250</u>	<u>(1,250)</u>
Expenditures			
Debt service:			
Principal payments	145,000	145,000	-
Interest and paying agents' fees	155,375	156,125	750
Total expenditures	<u>300,375</u>	<u>301,125</u>	<u>750</u>
Excess (deficiency) of revenues over expenditures	<u>(300,375)</u>	<u>(299,875)</u>	<u>(500)</u>
Other financing sources (uses)			
Transfers in	162,475	299,875	(137,400)
Total other financing sources (uses)	<u>162,475</u>	<u>299,875</u>	<u>(137,400)</u>
Net change In fund balance	(137,900)	-	(137,900)
Fund balance - beginning	<u>223,887</u>	<u>-</u>	<u>223,887</u>
Fund balance - ending	<u>\$ 85,987</u>	<u>\$ -</u>	<u>\$ 85,987</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2012 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Debt service:			
Principal payments	-	-	-
Interest and paying agents' fees	37,230	37,230	-
Total expenditures	<u>37,230</u>	<u>37,230</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(37,230)</u>	<u>(37,230)</u>	<u>-</u>
Other financing sources (uses)			
Proceeds from refunding bond	37,230	37,230	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>37,230</u>	<u>37,230</u>	<u>-</u>
Net change In fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 OPTIONAL GAS TAX BONDS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 22,657	\$ 20,400	\$ 2,257
Total revenues	<u>22,657</u>	<u>20,400</u>	<u>2,257</u>
Expenditures			
Debt service:			
Principal payments	1,740,000	1,740,000	-
Interest and paying agents' fees	123,580	162,172	38,592
Total expenditures	<u>1,863,580</u>	<u>1,902,172</u>	<u>38,592</u>
Excess (deficiency) of revenues over expenditures	<u>(1,840,923)</u>	<u>(1,881,772)</u>	<u>40,849</u>
Other financing sources (uses)			
Transfers in	1,933,146	1,901,622	31,524
Transfers out	(61,408)	(19,850)	(41,558)
Total other financing sources (uses)	<u>1,871,738</u>	<u>1,881,772</u>	<u>(10,034)</u>
Net change in fund balance	30,815	-	30,815
Fund balance - beginning	<u>1,816,145</u>	<u>-</u>	<u>1,816,145</u>
Fund balance - ending	<u>\$ 1,846,960</u>	<u>\$ -</u>	<u>\$ 1,846,960</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2012**

	2002 Capital Improvement	2007A Capital Improvement	Total
Assets			
Equity in pooled cash and investment fund	\$ 1,256,961	\$ 2,765,382	\$ 4,022,343
Accrued interest receivable	4,575	10,407	14,982
Total assets	1,261,536	2,775,789	4,037,325
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	104,326	242,387	346,713
Total liabilities	104,326	242,387	346,713
 Fund Balances:			
Restricted	1,157,210	2,533,402	3,690,612
Total fund balances	1,157,210	2,533,402	3,690,612
 Total liabilities and fund balances	\$ 1,261,536	\$ 2,775,789	\$ 4,037,325

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, 2012

	2002 Capital Improvement	2007A Capital Improvement	Total
Revenues			
Investment income	\$ 16,533	\$ 76,218	\$ 92,751
Other	12,428	-	12,428
Total revenues	<u>28,961</u>	<u>76,218</u>	<u>105,179</u>
Expenditures			
Current:			
General government	47,817	-	47,817
Culture and recreation	17,050	115,744	132,794
Capital outlay	554,752	1,413,843	1,968,595
Total expenditures	<u>619,619</u>	<u>1,529,587</u>	<u>2,149,206</u>
Net change in fund balances	(590,658)	(1,453,369)	(2,044,027)
Fund balances - beginning	<u>1,747,868</u>	<u>3,986,771</u>	<u>5,734,639</u>
Fund balances - ending	<u>\$ 1,157,210</u>	<u>\$ 2,533,402</u>	<u>\$ 3,690,612</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 16,533	\$ -	\$ 16,533
Other	12,428	-	12,428
Total revenues	<u>28,961</u>	<u>-</u>	<u>28,961</u>
Expenditures			
Current:			
General government	47,817	128,609	80,792
Culture and recreation	17,050	17,050	-
Capital outlay	554,752	1,592,935	1,038,183
Total expenditures	<u>619,619</u>	<u>1,738,594</u>	<u>1,118,975</u>
Net change In fund balance	(590,658)	(1,738,594)	1,147,936
Fund balance - beginning	<u>1,747,868</u>	<u>1,738,594</u>	<u>9,274</u>
Fund balance - ending	<u>\$ 1,157,210</u>	<u>\$ -</u>	<u>\$ 1,157,210</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 76,218	\$ -	\$ 76,218
Total revenues	<u>76,218</u>	<u>-</u>	<u>76,218</u>
Expenditures			
Current:			
Culture and recreation	115,744	258,992	143,248
Capital outlay	1,413,843	1,718,540	304,697
Total expenditures	<u>1,529,587</u>	<u>1,977,532</u>	<u>447,945</u>
Net change in fund balance	(1,453,369)	(1,977,532)	524,163
Fund balance - beginning	<u>3,986,771</u>	<u>1,977,532</u>	<u>2,009,239</u>
Fund balance - ending	<u>\$ 2,533,402</u>	<u>\$ -</u>	<u>\$ 2,533,402</u>



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**CITY OF OCALA, FLORIDA
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2012**

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 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 930 units of gas driven equipment, as well as approximately 100 facilities.

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, 2012**

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Assets			
Current Assets:			
Equity in pooled cash and investment fund	\$ 8,802,367	\$ 22,477,135	\$ 31,279,502
Accrued interest receivable	25,335	61,065	86,400
Accounts receivable	-	11,199	11,199
Total current assets	<u>8,827,702</u>	<u>22,549,399</u>	<u>31,377,101</u>
Capital Assets, Net	<u>13,387,690</u>	<u>-</u>	<u>13,387,690</u>
Total assets	<u>22,215,392</u>	<u>22,549,399</u>	<u>44,764,791</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	769,598	1,147,393	1,916,991
Claims payable	-	8,602,000	8,602,000
Capital Lease	1,023,519	-	1,023,519
Unearned revenue	-	2,546	2,546
Total current liabilities	<u>1,793,117</u>	<u>9,751,939</u>	<u>11,545,056</u>
Noncurrent Liabilities:			
Capital lease	<u>2,127,463</u>	<u>-</u>	<u>2,127,463</u>
Total noncurrent liabilities	<u>2,127,463</u>	<u>-</u>	<u>2,127,463</u>
Total liabilities	<u>3,920,580</u>	<u>9,751,939</u>	<u>13,672,519</u>
Net Assets			
Invested in capital assets, net of related debt	10,236,708	-	10,236,708
Unrestricted	<u>8,058,104</u>	<u>12,797,460</u>	<u>20,855,564</u>
Total net assets	<u>\$ 18,294,812</u>	<u>\$ 12,797,460</u>	<u>\$ 31,092,272</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:			
Fees and rentals	\$ 1,077,314	\$ -	\$ 1,077,314
City insurance contributions	-	9,198,440	9,198,440
Employee insurance contributions	-	2,401,333	2,401,333
Other	241,992	1,612,374	1,854,366
Total operating revenues	<u>1,319,306</u>	<u>13,212,147</u>	<u>14,531,453</u>
Operating Expenses:			
Fleet management	1,291,981	-	1,291,981
Insurance, administration and other	-	13,704,158	13,704,158
Depreciation	1,953,225	-	1,953,225
Total operating expenses	<u>3,245,206</u>	<u>13,704,158</u>	<u>16,949,364</u>
Operating income (loss)	<u>(1,925,900)</u>	<u>(492,011)</u>	<u>(2,417,911)</u>
Non-Operating Revenues:			
Investment income	191,621	466,990	658,611
Total non-operating revenues	<u>191,621</u>	<u>466,990</u>	<u>658,611</u>
Income before operating transfers	<u>(1,734,279)</u>	<u>(25,021)</u>	<u>(1,759,300)</u>
Change in net assets	<u>(1,734,279)</u>	<u>(25,021)</u>	<u>(1,759,300)</u>
Net assets - beginning	<u>20,029,091</u>	<u>12,822,481</u>	<u>32,851,572</u>
Net assets - ending	<u>\$ 18,294,812</u>	<u>\$ 12,797,460</u>	<u>\$ 31,092,272</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from employees	\$ -	\$ 2,428,438	\$ 2,428,438
Cash paid to suppliers for goods and services	(795,430)	(2,245,468)	(3,040,898)
Cash paid to employees for services	-	1,322	1,322
Cash received from other funds	1,077,314	9,198,440	10,275,754
Cash paid for insurance claims	-	(8,897,823)	(8,897,823)
	<u>281,884</u>	<u>484,909</u>	<u>766,793</u>
Net cash provided by operating activities			
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of capital assets	-	-	-
Acquisition and construction of capital assets	(2,038,899)	-	(2,038,899)
	<u>(2,038,899)</u>	<u>-</u>	<u>(2,038,899)</u>
Net cash used in capital and related financing activities			
Cash Flows from Investing Activities:			
Investment income	201,120	472,420	673,540
	<u>201,120</u>	<u>472,420</u>	<u>673,540</u>
Net cash provided by investing activities			
Net increase (decrease) in cash and cash equivalents	(1,555,895)	957,329	(598,566)
Cash and cash equivalents, beginning	<u>10,362,028</u>	<u>21,519,806</u>	<u>31,881,834</u>
Cash and cash equivalents, ending	<u>\$ 8,806,133</u>	<u>\$ 22,477,135</u>	<u>\$ 31,283,268</u>

(Continued)

**CITY OF OCALA, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:			
Operating income (loss)	\$ (1,925,900)	\$ (492,011)	\$ (2,417,911)
Adjustment to reconcile operating income to cash flows provided by operating activities:			
Depreciation	1,953,225	-	1,953,225
Loss (gain) on capital asset disposal	122,094	-	122,094
(Increase) decrease in assets:			
Accounts and notes receivable	-	27,007	27,007
Increase (decrease) in liabilities:			
Accounts payable	132,465	372,723	505,188
Claims payable	-	577,121	577,121
Unearned revenue	-	69	69
Net cash provided by operating activities	<u>\$ 281,884</u>	<u>\$ 484,909</u>	<u>\$ 766,793</u>

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.

<u>Contents</u>	<u>Pages</u>
<p>Financial Trends.....</p> <p style="padding-left: 20px;">These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</p>	<p>121-130</p>
<p>Revenue Capacity.....</p> <p style="padding-left: 20px;">These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.</p>	<p>131-135</p>
<p>Debt Capacity.....</p> <p style="padding-left: 20px;">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.</p>	<p>136-142</p>
<p>Demographic and Economic Information.....</p> <p style="padding-left: 20px;">These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</p>	<p>143-146</p>
<p>Operating Information.....</p> <p style="padding-left: 20px;">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.</p>	<p>147-151</p>

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF OCALA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 117,351,325	\$ 115,459,984	\$ 116,181,216	\$ 124,147,138
Restricted	33,087,299	33,214,401	28,958,142	24,466,026
Unrestricted	21,654,548	19,230,746	25,722,561	29,311,300
Total governmental activities net assets	<u>172,093,172</u>	<u>167,905,131</u>	<u>170,861,919</u>	<u>177,924,464</u>
Business-type activities				
Invested in capital assets, net of related debt	173,278,919	183,076,286	183,993,059	196,090,833
Restricted	23,935,720	25,453,335	27,815,830	10,240,786
Unrestricted	62,441,077	55,195,063	57,968,143	84,619,342
Total business-type activities net assets	<u>259,655,716</u>	<u>263,724,684</u>	<u>269,777,032</u>	<u>290,950,961</u>
Primary government				
Invested in capital assets, net of related debt	290,630,244	298,536,270	300,174,275	320,237,971
Restricted	57,023,019	58,667,736	56,773,972	34,706,812
Unrestricted	84,095,625	74,425,809	83,690,704	113,930,642
Total primary government net assets	<u>\$ 431,748,888</u>	<u>\$ 431,629,815</u>	<u>\$ 440,638,951</u>	<u>\$ 468,875,425</u>

2007	2008	2009	2010	2011	2012
\$ 141,390,721	\$ 128,759,607	\$ 146,661,774	\$ 141,149,863	\$ 139,025,810	\$ 143,798,547
15,879,457	26,539,950	10,589,689	19,911,292	21,083,016	15,804,304
39,241,861	54,148,084	63,224,481	70,447,522	66,879,269	61,671,543
<u>196,512,039</u>	<u>209,447,641</u>	<u>220,475,944</u>	<u>231,508,677</u>	<u>226,988,095</u>	<u>221,274,394</u>
223,036,346	232,698,752	250,066,606	257,326,336	252,616,203	238,797,203
27,844,378	28,358,718	32,252,690	38,519,090	23,487,318	18,151,713
68,682,510	66,983,643	65,557,333	48,567,143	58,444,825	76,551,821
<u>319,563,234</u>	<u>328,041,113</u>	<u>347,876,629</u>	<u>344,412,569</u>	<u>334,548,346</u>	<u>333,500,737</u>
364,427,067	361,458,359	396,728,380	398,476,199	391,642,013	382,595,750
43,723,835	54,898,668	42,842,379	58,430,382	44,570,334	33,956,017
107,924,371	121,131,727	128,781,814	119,014,665	125,324,094	138,223,364
<u>\$ 516,075,273</u>	<u>\$ 537,488,754</u>	<u>\$ 568,352,573</u>	<u>\$ 575,921,246</u>	<u>\$ 561,536,441</u>	<u>\$ 554,775,131</u>

CITY OF OCALA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities:				
General government	\$ 6,535,061	\$ 6,970,877	\$ 8,604,212	\$ 8,341,978
Public safety	27,155,122	28,723,206	33,862,494	31,980,509
Public Works	16,410,122	15,846,226	11,248,691	19,064,719
Culture and recreation	4,804,900	4,667,252	5,486,761	5,204,487
Economic environment	272,948	304,668	345,869	986,103
Non-Departmental	220,218	401,875	209,889	-
Human Services	-	-	-	167,746
Physical Environment	-	-	-	104,095
Transportation	-	-	-	636,705
Interest on long-term debt	2,044,103	1,941,182	1,901,587	1,813,808
Total governmental activities expenses	<u>58,661,658</u>	<u>61,489,689</u>	<u>64,044,026</u>	<u>68,300,150</u>
Business-type activities:				
Electric	98,558,024	112,445,761	121,062,884	147,557,401
Water and Sewer	15,794,442	17,609,196	19,762,319	20,982,952
Sanitation	8,257,920	9,080,734	10,296,688	9,223,907
Municipal Golf Courses	2,580,330	2,665,999	2,885,062	2,815,080
Municipal Trailer Park	111,198	96,477	95,003	105,446
International Airport	1,491,629	1,491,874	1,273,234	1,191,134
Adult Athletic Complex	166,947	171,140	185,716	202,062
Communications	799,468	854,242	897,376	928,304
Suntran	1,521,482	1,639,368	1,779,496	1,887,826
Total business-type activities expenses	<u>129,281,440</u>	<u>146,054,791</u>	<u>158,237,778</u>	<u>184,894,112</u>
Total primary government expenses	<u>\$ 187,943,098</u>	<u>\$ 207,544,480</u>	<u>\$ 222,281,804</u>	<u>\$ 253,194,262</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,267,238	\$ 3,580,601	\$ 5,149,670	\$ 5,560,008
Public safety	207,756	621,434	649,697	683,644
Public Works	2,259,990	2,359,217	2,975,108	4,483,574
Culture and recreation	494,131	634,608	697,530	731,896
Housing and Urban Development	-	-	-	264,817
Non-departmental	766,520	-	-	-
Human Services	-	-	-	-
Economic environment	-	-	-	-
Other	103,308	152,770	263,097	-
Operating grants and contributions	3,925,625	8,972,211	8,301,964	9,966,243
Capital grants and contributions	142,214	29,045	2,969,336	3,818,508
Total governmental activities program revenues	<u>\$ 10,166,782</u>	<u>\$ 16,349,886</u>	<u>\$ 21,006,402</u>	<u>\$ 25,508,690</u>
Business-type activities:				
Charges for services:				
Electric	\$ 108,189,382	\$ 119,620,424	\$ 131,457,291	\$ 162,504,999
Water and Sewer	16,815,935	19,794,329	22,036,751	24,875,305
Sanitation	7,621,201	8,822,329	9,327,646	10,066,654
Municipal Golf Courses	2,053,098	2,330,548	2,124,820	2,394,301
Municipal Trailer Park	104,922	106,001	111,097	111,062
International Airport	532,134	675,459	609,983	597,170
Adult Athletic Complex	95,737	103,295	132,710	134,301
Communications	1,317,298	1,445,890	1,279,230	1,255,884
Suntran	152,254	174,380	192,818	207,268
Operating grants and contributions	895,435	4,345,717	3,835,344	1,282,929
Capital grants and contributions	5,115,107	3,173,740	6,851,151	13,222,924
Total business-type activities program revenues	<u>142,892,503</u>	<u>160,592,112</u>	<u>177,958,841</u>	<u>216,652,797</u>
Total primary government program revenues	<u>\$ 153,059,285</u>	<u>\$ 176,941,998</u>	<u>\$ 198,965,243</u>	<u>\$ 242,161,487</u>

	2007	2008	2009	2010	2011	2012
\$	9,042,965	\$ 7,347,987	\$ 10,239,676	\$ 16,752,242	\$ 24,264,441	\$ 21,121,585
	33,789,230	37,270,168	37,143,770	34,749,900	38,347,627	38,601,843
	19,294,535	15,599,695	13,839,479	16,158,833	-	-
	5,290,190	5,290,461	4,937,571	4,459,167	5,688,221	5,532,341
	1,018,874	1,199,010	1,391,668	1,141,505	1,693,471	1,421,490
	-	-	-	-	-	-
	175,581	181,926	202,033	210,689	344,194	295,471
	78,778	120,691	51,956	95,797	2,926,147	3,371,441
	595,319	519,577	583,024	544,636	15,289,841	16,209,344
	1,787,386	2,238,101	2,219,848	2,130,575	1,973,381	1,901,112
	<u>71,072,858</u>	<u>69,767,616</u>	<u>70,609,025</u>	<u>76,243,344</u>	<u>90,527,323</u>	<u>88,454,627</u>
	143,298,835	166,633,502	167,299,569	159,685,595	141,265,888	131,739,257
	21,899,008	26,199,859	25,677,661	24,979,015	26,910,448	27,502,689
	10,207,833	11,249,757	9,490,485	9,226,066	8,300,874	8,403,943
	2,956,984	3,201,620	2,835,780	2,750,571	1,864,304	1,838,581
	108,164	185,069	313,027	1,585	-	-
	1,315,256	1,276,023	1,152,341	1,065,738	1,319,583	2,133,709
	213,599	249,338	321,388	-	-	-
	1,160,423	1,290,286	1,326,462	1,692,881	1,918,905	1,718,074
	2,076,317	2,385,529	2,279,470	2,424,357	2,552,321	2,723,710
	<u>183,236,419</u>	<u>212,670,983</u>	<u>210,696,183</u>	<u>201,825,808</u>	<u>184,132,323</u>	<u>176,059,963</u>
\$	<u>254,309,277</u>	<u>282,438,599</u>	<u>281,305,208</u>	<u>278,069,152</u>	<u>274,659,646</u>	<u>264,514,590</u>
\$	5,769,933	\$ 4,786,682	\$ 2,640,352	\$ 6,188,395	\$ 11,554,007	\$ 11,756,605
	5,395,245	7,776,470	8,223,438	8,195,210	8,132,401	8,180,181
	4,617,381	5,105,758	4,642,705	4,614,709	-	-
	847,408	708,726	494,433	493,733	393,910	387,020
	216,853	89,845	18,502	43,933	-	-
	-	-	-	-	-	-
	-	83,612	-	-	-	-
	-	-	-	-	29,006	30,604
	-	-	-	-	-	-
	8,171,315	8,932,926	3,914,934	4,274,901	4,768,303	4,531,360
	10,393,761	350,420	4,105,649	3,540,911	1,474,530	290,385
\$	<u>35,411,896</u>	<u>27,834,439</u>	<u>24,040,013</u>	<u>27,351,792</u>	<u>26,352,157</u>	<u>25,176,155</u>
\$	151,504,058	\$ 176,235,678	\$ 177,960,026	\$ 173,550,081	\$ 139,919,007	\$ 139,183,371
	26,282,949	29,897,392	26,352,644	26,212,019	26,417,073	26,575,860
	10,704,172	10,722,931	10,367,214	10,227,176	10,143,158	10,049,016
	2,069,934	1,988,105	1,423,620	1,813,360	1,167,391	1,113,876
	122,667	119,587	46,646	-	-	-
	846,820	793,948	874,514	693,157	727,728	674,507
	162,187	155,461	140,640	-	-	-
	1,758,988	1,861,780	1,890,773	2,178,868	2,297,997	2,437,730
	274,241	258,529	298,481	312,821	357,467	371,062
	1,344,736	672,437	4,157,687	2,124,323	2,084,740	2,039,616
	14,001,918	4,931,655	6,734,016	2,042,164	2,582,497	738,514
	<u>209,072,670</u>	<u>227,637,503</u>	<u>230,246,261</u>	<u>219,153,969</u>	<u>185,697,058</u>	<u>183,183,552</u>
\$	<u>244,484,566</u>	<u>255,471,942</u>	<u>254,286,274</u>	<u>246,505,761</u>	<u>212,049,215</u>	<u>208,359,707</u>

CITY OF OCALA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (expense)/revenue:				
Governmental activities	\$ (48,494,876)	\$ (45,139,803)	\$ (43,037,624)	(42,791,460)
Business-type activities	13,611,063	14,537,321	19,721,063	31,758,685
Total primary government net expense	<u>\$ (34,883,813)</u>	<u>\$ (30,602,482)</u>	<u>\$ (23,316,561)</u>	<u>(11,032,775)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 13,237,448	\$ 14,009,302	\$ 16,353,798	17,838,831
Utility service tax	8,972,010	9,329,469	10,493,622	10,492,840
Other taxes	3,829,885	631,744	637,006	776,335
Unrestricted revenues	3,951,729	4,392,031	4,881,721	5,162,216
Investment income	1,816,455	864,869	1,250,902	2,843,963
Miscellaneous	809,728	48,350	41,595	103,094
Transfers	11,461,890	11,766,087	12,335,768	12,636,726
Total governmental activities	<u>44,079,145</u>	<u>41,041,852</u>	<u>45,994,412</u>	<u>49,854,005</u>
Business-type activities:				
Investment income	3,499,201	1,297,764	1,980,750	4,535,902
Transfers	(11,461,890)	(11,766,087)	(12,335,768)	(12,636,726)
Total business-type activities	<u>(7,962,689)</u>	<u>(10,468,323)</u>	<u>(10,355,018)</u>	<u>(8,100,824)</u>
Total primary government	<u>\$ 36,116,456</u>	<u>\$ 30,573,529</u>	<u>\$ 35,639,394</u>	<u>41,753,181</u>
Change in Net Assets				
Governmental activities	\$ (4,415,731)	\$ (4,097,951)	\$ 2,956,788	\$ 7,062,545
Business-type activities	5,648,374	4,068,998	9,366,045	23,657,861
Total primary government	<u>\$ 1,232,643</u>	<u>\$ (28,953)</u>	<u>\$ 12,322,833</u>	<u>30,720,406</u>

2007	2008	2009	2010	2011	2012
(35,660,962)	(41,933,177)	(46,569,012)	(48,891,552)	(64,175,166)	(63,278,472)
<u>25,836,251</u>	<u>14,966,520</u>	<u>19,550,078</u>	<u>17,328,161</u>	<u>1,564,735</u>	<u>7,123,589</u>
(9,824,711)	(26,966,657)	(27,018,934)	(31,563,391)	(62,610,431)	(56,154,883)
21,147,093	21,102,963	20,978,586	21,677,666	21,631,286	21,480,323
11,613,177	12,468,590	13,209,971	13,327,736	10,866,057	11,406,395
1,723,911	1,111,427	4,504,911	5,718,242	5,808,190	5,582,859
4,898,299	4,897,376	4,752,300	4,341,188	4,250,585	4,624,982
3,834,054	2,646,691	5,898,766	3,149,151	1,504,673	2,069,520
197,315	1,391,588	1,241,128	677,770	1,521,444	1,226,162
<u>10,834,688</u>	<u>11,250,144</u>	<u>7,011,653</u>	<u>11,032,532</u>	<u>14,072,349</u>	<u>11,174,530</u>
54,248,537	54,868,779	57,597,315	59,924,285	59,654,584	57,564,771
6,025,971	4,761,503	7,297,091	3,217,987	2,643,391	3,003,332
<u>(10,834,688)</u>	<u>(11,250,144)</u>	<u>(7,011,653)</u>	<u>(11,032,532)</u>	<u>(14,072,349)</u>	<u>(11,174,530)</u>
<u>(4,808,717)</u>	<u>(6,488,641)</u>	<u>285,438</u>	<u>(7,814,545)</u>	<u>(11,428,958)</u>	<u>(8,171,198)</u>
<u>49,439,820</u>	<u>48,380,138</u>	<u>57,882,753</u>	<u>52,109,740</u>	<u>48,225,626</u>	<u>49,393,573</u>
\$ 18,587,575	\$ 12,935,602	\$ 11,028,303	\$ 11,032,733	\$ (4,520,582)	\$ (5,713,701)
21,027,534	8,477,879	19,835,516	9,513,616	(9,864,223)	(1,047,609)
<u>39,615,109</u>	<u>21,413,481</u>	<u>30,863,819</u>	<u>20,546,349</u>	<u>(14,384,805)</u>	<u>(6,761,310)</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	<u>11,229,820</u>	<u>10,735,291</u>	<u>16,209,931</u>	<u>19,728,353</u>
Total general fund	<u><u>11,229,820</u></u>	<u><u>10,735,291</u></u>	<u><u>16,209,931</u></u>	<u><u>19,728,353</u></u>
CRA fund				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total CRA fund	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
All other governmental funds				
Restricted	-	-	-	-
Committed	-	-	-	-
Reserved	33,847,369	34,151,577	29,861,294	25,336,025
Unreserved, reported in:				
Special revenue funds	<u>2,789,057</u>	<u>2,427,464</u>	<u>3,154,023</u>	<u>3,369,290</u>
Total all other governmental funds	<u><u>\$ 36,636,426</u></u>	<u><u>\$ 36,579,041</u></u>	<u><u>\$ 33,015,317</u></u>	<u><u>\$ 28,705,315</u></u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ -	\$ 296,457	\$ 357,305
-	-	-	233,683	-	-
-	-	-	-	2,623,303	2,698,762
-	-	-	-	2,757,930	2,231,685
-	-	-	-	20,392,709	18,439,496
-	-	-	-	15,065,839	15,196,270
<u>25,945,812</u>	<u>27,070,783</u>	<u>31,278,522</u>	<u>38,771,465</u>	<u>-</u>	<u>-</u>
<u>25,945,812</u>	<u>27,070,783</u>	<u>31,278,522</u>	<u>39,005,148</u>	<u>41,136,238</u>	<u>38,923,518</u>
-	-	-	-	-	3,685,413
-	-	-	-	-	<u>3,685,413</u>
-	-	-	-	19,147,131	13,856,726
-	-	-	-	5,398,490	5,344,244.00
16,712,856	27,659,497	22,914,895	22,065,677	-	-
<u>2,900,260</u>	<u>4,671,581</u>	<u>4,337,328</u>	<u>4,697,335</u>	<u>-</u>	<u>-</u>
<u>\$ 19,613,116</u>	<u>\$ 32,331,078</u>	<u>\$ 27,252,223</u>	<u>\$ 26,763,012</u>	<u>\$ 24,545,621</u>	<u>\$ 19,200,970</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues:				
Property Taxes	\$ 13,237,448	\$ 14,009,302	\$ 16,353,798	\$ 17,838,831
Utility Service Taxes	8,972,010	9,329,469	10,493,622	10,492,840
Local Option, Use & Fuel Taxes	629,497	709,786	725,928	860,958
State Revenue Sharing	1,384,895	1,443,396	1,654,026	1,676,397
Other Intergovernmental Revenue	9,567,844	11,210,086	12,697,561	12,325,003
Parking Meters and Facilities	65,374	66,572	58,644	48,528
Licenses and Permits	1,418,871	1,483,910	2,292,970	2,679,396
Fines and Forfeitures	396,124	489,143	501,990	491,365
Charges for Services	4,160,492	4,652,492	6,303,068	8,052,521
Investment Income	1,362,613	709,560	1,078,883	2,318,243
Gifts	267,216	594,917	1,722,328	1,490,884
Other	867,811	771,709	610,209	869,263
Total revenues	<u>42,330,195</u>	<u>45,470,342</u>	<u>54,493,027</u>	<u>59,144,229</u>
Expenditures:				
General Government	6,244,743	6,757,264	7,643,894	8,173,331
Public Safety	25,564,889	27,269,177	29,092,600	30,795,940
Public Works	8,656,179	8,329,248	10,773,519	12,265,628
Culture and Recreation	4,477,221	4,226,419	4,676,951	5,030,888
Economic Environment	272,948	304,668	345,869	930,969
Human Services	-	-	-	167,714
Physical Environment	-	-	-	103,973
Transportation	-	-	-	628,972
Capital Outlay	8,677,677	4,285,205	6,314,599	9,815,155
Debt service				
Principal Retirement	975,000	2,145,000	2,805,000	2,875,000
Interest and fees	1,815,966	1,708,561	1,878,165	1,791,259
Total expenditures	<u>58,192,574</u>	<u>57,794,640</u>	<u>66,080,612</u>	<u>72,578,829</u>
Excess of revenues over (under) expenditures	<u>(15,862,379)</u>	<u>(12,324,298)</u>	<u>(11,587,585)</u>	<u>(13,434,600)</u>
Other financing sources (uses):				
Transfers in	16,039,513	16,407,407	17,159,554	17,557,172
Transfers out	(4,574,880)	(4,635,023)	(4,946,543)	(4,914,152)
Bond Proceeds	15,310,000	-	-	-
Bond Premium (Discount)	1,519,140	-	-	-
Payment to Bonds Escrow Agent	<u>(16,599,223)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	11,694,550	11,772,384	12,213,011	12,643,020
Net change in fund balances	<u>\$ (4,167,829)</u>	<u>\$ (551,914)</u>	<u>\$ 625,426</u>	<u>\$ (791,580)</u>
Debt service as a percentage of noncapital expenditures	5.64%	7.20%	7.84%	7.43%

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 21,147,093	\$ 21,102,963	\$ 20,978,586	\$ 21,677,666	\$ 21,631,286	\$ 21,480,323
11,613,177	12,468,590	13,209,971	13,327,736	10,866,057	11,406,395
1,799,011	1,111,427	4,504,911	5,718,242	5,808,190	5,582,859
1,694,938	4,897,376	4,752,300	4,341,188	4,250,585	4,624,982
9,771,807	9,267,258	5,475,893	7,602,864	6,242,833	3,617,375
38,358	55,009	59,354	-	-	-
2,223,801	1,869,393	948,981	2,063,405	2,127,999	1,968,607
666,486	461,016	582,352	495,370	493,956	551,217
13,213,581	15,453,587	14,637,036	16,977,204	17,487,369	17,834,586
3,023,206	2,093,104	4,199,163	2,152,552	1,028,367	1,451,612
3,157,632	547,044	1,840,756	212,949	137,589	1,204,370
931,583	1,391,588	1,241,128	677,770	1,383,855	1,226,162
<u>69,280,673</u>	<u>70,718,355</u>	<u>72,430,431</u>	<u>75,246,946</u>	<u>71,458,086</u>	<u>70,948,488</u>
9,373,452	14,354,658	10,170,481	16,052,937	19,524,363	18,349,850
33,840,516	36,498,069	37,118,704	34,806,006	35,713,344	36,171,183
13,681,476	9,695,188	8,979,723	9,643,723	-	-
5,301,517	5,157,138	5,144,054	4,395,486	5,122,702	5,002,921
950,547	1,184,083	1,389,402	1,144,566	1,623,516	1,293,888
175,714	164,528	197,435	205,492	252,015	284,499
79,288	81,207	22,228	-	2,540,183	2,954,633
627,682	545,969	630,474	552,731	7,841,187	8,169,030
14,257,745	10,551,340	11,171,184	10,348,794	7,033,957	7,764,972
2,940,000	3,020,000	3,368,600	3,318,601	3,135,000	3,905,000
1,768,469	1,894,751	2,204,915	2,117,452	2,023,321	2,139,000
<u>82,996,406</u>	<u>83,146,931</u>	<u>80,397,200</u>	<u>82,585,788</u>	<u>84,809,588</u>	<u>86,034,976</u>
<u>(13,715,733)</u>	<u>(12,428,576)</u>	<u>(7,966,769)</u>	<u>(7,338,842)</u>	<u>(13,351,502)</u>	<u>(15,086,488)</u>
17,940,728	20,330,785	18,677,751	21,747,904	19,144,620	16,776,990
(7,099,735)	(10,192,662)	(11,582,098)	(7,171,647)	(5,879,419)	(5,602,460)
-	20,707,201	-	-	-	8,405,000
-	(378,596)	-	-	-	-
-	(4,195,219)	-	-	-	(8,365,000)
10,840,993	26,271,509	7,095,653	14,576,257	13,265,201	11,214,530
<u>\$ (2,874,740)</u>	<u>\$ 13,842,933</u>	<u>\$ (871,116)</u>	<u>\$ 7,237,415</u>	<u>\$ (86,301)</u>	<u>\$ (3,871,958)</u>

6.85%

6.77%

8.05%

7.53%

6.63%

7.72%

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

Fiscal Year Ended Sept. 30, ⁽²⁾	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property
2003	\$ 1,129,907,482	\$ 692,991,158	\$ 267,533,523	\$ 49,173,429	\$173,067,650	\$ 268,352,723
2004	1,207,542,156	746,568,489	275,988,760	48,687,495	195,651,980	284,723,737
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

Source: Marion County, Florida, Property Appraiser

Notes:

⁽¹⁾ Property in the City of Ocala is reassessed each year by the Marion County Property Appraiser.

Tax rates are per \$1,000 of assessed value.

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

⁽³⁾ Includes tax-exempt property

<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 ⁽¹⁾</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value⁽³⁾ as a Percentage of Actual Value</u>
\$ 92,510,709	\$ 2,673,536,674	\$ 466,009,209	\$ 788,276,604	\$ 2,351,269,279	\$ 5.797	\$ -	0%
102,363,486	2,861,526,103	494,690,903	834,305,524	2,521,911,482	5.687	-	0%
123,879,204	3,195,188,922	496,528,576	902,518,740	2,789,198,758	5.936	-	0%
130,566,644	3,621,654,186	508,697,524	1,064,029,778	3,066,321,932	5.934	-	0%
173,483,303	4,617,510,759	547,189,434	1,402,552,458	3,762,147,735	5.676	-	0%
268,788,561	5,837,612,162	614,223,942	1,739,792,892	4,712,043,212	4.529	-	0%
271,011,673	6,032,349,509	653,897,260	1,959,757,717	4,726,489,052	4.529	-	0%
223,798,124	5,543,544,948	597,457,634	1,724,507,750	4,416,494,832	4.966	-	0%
180,770,925	4,845,623,544	545,408,952	1,485,187,355	3,905,845,141	5.618	-	0%
177,245,591	4,561,919,913	500,461,641	1,372,659,330	3,689,722,224	5.933	-	0%

**CITY OF OCALA
PROPERTY TAX RATES AND LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)**

MILLAGE RATES

<u>Fiscal Year</u> ⁽¹⁾	<u>City</u>	<u>County</u>	<u>School</u>	<u>Water Mgmt Districts</u>	<u>Total</u>
2003	5.78	6.04	9.44	0.46	21.72
2004	5.68	5.64	9.06	0.46	20.84
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	3.19	7.71	0.33	17.16

Source: Marion County, Florida, Property Appraiser.

Note:

⁽¹⁾ All property valuations for the specified fiscal year-end are obtained from the previous year's tax roll.

The Florida Constitution limits the City millage capacity (non debt related) to 10.000 mills.

**CITY OF OCALA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value
K-Mart Corporation	\$ 54,292,265	1	15.77%	\$ 56,624,558	2	15.43%
Embarq	47,710,838	2	13.86%	124,898,013	1	34.03%
Marion Community Hospital	45,856,814	3	13.32%	46,295,270	3	12.61%
Paddock Mall Associates	35,524,006	4	10.32%	26,965,500	5	7.35%
The Ocala Shoppes LLC	35,210,362	5	10.23%	-	-	-
Wal-Mart	34,699,715	6	10.08%	37,237,944	4	10.14%
Closetmaid Corporation	29,163,691	7	8.47%	-	-	-
Carlton Arms Apartments	24,454,092	8	7.10%	15,866,367	7	4.32%
Morgan Ocala Center	19,770,090	9	5.74%	-	-	-
Cheney Brothers Inc.	17,606,180	10	5.11%	-	-	-
Clarison International	-	-	-	23,583,567	6	6.42%
Paddock Park Apartments	-	-	-	-	-	-
Gray Lumber Co. (Tuscany Apts)	-	-	-	12,634,035	8	3.44%
Rolling Greens MHP LP	-	-	-	12,404,525	9	3.38%
C.C. Ocala Joint Venture	-	-	-	10,564,520	10	2.88%
Total Assessed Value	<u>\$ 344,288,053</u>		<u>100.00%</u>	<u>\$ 367,074,299</u>		<u>100.00%</u>

City of Ocala taxpayers pay City, County, School Board and certain water district levies. Only the City levy is shown here.

**CITY OF OCALA
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>
2003	\$ 13,674,384	\$ 12,665,942	92.63%	\$ 427,332	\$ 13,093,274	95.75%
2004	14,369,729	13,444,999	93.56%	420,852	13,865,851	96.49%
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%

Source: Marion County, Florida, Property Appraiser and City of Ocala Office of Budget and Finance.

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
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			
2003	\$ 34,320	\$ 17,565	\$ 51,885	\$ 8,580	\$ -	\$ 88,570	\$ 97,150	\$ 149,035	13.31%	\$ 3,169
2004	33,700	16,040	49,740	6,545	-	85,750	92,295	142,035	12.14%	3,005
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

Source: The City of Ocala Office of Business & Financial Services.

Per Capita Income - Florida Research and Economic Database

Population - The City of Ocala Planning Department, Bureau of Economic and Business Research, University of Florida

**CITY OF OCALA
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, 2003 - 2012.

**CITY OF OCALA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
SEPTEMBER 30, 2012**

<u>Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Applicable to City of Ocala</u>	
		<u>Percent ⁽²⁾</u>	<u>Amount</u>
Marion County Limited Ad Valorem Refunding Tax Bonds, Series 1998	\$ 3,995,000	24.71%	\$ 986,992
Total Overlapping Debt			<u>986,992</u>
City direct debt			<u>40,950,000</u>
Total direct and overlapping debt			<u><u>\$ 41,936,992</u></u>

1 The City of Ocala had no outstanding general obligation debt during the fiscal year ended September 30, 2012.

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
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assessed Value (100% at market as of January 1, 2012)	<u>\$ 2,351,269,279</u>	<u>\$ 2,521,911,481</u>	<u>\$ 2,789,198,758</u>	<u>\$ 3,066,321,932</u>
Debt Limit: 20% of Assessed Value	\$ 470,253,856	\$ 504,382,296	\$ 557,839,752	\$ 613,264,386
Amount of General Obligation Debt Outstanding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 470,253,856</u>	<u>\$ 504,382,296</u>	<u>\$ 557,839,752</u>	<u>\$ 613,264,386</u>

In accordance with Article IX, §9.02 of the City of Ocala Charter, the "aggregate amount of general obligation bonds of the City outstanding at any one time shall not be greater than twenty percent (20%) of the assessed valuation of the taxable real and personal property in the City according to the latest assessment of such real and personal property."

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>\$ 3,762,147,735</u>	<u>\$ 4,712,043,212</u>	<u>\$ 4,726,489,052</u>	<u>\$ 4,416,494,782</u>	<u>\$ 3,905,845,141</u>	<u>\$ 3,689,722,224</u>
\$ 752,429,547	\$ 942,408,642	\$ 945,297,810	\$ 883,298,956	\$ 781,169,028	\$ 737,944,445
-	-	-	-	-	-
<u>\$ 752,429,547</u>	<u>\$ 942,408,642</u>	<u>\$ 945,297,810</u>	<u>\$ 883,298,956</u>	<u>\$ 781,169,028</u>	<u>\$ 737,944,445</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Capital Improvement Bonds and Certificates:				
Net revenue available for debt service	\$ 8,772,597	\$ 8,901,118	\$ 9,339,678	\$ 9,886,289
Debt Service payments:				
Principal	585,000	620,000	1,265,000	1,265,000
Interest	1,376,757	1,243,263	1,388,006	1,360,422
Total debt service payments	\$ 1,961,757	\$ 1,863,263	\$ 2,653,006	\$ 2,625,422
Coverage (times)	4.47x	4.78x	3.52x	3.77x
Optional Gas Tax Bonds:				
Net revenue available for debt service	\$ 2,725,114	\$ 2,840,647	\$ 2,957,912	\$ 3,113,220
Debt Service payments:				
Principal	-	1,370,000	1,415,000	1,450,000
Interest	298,966	492,636	452,321	412,730
Total debt service payments	\$ 298,966	\$ 1,862,636	\$ 1,867,321	\$ 1,862,730
Coverage (times)	9.12x	1.53x	1.58x	1.67x
Electric System Bonds:				
Gross revenues	\$ 110,023,244	\$ 121,996,540	\$ 133,762,878	\$ 162,504,999
Less: operating expenses	93,979,971	107,439,353	115,542,920	142,349,614
Net revenue available for debt service	16,043,273	14,557,187	18,219,958	20,155,385
Debt Service payments:				
Principal	1,940,000	2,035,000	2,105,000	-
Interest	331,406	264,387	164,699	-
Total debt service payments	\$ 2,271,406	\$ 2,299,387	\$ 2,269,699	\$ -
Coverage (times)	7.06x	6.33x	8.03x	N/A
Water & Sewer Bonds:				
Gross revenues	\$ 18,201,604	\$ 20,435,447	\$ 22,873,163	\$ 24,875,305
Less: operating expenses	8,701,898	9,115,971	9,875,460	10,914,429
Net revenue available for debt service	9,499,706	11,319,476	12,997,703	13,960,876
Debt Service payments:				
Principal	2,575,000	2,820,000	2,940,000	3,060,000
Interest	4,333,189	4,221,045	3,782,530	2,695,072
Total debt service payments	\$ 6,908,189	\$ 7,041,045	\$ 6,722,530	\$ 5,755,072
Coverage (times)	1.38x	1.61x	1.93x	2.43x
Utility System Bonds:				
Net revenue available for debt service	\$ -	\$ -	\$ 22,225,432	\$ 28,361,189
Debt Service payments:				
Principal	-	-	-	495,000
Interest	-	-	539,561	2,730,607
Total debt service payments	\$ -	\$ -	\$ 539,561	\$ 3,225,607
Coverage (times)	-	-	41.19x	8.79x

Source: The City of Ocala Office of Budget and Finance

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	9,628,290	\$ 8,733,751	\$ 9,907,154	\$ 8,463,599	\$ 8,223,166	\$ 8,241,933
	1,290,000	1,325,000	1,360,000	1,410,000	1,450,000	1,490,000
	<u>1,331,339</u>	<u>1,580,000</u>	<u>1,915,464</u>	<u>1,878,711</u>	<u>1,837,357</u>	<u>1,791,234</u>
\$	<u>2,621,339</u>	\$ <u>2,905,000</u>	\$ <u>3,275,464</u>	\$ <u>3,288,711</u>	\$ <u>3,287,357</u>	\$ <u>3,281,234</u>
	3.67x	3.01x	3.02x	2.57x	2.50x	2.51 x
\$	3,180,946	\$ 2,892,928	\$ 2,900,317	\$ 2,840,703	\$ 2,664,586	\$ 2,547,557
	1,480,000	1,520,000	1,555,000	1,600,000	1,650,000	1,740,000
	<u>372,060</u>	<u>328,436</u>	<u>281,365</u>	<u>231,779</u>	<u>179,724</u>	<u>123,105</u>
\$	<u>1,852,060</u>	\$ <u>1,848,436</u>	\$ <u>1,836,365</u>	\$ <u>1,831,779</u>	\$ <u>1,829,724</u>	\$ <u>1,863,105</u>
	1.72x	1.57x	1.58x	1.55x	1.46x	1.37 x
\$	151,504,058	\$ 175,441,091	\$ 177,960,026	\$ 173,550,081	\$ 145,409,199	\$ 139,183,371
	<u>138,048,277</u>	<u>159,954,673</u>	<u>161,634,774</u>	<u>152,595,345</u>	<u>137,028,292</u>	<u>122,286,613</u>
	<u>13,455,781</u>	<u>15,486,418</u>	<u>16,325,252</u>	<u>20,954,736</u>	<u>8,380,907</u>	<u>16,896,758</u>
	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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
\$	26,282,949	\$ 27,064,562	\$ 26,352,644	\$ 26,212,019	\$ 26,437,702	\$ 26,575,860
	<u>11,487,524</u>	<u>13,475,885</u>	<u>13,015,589</u>	<u>12,100,557</u>	<u>13,963,526</u>	<u>13,708,115</u>
	<u>14,795,425</u>	<u>13,588,677</u>	<u>13,337,055</u>	<u>14,111,462</u>	<u>12,474,176</u>	<u>12,867,745</u>
	3,170,000	3,295,000	3,440,000	1,011,500	3,745,000	-
	<u>2,575,873</u>	<u>1,951,105</u>	<u>1,120,591</u>	<u>969,335</u>	<u>807,685</u>	<u>145,495</u>
\$	<u>5,745,873</u>	\$ <u>5,246,105</u>	\$ <u>4,560,591</u>	\$ <u>1,980,835</u>	\$ <u>4,552,685</u>	\$ <u>145,495</u>
	2.57x	2.59x	2.92x	7.12x	2.74x	88.44 x
\$	22,505,333	\$ 23,828,990	\$ 25,101,716	\$ 33,085,363	\$ 16,302,398	\$ 31,906,010
	625,000	640,000	650,000	660,000	685,000	1,670,000
	<u>2,718,536</u>	<u>4,431,856</u>	<u>6,835,339</u>	<u>6,818,629</u>	<u>6,799,444</u>	<u>6,758,853</u>
\$	<u>3,343,536</u>	\$ <u>5,071,856</u>	\$ <u>7,485,339</u>	\$ <u>7,478,629</u>	\$ <u>7,484,444</u>	\$ <u>8,428,853</u>
	6.73x	4.70x	3.35x	4.42x	2.18x	3.79 x

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

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income	Median Household Income ³	County Unemployment Rate ³
2003	47,028	1,127,872,524	23,983	33,247	4.6%
2004	47,271	1,215,857,391	25,721	34,948	3.5%
2005	49,439	1,329,563,027	26,893	35,974	2.9%
2006	51,853	1,443,289,625	27,834 ⁴	37,773 ⁴	3.2%
2007	54,238	1,562,512,924	28,808 ⁴	39,661 ⁴	5.4%
2008	54,462	1,608,190,168	29,529 ⁴	41,644 ⁴	8.6%
2009	54,800	1,658,625,128	30,267 ⁴	43,727 ⁴	13.2%
2010	56,315	1,747,091,441	31,024 ⁴	45,913 ⁴	13.9%
2011	56,545	1,798,082,530	31,799 ⁴	48,209 ⁴	12.4%
2012	57,041	1,836,528,091	32,197 ⁴	49,414 ⁴	9.8%

¹ The City of Ocala Planning Department, Bureau of Economic and Business Research, University of Florida.

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

³ Florida Research and Economic Database. Amounts indicated are for Marion County, Florida.

⁴ Estimated Per Capita and Median Household Income.

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

<u>Employer</u>	<u>September 30, 2012</u>			<u>September 30, 2003</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	5.12%	N/A	-	N/A
Munroe Regional Medical Center	2,648	2	2.23%	N/A	-	N/A
State of Florida	2,600	3	2.19%	N/A	-	N/A
Wal-Mart	2,370	4	2.00%	N/A	-	N/A
Ocala Regional Medical Center and West Marion Community Hospital	1,725	5	1.45%	N/A	-	N/A
Publix Supermarkets	1,488	6	1.25%	N/A	-	N/A
Marion County Board of Commissioners	1,462	7	1.23%	N/A	-	N/A
AT&T	1,000	8	0.84%	N/A	-	N/A
City of Ocala	994	9	0.84%	N/A	-	N/A
Lockheed Martin	929	10	0.78%	N/A	-	N/A
Total	<u>21,287</u>		<u>17.94%</u>	<u>-</u>		<u>0.00%</u>
 Ocala MSA Labor Force			<u>118,655</u>			<u>-</u>

Source: Florida Research and Economic Database - Ocala MSA Labor Market Statistics for September 2011
Ocala/Marion County EDC

Note: Total labor force for Marion County which includes the City of Ocala

**CITY OF OCALA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
 BY FUNCTION
 LAST TEN FISCAL YEARS**

	2003	2004	2005	2006	2007
Legislative.....	6.00	6.00	6.00	6.00	6.00
Executive.....	27.50	28.75	28.75	28.75	28.75
Finance.....	21.00	21.75	22.00	22.00	22.00
Purchasing.....	13.00	13.00	13.00	13.00	13.00
Human Resources.....	7.00	7.00	7.00	7.00	7.00
Development Services.....					
Planning.....	10.00	11.00	11.00	10.00	11.50
Building.....	23.00	23.00	23.00	25.00	26.00
Police					
Officers.....	166.00	162.00	166.00	171.00	171.00
Civilians.....	88.00	88.00	84.00	84.00	85.00
Fire					
Firefighters and Officers.....	116.00	116.00	116.00	118.00	133.00
Civilians.....	5.00	11.00	11.00	11.00	13.00
Engineering.....	65.00	65.00	68.25	68.25	67.00
Recreation.....	64.25	64.75	64.75	63.25	64.25
Public Works.....	148.00	148.00	146.00	146.00	148.00
Fleet.....	32.00	32.00	33.00	32.00	32.00
Airport.....	5.00	5.00	5.00	5.00	5.00
Golf.....	37.25	33.50	33.50	33.75	31.00
Water & Sewer.....	70.75	71.50	72.50	72.50	73.75
Telecommunications.....	6.00	6.00	6.00	5.50	6.00
Electric.....	173.25	173.25	173.25	173.75	174.00
Stormwater.....	6.00	6.00	6.00	7.00	8.00
Information & Technology.....	18.75	18.75	18.75	17.00	17.50
Community Programs.....	6.75	5.00	5.00	5.00	5.00
Total	1,115.50	1,116.25	1,119.75	1,124.75	1,147.75

Source: The City of Ocala Office of Budget and Finance

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

2008	2009	2010	2011	2012
6.00	6.00	6.00	6.00	6.00
26.00	25.00	23.00	19.00	16.00
22.00	21.00	23.00	19.00	21.00
13.00	14.00	-	-	-
7.00	7.00	5.00	9.00	10.00
				38.00
10.50	10.00	32.00	33.00	-
26.00	30.00	-	-	-
171.00	171.00	159.00	170.00	161.00
86.25	85.50	84.00	88.00	95.00
133.00	133.00	131.00	130.00	127.00
13.00	12.00	15.00	17.00	21.00
67.00	62.00	59.00	27.00	26.00
64.75	30.50	53.00	58.00	66.00
141.00	154.50	97.00	101.00	115.00
32.00	31.00	38.00	39.00	37.00
5.00	5.00	5.00	5.00	5.00
31.00	27.50	13.00	8.00	8.00
76.75	76.75	72.00	79.00	78.00
6.00	6.00	6.00	6.00	6.00
181.00	173.00	161.00	165.00	165.00
8.00	8.00	8.00	18.00	-
17.00	17.00	16.00	17.00	17.00
5.00	5.00	2.00	2.00	1.00
1,148.25	1,110.75	1,008.00	1,016.00	1,019.00

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>
City Leases at Airport:			
Sports Complex Lease	\$ 132,512	\$ 132,512	\$ 132,512
Public Works - Sanitation	25,440	-	-
Water & Sewer Lease	9,600	9,888	10,185
Electric Facility Lease	78,360	80,711	34,638
Total Value of City Leases	<u>245,912</u>	<u>223,111</u>	<u>177,335</u>
City Payment For Leases at Airport:			
Sports Complex Lease	-	-	-
Public Works - Sanitation	25,440	-	-
Water & Sewer Lease	9,600	9,888	11,059
Electric Facility Lease	78,360	80,711	34,638
Total Payments For City Leases	<u>113,400</u>	<u>90,599</u>	<u>45,697</u>
City Leases - Less Payments made:	<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ (131,638)</u>
City Funds Expended on Behalf of Airport:			
General Fund	\$ 1,177,005	\$ 77,858	\$ -
Grant Match	194,058	819,133	582,962
Total City Funds Expended on Behalf of Airport	<u>\$ 1,371,063</u>	<u>\$ 896,991</u>	<u>\$ 582,962</u>
Net Subsidy	<u>\$ 1,238,551</u>	<u>\$ 764,479</u>	<u>\$ 451,324</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>TOTAL</u>
\$ 132,512	\$ 132,512	\$ 132,512	\$ 795,072
-	-	-	25,440
10,490	10,805	-	50,968
-	-	-	193,709
<u>143,002</u>	<u>143,317</u>	<u>132,512</u>	<u>1,065,189</u>
-	-	-	-
-	-	-	25,440
10,490	10,805	-	51,842
-	-	-	193,709
<u>10,490</u>	<u>10,805</u>	<u>-</u>	<u>270,991</u>
<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ (794,198)</u>
\$ -	\$ -	\$ -	\$ 1,254,863
102,365	167,885	-	1,866,403
<u>\$ 102,365</u>	<u>\$ 167,885</u>	<u>\$ -</u>	<u>\$ 3,121,266</u>
<u>\$ (30,147)</u>	<u>\$ 35,373</u>	<u>\$ (132,512)</u>	<u>\$ 2,327,068</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police				
Number of calls for service	N/A	N/A	N/A	N/A
Traffic citations issued	N/A	N/A	N/A	N/A
Cases investigated	N/A	N/A	N/A	N/A
Arrests	N/A	N/A	N/A	N/A
Fire				
Number of calls for service	N/A	N/A	N/A	N/A
Fires reported	N/A	N/A	N/A	N/A
Inspections	N/A	N/A	N/A	N/A
Community Development				
Building permits issued	N/A	N/A	N/A	N/A
Value of permits issued (in thousands)	N/A	N/A	N/A	N/A
Streets and Drainage				
Street Resurfacing (miles)	N/A	N/A	N/A	N/A
Potholes repaired	N/A	N/A	N/A	N/A
Parks and Recreation				
Athletic field permits issued	N/A	N/A	N/A	N/A
Participants using the pools	N/A	N/A	N/A	N/A
Golf rounds	N/A	N/A	N/A	N/A
Fleet Maintenance				
Vehicles owned by the City	N/A	N/A	N/A	N/A
Percent maintained by Fleet	N/A	N/A	N/A	N/A
Preventive maintenance completed	N/A	N/A	N/A	N/A
Solid Waste				
Number of customers	N/A	N/A	N/A	N/A
Residential refuse collected (in tons)	N/A	N/A	N/A	N/A
Residential recyclables collected (in tons)	N/A	N/A	N/A	N/A
Commercial refuse collected (in tons)	N/A	N/A	N/A	N/A
Electric				
Number of residential customers	N/A	N/A	N/A	N/A
Average Monthly Consumption (in KWH)	N/A	N/A	N/A	N/A
Water				
Number of customers	N/A	N/A	N/A	N/A
Max. daily plant capacity (in gallons)	N/A	N/A	N/A	N/A
Avg. monthly consumption (thousands of gallons)	N/A	N/A	N/A	N/A
Wastewater				
Number of customers	N/A	N/A	N/A	N/A
Sanitary/Storm Mains Cleaned (ft.)	N/A	N/A	N/A	N/A

Source: The City of Ocala

Note: Operating Indicators information not available prior to 2012

2007	2008	2009	2010	2011	2012
N/A	N/A	N/A	N/A	N/A	233,500
N/A	N/A	N/A	N/A	N/A	12,841
N/A	N/A	N/A	N/A	N/A	5,825
N/A	N/A	N/A	N/A	N/A	2,804
N/A	N/A	N/A	N/A	N/A	11,192
N/A	N/A	N/A	N/A	N/A	238
N/A	N/A	N/A	N/A	N/A	2,038
N/A	N/A	N/A	N/A	N/A	1,526
N/A	N/A	N/A	N/A	N/A	79,351,004
N/A	N/A	N/A	N/A	N/A	-
N/A	N/A	N/A	N/A	N/A	463
N/A	N/A	N/A	N/A	N/A	79
N/A	N/A	N/A	N/A	N/A	25,450
N/A	N/A	N/A	N/A	N/A	83,607
N/A	N/A	N/A	N/A	N/A	1,207
N/A	N/A	N/A	N/A	N/A	58
N/A	N/A	N/A	N/A	N/A	1,069
N/A	N/A	N/A	N/A	N/A	15,022
N/A	N/A	N/A	N/A	N/A	16,086
N/A	N/A	N/A	N/A	N/A	2,323
N/A	N/A	N/A	N/A	N/A	34,448
N/A	N/A	N/A	N/A	N/A	50,552
N/A	N/A	N/A	N/A	N/A	984
N/A	N/A	N/A	N/A	N/A	23,386.0
N/A	N/A	N/A	N/A	N/A	24,420
N/A	N/A	N/A	N/A	N/A	14,212
N/A	N/A	N/A	N/A	N/A	27,909
N/A	N/A	N/A	N/A	N/A	152,797

**CITY OF OCALA
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

FUNCTION:	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Area: Land (square miles)	40.07	40.83	41.94	43.16
Miles of Streets, Sidewalks and Bike Paths				
Streets - Paved	288.96	288.96	290.34	290.34
Streets - Unpaved	7.64	7.64	6.26	6.26
Sidewalks	61.71	61.71	61.71	62.71
Bike Paths	25.47	25.47	25.47	25.47
Miles of Sewers				
Storm	74.00	70.00	74.89	74.78
Sanitary	302.74	305.69	308.29	308.29
Force Main	75.28	78.10	78.10	78.10
Water Lines				346.2
Number of Lift Stations	98	98	105	105
Building (includes plumbing, gas, (electric, water, heating & air conditioning)				
Permits Issued	5,319	5,708	3,042	3,202
Permit Value	\$ 170,437,082	\$ 167,586,874	\$ 260,076,222	\$ 298,505,664
New Construction - Units and Value:				
Commercial - Number of Units	142	121	185	156
Commercial - Value	\$ 355,568,925	\$ 41,566,248	\$ 102,095,524	\$ 102,815,257
Residential - Number of Units	196	376	867	881
Residential - Value	\$ 23,630,008	\$ 50,712,584	\$ 122,621,881	\$ 145,571,695
Fire Protection				
Stations	5	5	5	6
Employees - Sworn	116	116	116	118
Employees - Civilian	5	11	12	10
Fire and rescue response time (minutes)	5	4	4	4.5
Police Protection				
Stations	5	5	5	5
Employees - Sworn	157	157	155	171
Employees - Civilian	88	88	84	84
Vehicular Patrol Units - Marked Vehicles	109	109	112	112
Vehicular Patrol Units - Motorcycles	5	5	6	6
Vehicular Patrol Units - Other Vehicles	65	65	69	73
Recreation				
Land area (acres)	731	731	744	717
Activity centers	7	9	9	9
Pools	2	2	2	2
Playgrounds (not reported prior to 2004)		18	19	18

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
43.74	44.48	44.48	44.48	44.72	44.72
291.32	292.32	296.10	296.10	297.12	335.00
6.26	6.26	4.81	4.81	4.81	3.38
69.42	76.20	225.58	228.38	233.28	233.30
25.81	32.41	33.21	36.46	36.46	18.62
76.63	80.95	264.60	380.05	281.80	285.36
312.22	317.31	340.00	341.30	343.10	349.76
80.09	82.80	79.60	80.00	81.20	89.00
350.0	356.4	530.0	534.0	536.0	555.5
114	118	118	119	121	122
2,607	2,159	1,826	1,676	1,524	1,526
\$ 265,150,530	\$ 189,168,148	\$ 77,215,703	\$ 82,992,944	\$ 66,223,835	\$ 79,351,004
175	134	52	38	52	54
\$ 151,119,124	\$ 133,422,696	\$ 26,693,633	\$ 23,428,680	\$ 33,214,686	\$ 36,029,542
393	253	67	106	39	31
\$ 70,027,178	\$ 38,741,704	\$ 10,916,289	\$ 18,038,057	\$ 7,753,050	\$ 4,652,855
6	6	6	6	6	5
133	133	133	131	130	127
12	12	12	15	17	21
4.5	4.5	6.7	6.8	6.8	5.8
5	6	6	5	5	4
160	158	158	159	170	161
85	86	86	84	88	95
113	113	113	119	119	114
6	9	9	8	8	7
73	78	78	82	82	81
755	693	693	424	424	795
6	6	6	6	9	5
2	2	2	2	2	2
19	17	17	17	19	18



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OTHER REPORTS

CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Federal and State Grantor/ Pass-Through Grantor/Program Title	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Grantor Number</u>		
FEDERAL AWARDS:				
U.S. Department of Homeland Security				
<i>Direct Programs:</i>				
Assistance to Firefighters Grant	97.044	EMW-2010-FH-01-126	150,822	
Assistance to Firefighters Grant	97.044	EMW-2011-FO-10-098	<u>207,769</u>	358,591
<i>Passed through State of Florida Division of Emergency Management</i>				
<i>Passed through Department of Financial Services</i>				
Homeland Security Grant Program FM # 278	97.067	10-DS-39-13-00-16-414	4,387	
Homeland Security Grant Program FM # 285	97.067	11-DS-9Z-13-00-16-436	1,519	
<i>Passed through State of Florida Division of Emergency Management</i>				
<i>Passed through Marion County, Florida:</i>				
Homeland Security Grant Program FM # 274	97.067	09-DS-51-13-00-16-409	3,858	
Homeland Security Grant Program FM # 278	97.067	10-DS-39-13-00-16-414	<u>17,771</u>	
Homeland Security Grant Program Cluster				27,535
U.S. Department of Housing and Urban Development:				
<i>Direct Programs:</i>				
Community Development Block Grants	14.218	B-10-MC-12-0029	126,917	
Community Development Block Grants	14.218	B-11-MC-12-0029	378,028	
<i>Passed through Marion County, Florida:</i>				
Community Development Block Grants	14.218	B-11-UC-12-0019	80,397	
<i>Direct Programs:</i>				
ARRA Community Development Block Grants	14.253	B-09-MY-12-0029	<u>31,111</u>	616,453
<i>Total Community Development Block Grants</i>				
<i>Passed through Florida Department of Community Affairs:</i>				
ARRA Community Development Block Grants	14.228	10DB-4X-05-52-02-F 17	104,655	
<i>Passed through Marion County, Florida:</i>				
HOME Investment Partnership Program	14.239	MC-07-DC-12-0232	65,795	
HOME Investment Partnership Program	14.239	MC-08-DC-12-0232	42,113	
HOME Investment Partnership Program	14.239	MC-09-DC-12-0232	49,734	
HOME Investment Partnership Program	14.239	MC-10-DC-12-0232	19,440	
HOME Investment Partnership Program	14.239	MC-11-DC-12-0232	<u>2,897</u>	
<i>Total HOME Investment Partnership Program</i>				179,979
U.S. Department of Justice:				
<i>Passed through Marion County, Florida:</i>				
National Institute of Justice Research, Evaluation & Dev Proj Grant	16.560	2010-DN-BX-K011	2,660	
<i>Direct Programs:</i>				
Bulletproof Vest Partnership Program	16.607	2010BUBX10050747	3,371	
Bulletproof Vest Partnership Program	16.607	2011BUBX11055292	<u>562</u>	
<i>Total Bulletproof Vest Partnership Program</i>				3,933
ARRA Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0231	225,511	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0650	11,349	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0706	13,828	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2787	21,322	
<i>Passed through Florida Department of Law Enforcement</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-JAGC-MARI-5-C4-087	<u>29,194</u>	
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>				75,693
<i>Passed through State Office of Attorney General:</i>				
Crime Victim Assistance	16.575	V10071	42,269	
<i>Passed through Florida Department of Law Enforcement:</i>				
ARRA Recovery Act Edward Byrne Memorial JAG Program	16.803	2009-SB-B9-1372	18,825	
US. Department of Transportation:				
<i>Direct Programs:</i>				
Airport Improvement Program	20.106	3-12-0055-022-2010	57,884	
Federal Transit Formula Grants	20.507	FL-90-X781	248,298	
Federal Transit Formula Grants	20.507	FL-90-X771	804,874	
ARRA Federal Transit Formula Grants	20.507	FL-96-X024	<u>14,138</u>	
<i>Federal Transit Cluster</i>				1,067,310

CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(Concluded)

Federal and State Grantor/ Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through Grantor Number		
FEDERAL AWARDS (Continued)				
US. Department of Transportation:				
<i>Passed through Florida Department of Transportation:</i>				
State and Community Highway Safety	20.600	K8-12-06-07	42,641	
State and Community Highway Safety Highway Safety Cluster	20.600	OP-12-02-11	<u>10,013</u>	52,654
<i>Passed through Florida Department of Transportation:</i>				
Highway Planning & Construction FM# 417960-1-14-02	20.205	A5065	338,755	
Highway Planning & Construction FM# 420637-1-14-19 AOZ44	20.205	FL-08-X019	40,153	
Highway Planning & Construction FM# 420637-1-14-20 AOZ44	20.205	FL-80-X020	65,825	
Highway Planning & Construction FM# 42240-1-14-21 AQN78	20.205	FL-80-X021	62,828	
Highway Planning & Construction FM# 241605-2-58-01 8887-812A	20.205	AQO36	22,697	
ARRA Highway Planning & Construction FM# 426258-2-58-01 ARRA308	20.205	APK52	93,762	
ARRA Highway Planning & Construction FM# 428162-1-58-01 ARRA576	20.205	APU69	39,258	
Highway Planning & Construction FM# 425804-1-58-01	20.205	APJ19	113,578	
Highway Planning & Construction FM# 422284-7-84-90 SRTS-150A Highway Planning & Construction Cluster	20.205	AQ858	<u>13,589</u>	790,445
<i>Passed through Florida Department of Transportation:</i>				
Railroad Safety FM# 431120-1-94-01	20.301	AQE18	7,500	
TOTAL FEDERAL AWARDS:			<u><u>3,631,897</u></u>	
STATE FINANCIAL ASSISTANCE:				
Florida Housing Finance Corporation:				
<i>Direct Programs:</i>				
State Housing Initiatives Partnership Program	52.901	FY 08/09 SHIP	55,388	
Florida Department of Transportation:				
<i>Direct Programs:</i>				
Aviation Development Grants FM# 420835-1-94-01	55.004	AQB13	5,625	
Aviation Development Grants FM# 418501-1-94-01	55.004	APW55	1,889	
Aviation Development Grants FM# 420832-1-94-01	55.004	AQJ98	47,134	
Aviation Development Grants FM# 420833-1-94-01	55.004	AQB10	80,524	
Aviation Development Grants FM# 41445-1-94-01	55.004	AQN49	<u>27,854</u>	163,026
<i>Total Aviation Development Grants</i>				
Public Transit Block Grant Program FM# 416366-2-94-01	55.010	AQN79	59,617	
Public Transit Block Grant Program FM# 423557-1-94-01	55.010	APJ84	104,881	
Public Transit Block Grant Program FM# 404615-1-84-01	55.010	AOZ45	<u>376,417</u>	540,915
<i>Total Public Transit Block Grant Program</i>				
TOTAL STATE FINANCIAL ASSISTANCE:			<u><u>759,329</u></u>	
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE:			<u><u>4,391,226</u></u>	

Notes:

(1) The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Ocala, Florida and is presented on the accrual basis of accounting. The 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.

**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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

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

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

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

**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 (Concluded)

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we have reported to management in a separate letter dated March 26, 2013.

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.

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

Purvis, Gray and Company, LLP

March 26, 2013
Ocala, Florida

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR 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

Compliance

We have audited City of Ocala, Florida (the City's) 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, 2012. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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.

In our opinion, the City complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with

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

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR 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)**

Internal Control Over Compliance (Concluded)

requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Purvis, Gray and Company, LLP

March 26, 2013
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
CITY OF OCALA, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified 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 requirement 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*.
5. The independent auditors' report on compliance with requirement 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 unqualified 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 Transportation:
 - ▶ Recovery Act Federal Transit Formula Grants, CFDA No. 20.507
 - ▶ Federal Transit Formula Grants, CFDA No. 20.507
 - U.S. Department of Homeland Security:
 - ▶ Assistance to Firefighters Grant, CFDA No. 97.044
 - **State Projects**
 - Florida Department of Transportation:
 - ▶ Public Transit Block Grant Program, CFSA No. 55.010
8. The threshold for distinguishing Type A and Type B programs was \$300,000 for major federal award programs and \$227,799 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, 2012
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*.

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Ocala, Florida (the City), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 26, 2013.

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; and U.S. 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 Florida Auditor General*. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 Florida Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 26, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the following management letter comments under the heading "Prior Year Comments and Recommendations Remaining".
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, such recommendations are noted in the following management letter comments under the heading "Current Year Comments and Recommendations."

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

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies (see accompanying management letter comments).
- Section 10.554(1)(i)6., *Rules to the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. These disclosures can be found in the notes to the financial statements, as of and for the year ended September 30, 2012.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. Pursuant to these rules, we applied financial condition assessment procedures as of and for the City's year ended September 30, 2012. 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.

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, and applicable 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, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

March 26, 2013
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:

2009-02—Crystal River III (CRIII) Nuclear Decommissioning - Monitoring

Summary of Original Comment—The City owns a minority interest in the CRIII nuclear electric generation facility. The Nuclear Regulatory Commission (NRC) requires owners of such facilities to fund an escrow account to ensure that sufficient money has been set aside for the future decommissioning of the plant at the end of its useful life. Generally Accepted Accounting Principles (GAAP) requires the City to accrue a liability over the useful life of the asset for this future cost. The primary owner of the plant has made substantial refurbishments of the plant and has applied to NRC for a license extension for an additional 20 years. The City's funding of the escrow account and accruals for the decommissioning liability had not taken this into account, as a new decommissioning study was in the process of being performed based on the assumption that the extension will be granted. Once this study has been completed and reviewed, the City is expected to be overfunded in the escrow account and over-accrued in the decommissioning liability account.

2012 Update—During 2013, Duke Energy (the majority owner of CRIII) decided to retire the plant and withdrew its application to the NRC for a license extension. The Florida Public Service Commission (FPSC) is expected to review this decision later in 2013.

City management has evaluated the City's investment in CRIII's capital assets, which have a net carrying amount of approximately \$2 million as of September 30, 2012, for impairment and believes that the fair value although not reasonably estimable at this time exceeds the carrying value, so no asset impairment has yet been recorded.

The City has designated the Florida Municipal Power Agency (FMPA) as its agent in settlement negotiations with Duke Energy. FMPA is negotiating on various matters including: 1) the sufficiency of the City's decommissioning account balance, 2) the costs of replacement power that the City believes it is entitled to (to replace the anticipated power that would have been received over 20-years if the unit had been repaired), and 3) a return on the City's capital investment. The capital asset impairment is expected to be recorded once the settlement agreement is finalized. We urge the City to continue to monitor the ongoing settlement negotiations with particular attention to the City's ongoing responsibility for its share of future decommissioning costs.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Prior Year Comments and Recommendations Remaining (Concluded)

2011-06—Utility Billing System Upgrade

Summary of Original Comment—The City is in the process of designing, testing, and implementing a new utility billing system during the 2012 and 2013 fiscal years. This system is a critical component of the City's operations and its internal control over financial reporting.

Approximately \$240 million of revenues flow through the utility billing system. The utility billing process is inherently complex due to the different rate structures, calculations, taxes, and interface with the financial application.

We recommend that the City pay particular attention to these complexities and ensure that the processes and controls are well documented through narratives and flowcharts and that these complexities and processes and controls are considered cross-functionally by the Utility and Finance departments. Additionally, we recommend that the City review and update its existing utility billing and cash collection processes, procedures, and controls for any changes necessary to compensate for any risks or operational improvements that the City identifies with the new utility billing software.

2012 Update—The City has made progress on the system conversion and plans to go live during May of 2013. In the previous system conversion that the City did several years ago, the majority of effort was focused upon the billing and collecting aspects of the system. The interface of the billing system to the financial reporting system was not thoroughly vetted prior to conversion. This caused significant issues in the financial system, which took several years to detect and correct. We urge the City to pay particular attention to the financial system interface aspect and any required accounting changes that may result from the conversion process, so that all aspects of the conversion are successful.

Current Year Comments and Recommendations

2012-01—Pension Reform

As the result of increasing pension cost and a large unfunded accrued actuarial liability (UAAL) of the General Employee's Pension Plan, the City has engaged an independent actuary to review the actuarial assumptions and methods of the General Employee's Pension Plan and offer recommendations to make the plan more affordable. The City Council is currently reviewing alternatives that have been presented by the independent actuary, which include freezing the existing plan and going forward with a defined contribution or various hybrid or rolled back type plans.

The most recent actuarial report for the plan as of October 1, 2012, which determines contributions for 2014, indicates that the total required contribution to the plan has grown to 61% of payroll of which 8% is paid by the employee, leaving 53% of payroll to be paid by the City. Additionally, the report indicates that the UAAL has grown to \$104 million and increase of \$11 million from the last actuarial report. This growth in required plan contributions and the UAAL underscores the importance of the work that the City is doing in looking at plan alternatives given that the current plan appears to be economically unsustainable as it currently stated.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments and Recommendations *(Continued)*

2012-01—Pension Reform *(Concluded)*

We recommend that the City complete its current deliberations over the General Employee Pension Plan as soon as possible and then consider beginning the same process for both the Police Officers and Firefighters Pension Plans, which although much smaller in scale are also experiencing high required contributions and significant UAAL's.

2012-02—Pension Plans - Pensionable Wages

Based upon audit testing by both us and the City's Internal Audit department, it appears that the General Employees and Police Officers pension plans by definition exclude "bonuses" from pensionable wages for the purposes of determining the required City and employee contributions to the plan as well the ultimate retirement benefit. However, there is no definition of bonuses in any of the plans and the City includes the longevity bonus for Police officers and most "allowances" in pensionable wages. We recommend that the City review this matter and consider clarifying the pension ordinances. Because the Firefighters Plan does not exclude bonuses, the City should review this area to determine if the Firefighters Plan should be brought into agreement with the other two plans in this area.

2012-03—Corrected Misstatements

During our audit, we proposed certain audit adjustments in a couple of areas more fully described in our Governance Letter that we do not believe constitute Significant Deficiencies in the City's internal control over financial reporting, yet underscore the need for ongoing account reconciliations of all balance sheet accounts and increased awareness of significant nonroutine events or transactions that require management's judgment and/or estimate and its analysis of such events or transactions for compliance with relevant generally accepted accounting principles.

2012-04—Pole Attachment Contract Rates and Counts

The City has four pole attachment contracts with cable and telephone companies that pay the City an annual fee to attach their lines to the City's utility poles. The contracts vary from 2001 to 2010 as to when they were executed and all provide for annual increases in the rates based upon changes in the Consumer Price Index (CPI). Additionally, the contracts are self-renewing annually unless either party gives notice. The 2012 rate per pole attachment is \$16.94 for all contracts based upon the most recent CPI change and when applied to the number of pole attachments on record of 36,214, provides the City's Electric Fund with revenues over \$600,000 for the 2012 year (excluding attachment revenue from the City's Communication Fund).

Our review of the current rate per attachment indicated above indicates that it may be below the market rate charged by other electric utilities around the state and that the City's Electric Fund may be missing out on additional available revenues. Accordingly, we recommend that the City review the pole attachment contracts and the market rates around the state and consider revising the contracts to reflect these rates. The number of attachments being billed was physically counted as of August 2009 and has been loaded in the electronic data base maintained of the City's system and updated for changes since that date. To ensure accurate billings a physical count should be done every 3 - 4 years, we recommend that a physical count of the attachments be done again in the near future.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments and Recommendations *(Continued)*

2012-05—Capital Asset Disposal Policy and Accounting Procedures

- *Policy*—During our audit of capital assets, we observed that City Council is not required to periodically approve capital asset disposals. Additionally, we observed that the City does not have a formal policy over capital asset disposals. Currently, City departments are responsible for determining when a capital asset is no longer useful and are responsible for notifying the Finance of all capital asset disposals that take place throughout the year. Because this process is informal, this presents a risk that the capital asset disposal process is not consistent and not taking place timely, so that capital asset disposals can be properly recorded in the correct accounting period. We recommend that a more formal fixed asset policy requiring Council approval and Finance notification be implemented in an effort to safeguard the City's capital assets.
- *Procedures*—During our audit of capital assets, we observed that proceeds from the sale of capital assets are not being recorded with the removal of the capital asset's net book value (cost less related accumulated depreciation). Currently, any proceeds received from the sale of the asset are recorded as miscellaneous revenue without a corresponding offset for the net book value. We observed that the City is in the process of designing, testing, and implementing this aspect of the financial application's fixed asset module to help record the disposal and sale of capital assets, so that gains and losses on sales of capital assets are properly recorded. We encourage the City to see this process through to completion.

2012-06—Payroll - 941 Reconciliation

In previous years we noted that the IRS Form 941 - *Employer's Quarterly Federal Tax Returns* are currently reconciled to payroll reports but not reconciled to the general ledger totals for payroll and payroll tax expense on a quarterly basis. This control procedure is commonly used to document the completeness of payroll and payroll tax expense in the financial reports of the City. We recommended the City institute a control procedure to require this quarterly reconciliation to help ensure the accuracy of one of the City's largest expenses.

2012-07—Finance and Accounting Department

In our management letter comments, we have identified a number of very significant issues facing the City ranging from CRIII retirement, pension reform, the utility billing system conversion and others, all of which require high level finance and accounting department personnel to financially manage and properly account for. At the same time, we have observed that the department has lost or is losing several key individuals. The City has made significant progress over the past few years in reestablishing timely and accurate financial reporting capabilities, which could be jeopardized if the staffing level of the department were to suffer permanent declines. We are aware of budgetary restrictions; however, given that the department is critical and touches all City operations, we recommend that the City continue to ensure that it has adequate resources at the professional staff level.

2012-08—Outsourced Operations

The City has indicated a willingness to outsource or privatize various operations where it makes economic sense to do so. We concur with this approach but would like to stress that any aspect of operations that are outsourced requires a significant amount of contract management effort which must be identified and followed up on by existing personnel. We recommend that the City stress contract management efforts for all areas outsourced.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments and Recommendations *(Continued)*

2012-09—Information Technology Environment and IT General Controls

Subsequent to the City's fiscal year, the City's IT Director voluntarily retired as part of the City's Voluntary Separation Incentive Program (VSIP). As a result, a new IT Director was hired, and the new IT Director is in the process of evaluating the City's IT environment and IT general controls and making changes as considered necessary. As part of this process, we offer the following recommendation for consideration:

- *IT Audit or Risk Assessment*—As a part of the City's annual financial audit, we have performed limited IT audit procedures to gain an understanding of the City's IT environment and IT general controls over key financial reporting applications. Our procedures were performed to provide a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for expressing an opinion of the effectiveness of the overall IT environment and IT general controls.

Our procedures do not constitute a full IT audit or IT risk assessment. As a result, there may be additional best practices associated with IT areas beyond these limited areas that should be evaluated by obtaining a full IT audit or risk assessment, to provide assurance that the IT function is adequately controlled and protected.

Because of the significance of the areas not covered by either the annual financial statement audit, we recommend that the City consider the need for obtaining additional IT audit or risk assessment services to determine that all necessary controls in this critical department are properly designed and implemented.

- *IT Policies and Procedures*—The City's IT policies and procedures have not updated recently. IT policies and procedures provide structure to the City's security program and form the foundation of how security is implemented, performed, and enforced throughout the City. Additionally, IT policies and procedures assist with aligning IT security to the City's business objectives. IT policies and procedures also provide guidance to employees tasked with managing the City's IT assets and communicate to all employees their responsibilities for operating within a secure environment. Documentation is key to ensuring repeatability of these processes and critically important for maintaining a secure environment.

We recommend that the City review, approve, and implement a formal, comprehensive set of IT policies and procedures that describe the process, policy, procedures, and controls over the following areas (at a minimum):

- User Access
- Program Changes (includes updates to applications, configuration changes, report changes, etc.)
- Password and security settings
- Backup and Recovery

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

MANAGEMENT LETTER COMMENTS
(Concluded)

Current Year Comments and Recommendations *(Concluded)*

2012-09—Information Technology Environment and IT General Controls *(Concluded)*

■ *IT Policies and Procedures* *(Concluded)*

We recommend that the City consider periodically evaluating its policies and procedures against an established IT General Control framework, such as the IT Governance Institute's *Control Objectives for IT* (COBIT) framework and consider updating its policies and procedures to improve their alignment with such framework. As part of this process, the City should establish and formalize a policy review process which includes annual review, management approval and criteria for redistribution of policies upon change.

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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

March 26, 2013
Ocala, Florida



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City's Response to Auditor's Recommendations

Prior Year Comments:

The City concurs with the auditors' observations for both the CRIII comment as well as the Utility Billing System Upgrade comment. The City will continue to monitor both.

Current Year Comments:

The City concurs with all of the auditors' observations and will continue working on improving on all of the areas mentioned.

A handwritten signature in black ink, appearing to read "Mary Ann Davis".

Mary Ann Davis, CGFM
Controller
City of Ocala, Florida