

CITY OF OCALA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

**Prepared by:
Office of Business and
Financial Services**

CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008

CITY COUNCIL

Randall Ewers, Mayor
Charles Ruse, Jr., President
Kyle A. Kay, President Pro Tem
R. Kent Guinn
Daniel Owen
Mary S. Rich

CITY OFFICIALS

City Manager	Ricky A. Horst
Assistant City Manager	Bill J. Looney
City Attorney	Patrick G. Gilligan
City Clerk	Valerie J. Forster
City Engineer	Bruce H. Phillips
Community Programs Director	James M. Simon
Development Services Director	Tye L. Chighizola
Finance and Administrative Services Director	Donald A. Corley
Fire Chief	Danny L. Gentry
Fleet Management Director	Glenn A. Stephens
Human Resources Director	Sandra R. Wilson
Long Term Planning & Sustainability Director	Marc A. Mondell
Internal Auditor	Eric J. Lewerenz
Information Technology Director	Jeannett M. Benson
Police Chief	Samuel Williams
Public Works Director	John Zabler
Purchasing Director	W. Darryl Muse
Acting Recreation and Parks Director	Thomas H. Bolinski
Acting Risk Manager	Bill J. Looney
Water and Sewer Director	Henry K. Hicks

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City of Ocala
Office of Business & Financial Services
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July 30, 2009

Citizens, Honorable Mayor,
& Members of City Council
City Hall
Ocala, Florida 34478

Ladies and Gentlemen:

It is a pleasure to submit this *Comprehensive Annual Financial Report (CAFR)* for the City of Ocala, Florida for the fiscal year ended September 30, 2008. The report fulfills the requirements set forth in the *Florida Statutes*, Chapter 166.241(4) and the *Rules of the Florida Auditor General*, Chapter 10.550.

This CAFR is controlled by and is the responsibility of City management. We believe that the report accurately and fairly presents the financial position, results of operations of all fund types, and cash flows of proprietary fund types of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. The report is structured to be of interest to the public, local government officials, state agencies and the banking and financial community, in general.

In developing, maintaining and evaluating the City's accounting system, management has established a comprehensive internal control framework that is designed both to ensure the City's assets are protected from loss, theft or misuse and to ensure sufficient reliable accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). This internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The City's chart of accounts substantially complies with the Uniform Accounting System as prescribed by Chapter 3A-61 of the *Florida Administrative Code*.

The Florida Statutes require an independent audit of the books, financial records and transactions of all administrative departments of the City by a Certified Public Accountant selected by the City Council. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involves 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 has concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the financial statements presented herein are in conformity with GAAP. The auditors' report on the City's basic financial statements, the combining and individual fund statements and schedules are included in the Financial Section of this report.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section contains the Table of Contents, Letter of Transmittal, Certificate of Achievement for Excellence in Financial Reporting for the 2008 CAFR and the City's Organization Chart.

The Financial Section includes the Independent Certified Public Accountant's Report on the City's Basis Financial Statement, Management's Discussion and Analysis, the Basic Financial Statements, Notes to Financial Statement, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules.

The Statistical Section includes selected unaudited financial and demographic information designed to enhance the reader's understanding of the City's past and its future potential.

The Management's Discussion and Analysis (MD&A) is a narrative introduction, overview and analysis that accompanies the basic financial statements. The Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Notes to Financial Statements in the Financial Section are necessary to understand the statements. The notes include a Summary of Significant Accounting Policies and other necessary disclosures relating to the financial position of the City.

All City funds are included in this report. The City of Ocala provides a full range of general services; including police and fire protection; general government; culture and recreation; the construction and maintenance of highways, streets and infrastructure; and other public works related activities.

The City has nine enterprises that provide financial support and a high quality of service to its citizens. The enterprise funds include two championship golf courses with a total of 45 holes and clubhouse facilities, garbage and trash pick-up service (both back door and curb side), water and sanitary sewer services, electric utility service, an airport (Ocala International Airport/Jim Taylor Field), an adult athletic complex, a broadband communications network, a municipal trailer park and a regional mass transit system.

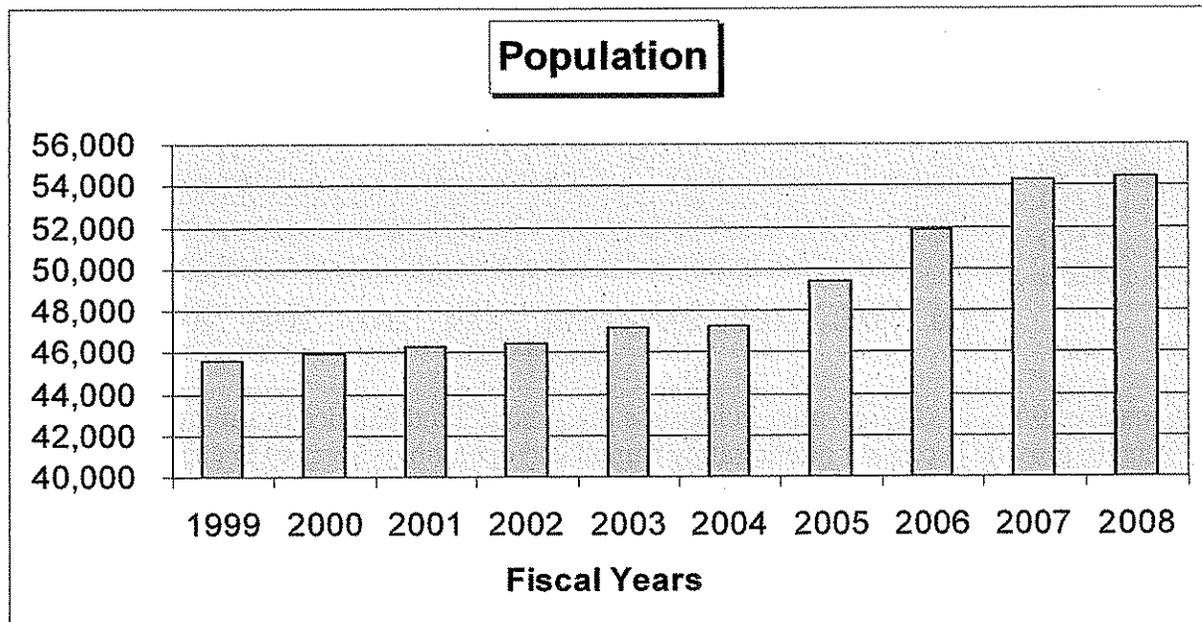
The financial activities of all municipal boards and commissions are included in the City's financial statements. Only the Ocala Housing Authority does not meet the established criteria

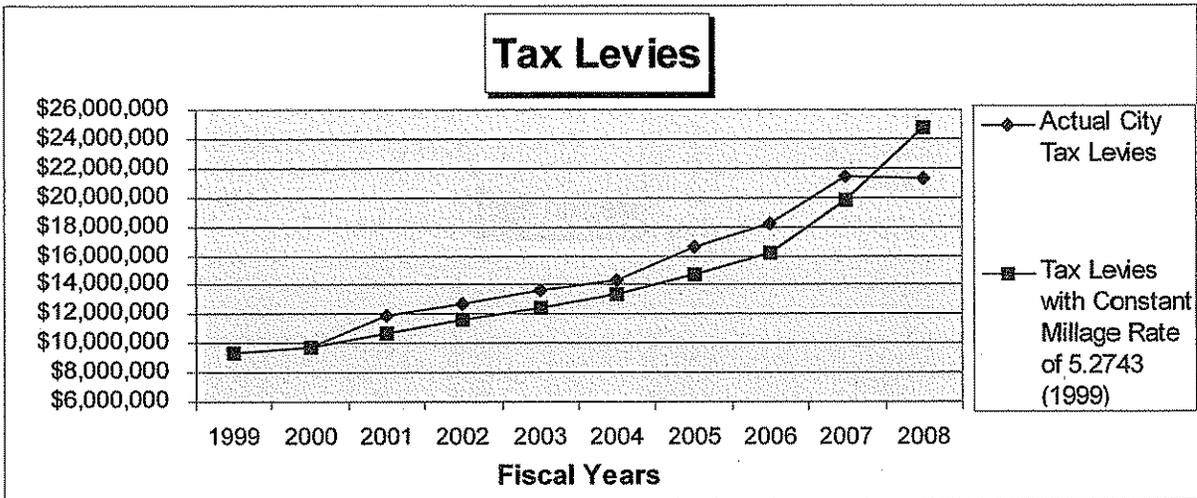
for reporting and is excluded from this report. The Community Redevelopment Agency is included to meet State statutory requirements and because of the City Council's fiduciary responsibility.

Budgetary control is maintained on an annual allotment basis, based upon prior working capital and on revenue projections for the current year. Expenditures and encumbrances are recorded against budgeted appropriations. At mid-year, City department heads are required to reassess their appropriations for the remainder of the year and, if necessary, a resolution to amend the budget is prepared and submitted for City Council approval. The Assistant City Manager/Chief Financial Officer coordinates the budget process. Unliquidated purchase order balances, as of September 30, are reappropriated in the form of a supplemental appropriation resolution, which is presented for adoption by City Council. This resolution also includes a provision to carry-forward major projects not completed in the previous year that are not covered by purchase orders. All items in this resolution are subject to a working capital availability test. Monthly reports are distributed to the various departments to keep them informed of their year to date expenditures, encumbrances and funds available.

Local Demographic Statistics

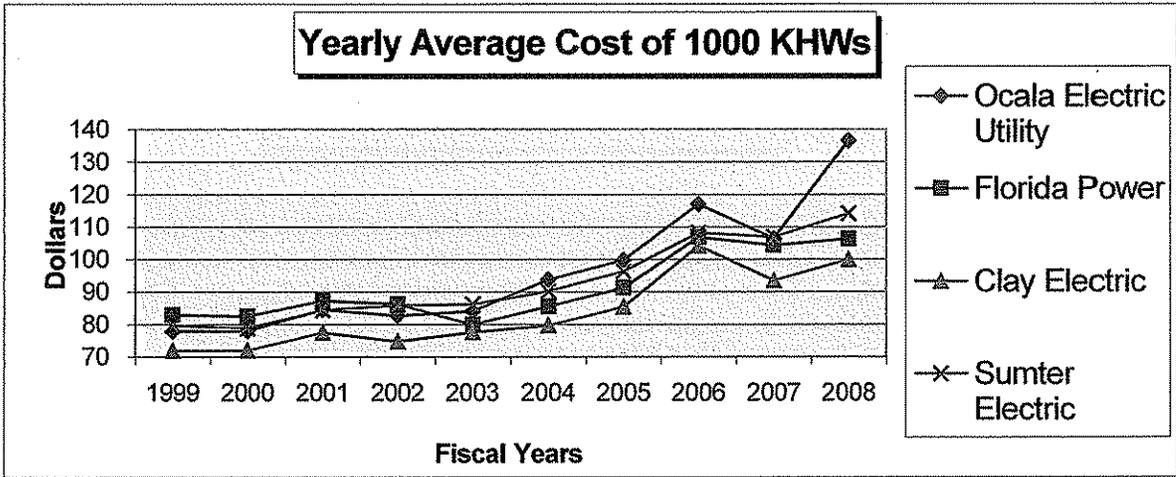
During the past three years the City's population has increased nearly 15 percent, but population growth has averaged only slightly over two percent per year for the last ten years. The recent growth has resulted from new residents relocating to the City from other areas of the country, annexation and births in the community. Over the past several years, the City has had a more aggressive posture toward annexation. Long term, this will enhance the City's financial viability.



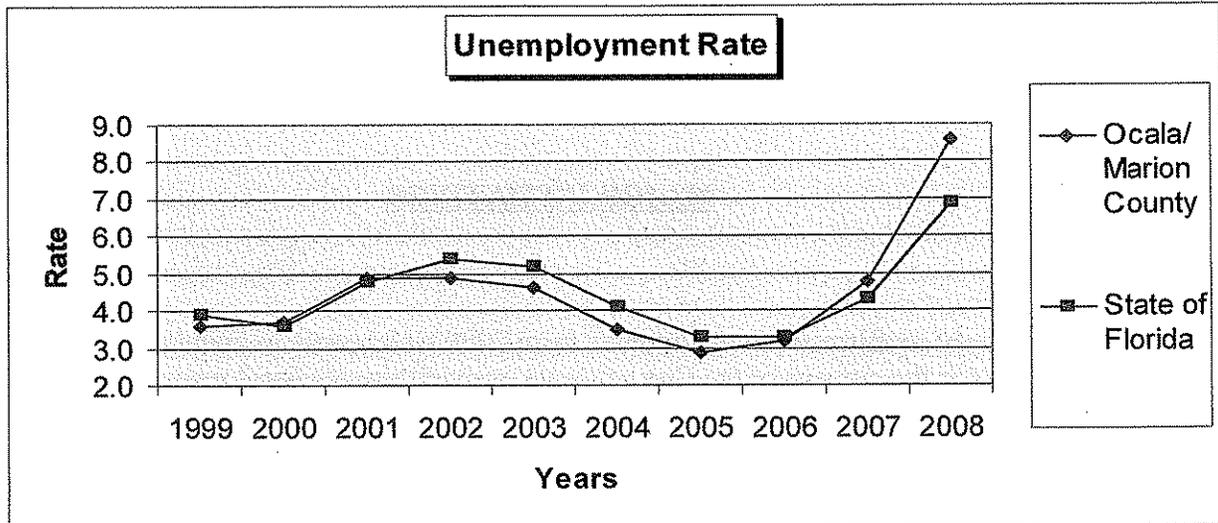


The City has experienced a steady increase in the tax levies due to a 166% increase in the assessed valuation of property within the City over the last ten years. The constant millage rate (1999) shows that the City's increase in tax levies is largely due to the increase in assessed valuation rather than an increase in the millage rate.

Ocala Electric Utility, the City's Electric Department, remains comparable to other local electric companies in the average cost to consumers. Price adjustments in recent years have resulted from changes in the cost of fuel used to produce electric power; specifically, natural gas. Fees charged by the Utility for services it provides have not been increased since 1995. Power is provided through the City's relationship with Florida Municipal Power Agency. The Agency is currently diversifying its fuel mix in an effort to reduce electricity cost.



and Marion County experienced a significantly lower rate. This is largely attributable to the City's efforts pursuant to economic development. The City's Electric Utility allocates dollars annually for leveraging against other community resources, which has resulted in a much stronger employment base. However, for 2008 the Ocala area unemployment rate increased faster than the state.



Major Industries affecting the 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. Some other local industries making Ocala the place for their operations are Emergency One, Inc., Clairson International Corp. (Closet Maid), K-Mart Corporation (K-Mart Distribution Center), Merillat Industries, Inc., Class I, CarQuest (CarQuest Distribution), Lockheed Martin, Ocala Regional Medical Center, AT&T Wireless Call Center and Fluid Routing Industries.

Future economic outlook

Ocala/Marion County population growth rate ranks 13th among Florida's 67 counties. Net migration to the County is expected to outpace job growth for the foreseeable future, ensuring a sufficient workforce to meet the needs of an expanding local economy. The City's Economic Improvement Fund (EIF) assists new industries setting up their operations in Ocala.

Fiscal year 2008 has seen a slow down of the economy for both central Florida and most of the nation due primarily to the weakening of the real estate market and rising fuel prices. Concerns over domestic terrorism and the ongoing war in Iraq have also contributed to this slow down. New home construction in the City slowed throughout the fiscal year to the

the Community Development Block Grant allocation to provide ample funding to meet the needs of the community.

Construction of a combined facility to house the City's sixth fire station and the City's fifth police station was completed in FY 2008.

In fiscal year 2008 the City issued Utility System Revenue Bonds in the amount of \$64,025,000 to fund the construction of improvements to the Water and Sewer System and the Electric System. The City also issued \$23,925,000 Utility System Refunding Revenue Bonds to refinance previous bond issues. The City also issued \$15,870,000 in Capital Improvement Revenue Certificates to fund projects. Finally, the City issued \$4,290,000 in Capital Improvement Refunding Revenue Certificates to refinance previous bond issues.

The City is well into a project to replace its financial management system with a PC-based system, which will enhance the City's effectiveness and reduce the number of staff positions added in the future.

For the Future

The City's Electric Utility purchases power for its customers by way of the City's relationship with the Florida Municipal Power Agency (FMPA). FMPA has a commitment under an All Requirements Power Supply Project Contract agreement (ARP) with member municipalities to provide and deliver all power required by the municipalities. In an effort to keep its commitment to the members of the ARP, FMPA will build a 300MW, natural gas-fired combined cycle unit at the Cane Island Park site at KUA. Additionally, FMPA is in talks with Progress Energy Florida about a minority share of a new nuclear power plant. These projects will have a significant fiscal impact on the City since our share of associated debt service for these projects is approximately 19% of FMPA's portion. This, in turn could have an impact on the City's ability to borrow for other projects.

The City of Ocala has committed to taking the leading role in the revitalization efforts of the West Ocala Historic District, which was listed on the National Register of Historic Places in June 2002. The City has developed new housing programs that include façade grants for existing housing and plans for new affordable infill housing. Several such homes were completed in FY 2008. Public-private partnerships with Habitat for Humanity, financial institutions, developers, contractors and building supply companies are being pursued to facilitate these revitalization efforts. It is anticipated that private owners will follow the City's lead by either participating in the façade program or by working with banks and private developers. The City is also working on infrastructure improvements to the water and sewer systems, drainage, streets and sidewalks, as well as historic street signage and stop signs.

Other planned improvements for coming years include numerous improvements to the airport and golf courses, expanded road improvement, a traffic signal synchronization project, and an automated meter reading system for both the electric and the water and sewer utilities.

OTHER INFORMATION

Pension Trust Fund Operations

The City sponsors separate contributory defined benefit pension plans for its police officers, firefighters and other general employees. Due to the weak equity markets, the combined pension trust funds experienced a decline \$26.1 million for the year ending September 30, 2008.

The assets of each plan are managed by multiple investment managers and the board of each plan retains an advisor who prepares quarterly reports that evaluate the results achieved by the plan's investment managers. Each year independent actuaries engaged by the various pension plans calculate the amount of the annual contribution that the City must make to the pension plans to ensure that the plans will be able to fully meet their obligations to the City's retirees. Beginning in FY 2006 the City contributes 15.5% of payroll for all employee pension plans.

Debt Administration

As of September 30, 2008, the City had \$225,885,000 in outstanding serial and term bonds and certificates. Of this amount, \$171,775,000 is associated with enterprise funds and \$54,090,000 is associated with governmental funds. All of the City's issues carry high ratings. Debt coverage ratios for the City's bond issues are included in the statistical section of this report. Although, according to article IX, section 9.02, of the *City Charter*, the City may issue general obligation debt in an amount up to 20% of the assessed valuation of the taxable real and personal property in the City, there is no general obligation debt outstanding.

Cash Management

The City is authorized by Florida Statutes to invest in obligations of U.S. agencies, interest-bearing time deposits, and savings accounts in banks and in savings and loan associations. In addition the City has an investment policy, which broadens the instruments in which the City can invest. The primary objectives of the City's investment policy are the safety and preservation of principal, liquidity and yield while minimizing risk.

Traditionally, the city has kept assets in the State Board of Administration Local Government Investment Pool (LGIP), which is an investment pool administered by the State of Florida. As of September 30, 2008 our investments with the State Board of Administration were earning 2.41%. However, due to unprecedented market conditions, the pool was separated into two funds; namely, Fund A which holds liquid assets and Fund B which holds illiquid assets. Due to these changes the City is withdrawing funds.

During fiscal 1998, the City hired Sawgrass Asset Management, L.L.C. as its investment manager to maximize investment earnings. In fiscal 2003, due to the size of the City's portfolio, the Investment Committee made the decision to divide the funds among multiple investment managers. Consequently, PFM Asset Management, LLC and Stable River (formerly Trusco Capital Management) were hired in July 2003. Investments of

approximately \$30 million were transferred to each of the new managers from Sawgrass Asset Management.

The three managers, within the confines of the City investment policy, invest the City reserve funds in broadly diversified U.S. Government, U.S. Agency and corporate debt obligations. Compliance to the terms of the City Investment Policy restrictions with regard to credit and market risk is strictly monitored. Portfolio investments range from 30 days to 9.36 (in Fund B) years to maturity with the average maturity of 50.7 months deriving a yield of 4.1%. The City's investment portfolio of \$142,819,708 at September 30, 2008 consisted of U. S. Government and federal agency securities (50%), corporate bonds (31%), mortgage backed securities (13%), municipal bonds (4%), cash equivalents (2%). Total earnings on those investments during fiscal year 2008 were \$2,014,574.

Risk Management

The Intergovernmental Risk Management Department was established through an Interlocal Agreement between the City of Ocala and Marion County in 1987. The Department is charged with minimizing the adverse impact of risk on the organizations' resources. To achieve this goal, the following programs have been established within the department.

Employee Insurance - Health Benefits, Dependent Coverage, Life Insurance, Long-term Disability Insurance Plans.

Employer Insurance - Workers Compensation, Property, Auto, General and Professional Liability Insurance. Claims Management and Safety Activities.

Environmental - Compliance with Federal, State and Local Environmental Regulations. Environmental Site Assessments of City properties and properties the City is considering acquiring.

Information on the City's insurance coverage can be found in the notes to the financial statements. Further information can be obtained from the Risk Management Department.

AWARDS AND ACKNOWLEDGEMENTS

Awards

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, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This was the twenty-sixth consecutive year that the City of Ocala has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

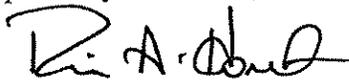
The City was also awarded the Distinguished Budget Presentation Award by the GFOA for its annual budgets for the fiscal years beginning October 1, 1987 through 2008. In order to receive this award, which is valid for a period of one year only, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

Acknowledgements

The preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance and Administrative Services Department. Sincere appreciation is extended to specific individuals who worked diligently throughout the audit: Diane M. McDonald, Controller; Jay Maynard, Accounting Systems Coordinator; Chuck Backhus, Administrative Chief; Steve Healy, Accountant III; Michael Grenon, Financial Analyst II, and Michelle Hicks, Accountant II. Appreciation is also extended to Oscar Claudio, the City's Assistant Internal Auditor for his assistance in this effort; and, to Donald A. Corley, Director of Finance and Administrative Services, who recently retired.

In closing, we would like to acknowledge the leadership and support of the City Council, whose continued interest is in maintaining a financially 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,



Rick Horst
City Manager /Chief Financial Officer

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, 2007

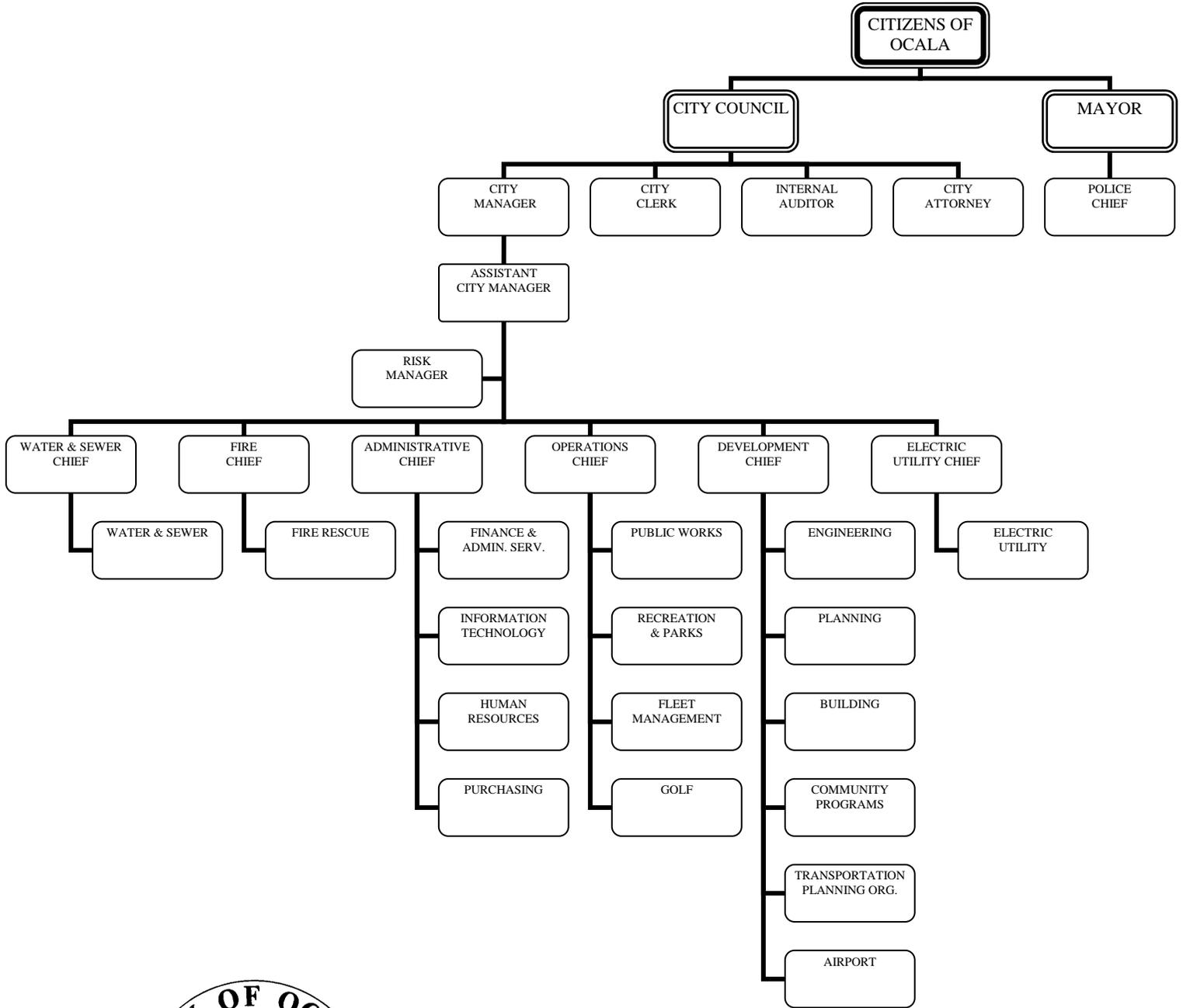
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF OCALA ORGANIZATIONAL CHART



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and the 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 July 30, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedules and statistical tables, listed in the table of contents, are presented for additional analysis, and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purvis, Gray and Company, LLP

July 30, 2009
Ocala, Florida

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

This section of the Comprehensive Annual Financial Report has been developed in accordance with the Government Accounting Standards Board (GASB) Statement Number 34. It is intended to provide the readers of this report with a general overview of the financial activities of the City. Management of the City of Ocala provides the following discussion and analysis of the City's financial activities for the fiscal year ended September 30, 2008. 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. Included will be a comparative analysis between fiscal years 2007 and 2008. Please read this section in conjunction with the Letter of Transmittal, beginning on page i of this report, and the City's financial statements and notes to the financial statements following this section.

Financial Highlights

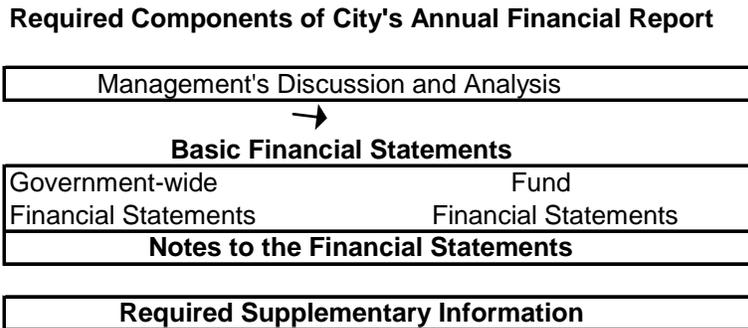
- The assets of the City of Ocala exceeded liabilities at the close of fiscal year 2008 by \$537,488,754 (net assets). Of this amount, \$121,131,727 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- On September 30, 2008, the City's governmental funds reported combined ending fund balances of \$59,401,861, a increase of \$ 13,842,933 over the prior year.
- On September 30, 2008, unreserved and undesignated fund balance of the General Fund was \$19,068,811, which equals 28.7% of total general fund expenditures. The unreserved and undesignated fund balance of the general fund increased \$ 611,170 (3.3%) from the prior fiscal year.
- The City's outstanding long-term debt increased \$78,284,021 (net of defeased debt of the series 2001 Water & Sewer Revenue Bonds of \$36,205,000 and current year payments) during fiscal year 2008. This increase was due primarily to the issuance of new bonds to provide funding to increase capacity for City utilities and for general government projects.

Overview of the Financial Statements

The following graph is provided to assist in understanding the component parts of the financial statements.

An Overview of the Financial Statements

The following graph is provided to assist in understanding the component parts of the Financial Statements.



**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Government-wide financial statements

The *government-wide financial statements* consist of the following two statements. They 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* combines the City's assets and liabilities, both long-term and short-term, 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 an improving or deteriorating financial position.

The *statement of activities* indicates how the government's net assets changed during fiscal year 2008. All changes in net assets are reported as soon as the underlying change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will affect cash flows in future fiscal periods (e.g., earned but uncollected vacation leave).

Both of these financial statements distinguish functions that are primarily supported by taxes and revenues, *governmental activities*, from functions that are intended to recover all or most of their costs through user fees and charges, *business-type activities*. The governmental activities of the City include general government, public safety, public works, culture and recreation and housing rehabilitation. 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 are located on pages 17 and 18 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

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, in the same way as all state and local governments, uses fund accounting to ensure and demonstrate compliance with financial legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements provide detailed information about the major funds rather than about the City as a whole. The following table illustrates the differences between the fund types.

Fund Financial Statements

	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, 2008**

Governmental funds

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

The focus of governmental funds is narrower than that of government-wide financial statements. That allows useful comparisons of information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's short-term financing decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances facilitate comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered a major fund. Data from the other governmental funds are combined into an 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 City adopts an annual appropriated budget for its general, special revenue and certain capital projects funds. Budgetary comparison schedules provided for these funds demonstrate budgetary compliance. The basic governmental fund financial statements are located 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* (electric utility, water and sewer, sanitation, etc.) in the government-wide financial statements. *Internal service funds* internally account for the accumulated and allocated costs of the City's various functions. The City uses the internal service fund to account for its internal service, fleet management, self-insurance and risk management programs. Because these services primarily benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide similar but more detailed information than government-wide financial statements. The proprietary fund financial statements provide separate information for all of the City's proprietary funds.

The basic proprietary fund financial statements are located 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. Accounting for fiduciary funds is similar to that of proprietary funds. The fiduciary funds of the City are pension trust funds.

The basic fiduciary fund financial statements are found on pages 34 and 35 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Notes to the financial statements

The notes provide additional information essential to an understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are located on pages 37 through 72 of this report.

Other information

In addition to the basic financial statements and accompanying notes, *required supplementary information* is included. Included are budgetary comparison schedules for the City's general fund and historical trend information for pension trust funds. Required supplementary information is located on pages 73 to 78 of this report.

The combining statements and budgetary comparison schedules regarding non-major governmental funds are presented in the other supplemental information section of this report. Combining and individual fund schedules for the non-major governmental funds and the internal service funds are located on pages 79 to 112 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. The City's assets exceeded liabilities by \$537,488,754 on September 30, 2008.

The City's increase in net assets from FY 2007 to FY 2008 was \$ 21,413,481. This increase was derived from several sources. About \$1.2 of the increase represents construction in progress of capital assets. The remaining growth in the value of net assets primarily reflects increases in the value of new capital assets acquired or completed during FY 2008.

On September 30, 2008, the City's investment in capital assets was equivalent to 62.2% of the value of its net assets. These capital assets are the following: land, building, improvements other than buildings including utility plants and extensions, machinery and equipment, infrastructure and construction in progress, less outstanding debt incurred in acquiring those assets. The City of Ocala uses these capital assets to provide services to citizens and customers. These capital assets are not available for future spending. Related capital asset debt repayment must be derived from current resources.

An additional 10% of the City of Ocala's net assets represent resources subject to external restrictions on their use. The remaining balance in net unrestricted assets may be used to meet the City's ongoing obligations to its citizens, customers and creditors and also to provide funding for projects.

At the end of fiscal year 2008, the City reported positive balances in all three categories of net assets, including the government as a whole and its total governmental and total business-type activities. This positive position was also evident in the prior fiscal year.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

**CITY OF OCALA, FLORIDA
NET ASSETS**

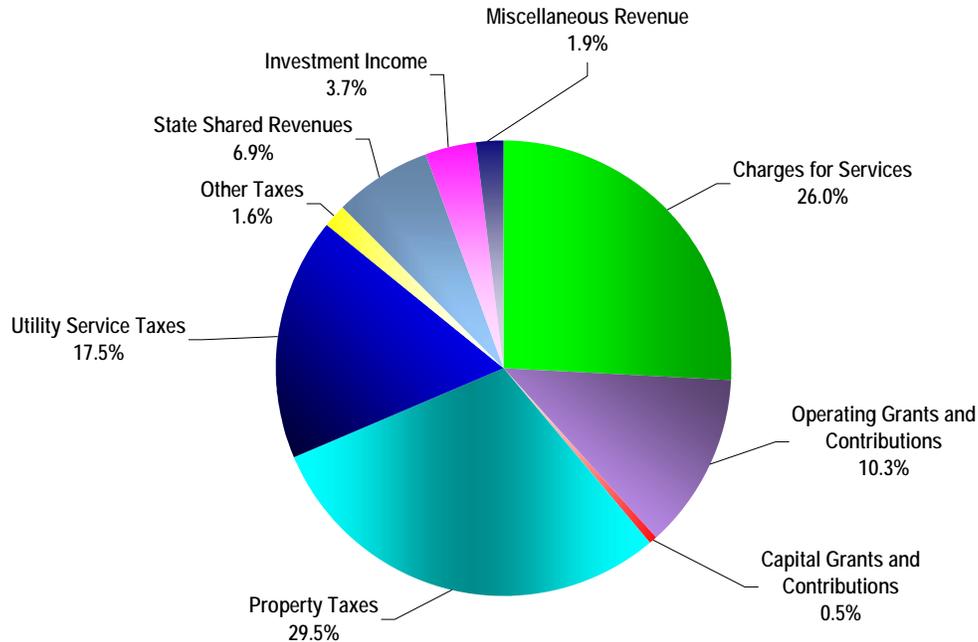
	Governmental Activities		Business -Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 75,292,724	\$ 104,206,782	\$ 149,562,989	\$ 209,059,637	\$ 224,855,713	\$ 313,266,419
Capital assets (net)	182,702,088	182,927,340	312,074,395	332,965,386	494,776,483	515,892,726
Total Assets	257,994,812	287,134,122	461,637,384	542,025,023	719,632,196	829,159,145
Current and other liabilities	11,754,702	14,202,457	22,834,559	30,220,892	34,589,261	44,423,349
Long-term liabilities	49,728,069	63,484,024	119,239,591	183,763,018	168,967,660	247,247,042
Total Liabilities	61,482,771	77,686,481	142,074,150	213,983,910	203,556,921	291,670,391
Net Assets:						
Invested in capital assets, net of related debt	141,390,721	128,759,607	223,036,346	232,698,752	364,427,067	361,458,359
Restricted	15,879,457	26,539,950	27,844,378	28,358,718	43,723,835	54,898,668
Unrestricted	39,241,861	54,148,084	68,682,510	66,983,643	107,924,371	121,131,727
Total Net Assets	\$ 196,512,039	\$ 209,447,641	\$ 319,563,234	\$ 328,041,113	\$ 516,075,273	\$ 537,488,754

**CITY OF OCALA, FLORIDA
CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
REVENUES:						
Program revenues:						
Charges for services	\$ 19,744,018	\$ 18,551,093	\$ 193,726,016	\$ 222,033,411	\$ 213,470,034	\$ 240,584,504
Operating grants and contributions	5,274,117	8,932,926	1,344,736	672,437	6,618,853	9,605,363
Capital grants and contributions	10,393,761	350,420	199,948	1,481,409	10,593,709	1,831,829
General revenues:						
Property taxes	21,147,093	21,102,963	-	-	21,147,093	21,102,963
Other taxes	13,337,088	13,580,017	-	-	13,337,088	13,580,017
Other	8,929,668	8,935,655	6,025,971	4,761,503	14,955,639	13,697,158
Total Revenues	78,825,745	71,453,074	201,296,671	228,948,760	280,122,416	300,401,834
EXPENSES:						
General Government	9,042,965	7,347,987	-	-	9,042,965	7,347,987
Public Safety	33,789,230	37,270,168	-	-	33,789,230	37,270,168
Public Works	19,294,535	15,599,695	-	-	19,294,535	15,599,695
Culture and Recreation	5,290,190	5,290,461	-	-	5,290,190	5,290,461
Housing and Urban Development	1,018,874	1,199,010	-	-	1,018,874	1,199,010
Human Services	175,581	181,926	-	-	175,581	181,926
Physical Environment	78,778	120,691	-	-	78,778	120,691
Transportation	595,319	519,577	-	-	595,319	519,577
Non-departmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Interest On Long Term Debt	1,787,386	2,238,101	-	-	1,787,386	2,238,101
Electric	-	-	143,298,835	166,633,502	143,298,835	166,633,502
Water and Sewer	-	-	21,899,008	26,199,859	21,899,008	26,199,859
Sanitation	-	-	10,207,833	11,249,757	10,207,833	11,249,757
Municipal Golf Courses	-	-	2,956,984	3,201,620	2,956,984	3,201,620
Municipal Trailer Park	-	-	108,164	185,069	108,164	185,069
International Airport	-	-	1,315,256	1,276,023	1,315,256	1,276,023
Emergency Training Facility	-	-	-	-	-	-
Adult Athletic Complex	-	-	213,599	249,338	213,599	249,338
Communications	-	-	1,160,423	1,290,286	1,160,423	1,290,286
Suntran	-	-	2,076,317	2,385,529	2,076,317	2,385,529
Total expenses	71,072,858	69,767,616	183,236,419	212,670,983	254,309,277	282,438,599
Change in Net Assets Before Transfers	7,752,887	1,685,458	31,862,222	19,728,023	39,615,109	21,413,481
Transfers	10,834,688	11,250,144	(10,834,688)	(11,250,144)	-	-
Change in Net Assets	18,587,575	12,935,602	21,027,534	8,477,879	39,615,109	21,413,481
Net Assets - Beginning as re-stated	177,924,464	196,512,039	298,535,700	319,563,234	476,460,164	516,075,273
Net Assets - Ending	\$ 196,512,039	\$ 209,447,641	\$ 319,563,234	\$ 328,041,113	\$ 516,075,273	\$ 537,488,754

Net assets for the City's business-type activities increased by \$8,477,879 during FY 2008, while net assets for governmental activities increased \$12,935,602 from the prior year. Overall, the net increase to the City's total net assets in FY 2008 was \$21,413,481.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

Key Elements of Revenues of Governmental Activities:

- Property taxes, which provided 29.5% of governmental revenues, decreased by \$44,130, primarily due to a 20.2% decrease in the City's property tax rate. The property tax rate decrease was almost completely offset by a 25.3% increase in taxable property due to reassessments, growth in new construction and annexation. The property tax levy collection rate remained steady with 97.51% of taxes levied in FY 2008 collected in FY 2008.
- State and other governmental revenues comprised 20.0% of governmental revenues. These revenues were \$ 2,697,889 (39.9%) higher than the prior year.
- Investment income was \$ 2,646,891, an decrease of \$ 1,187,363 (31%) from the prior year. The City of Ocala has worked with three professional management firms in order to successfully meet its investment objectives. The deterioration of the investment markets was the primary reason for this reduction.

Key Element of Expenses of Governmental Activities

In FY 2008, expenses for Governmental Funds decreased by \$1,305,242. Significant decreases in General Government and Public Works stemmed primarily from the reduction of salaries and benefits in staff positions due to the City's hiring freeze and reorganization, as well as, a conscious effort to reduce City spending later in the year because of the economy.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

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	\$ 7,347,987	10.5%	\$ 4,889,361	17.6%	\$ (2,458,626)
Public Safety	37,270,168	53.4%	9,050,874	32.5%	\$ (28,219,294)
Public Works	15,599,695	22.4%	11,234,329	40.4%	\$ (4,365,366)
Culture and Recreation	5,290,461	7.6%	1,058,822	3.8%	\$ (4,231,639)
Housing and Urban Development	1,199,010	1.7%	805,015	2.9%	\$ (393,995)
Human Services	181,926	0.3%	83,612	0.3%	\$ (98,314)
Physical Environment	120,691	0.2%	227,264	0.8%	\$ 106,573
Transportation	519,577	0.7%	485,162	1.7%	\$ (34,415)
Interest On Long Term Debt	<u>2,238,101</u>	3.2%	<u>-</u>	0.0%	\$ (2,238,101)
	<u>\$ 69,767,616</u>	<u>100.0%</u>	<u>\$ 27,834,439</u>	<u>100.0%</u>	<u>\$ (41,933,177)</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. For example, the Sanitation Fund increases residential rates periodically based on increasing costs. Assessing and increasing rates commensurate with expenses resulted in this fund now showing a net profit for the fiscal year. Additionally, all development fees were increased pursuant to recovering 50% of cost.

The City's Electric Utility Fund had net revenue of \$ 9,753,710 in FY 2008 as shown in the Statement of Activities. That compares to net revenue of \$9,306,956 in the prior year, which represents an increase of 4.8% in FY 2008. Electric Utility Fund operating expenses were higher from \$143,298,835 in FY 2007 to \$166,633,502 in FY 2008. The increase in expenses follows was due to the initiative of the automated meter reading system. This negative trend was addressed by modest rate adjustments in fiscal year 2008. There had not been an electric rate increase in the customer charge since 1995. The proposed increase in rates was determined by a rate study of the Electric System that was completed in FY 2007. The automatic meter reading system that will save money and enhance service is being installed and will be completed in the summer of 2009. Most field meter readers positions are being eliminated through attrition.

The net revenue of the Water and Sewer Fund decreased from \$14,744,600 in FY 2007 to \$5,153,243 in fiscal year 2008. This decrease of \$9,591,357 represented a 64.4% decrease from FY 2007. Significantly lower contributions from real estate developers was the key factors for this decrease. The capital contributions decreased from \$10,360,659 in FY 2007 to \$181,387 in FY 2008.

The highest priority of the Municipal Golf Course Fund continues to be self-sufficiency. Following the recommendations of a professional golf course consultant, City Management plans to reduce operating expenses and enhance revenues. In FY 2008, expenses exceeded program revenues by \$1,213,515. Golf Course Fund expenses increased \$244,363 in FY 2008, which represents a 8.3% increase from FY 2007. Golf Course Fund revenues decreased by \$81,829 (3.95%) in FY 2008. This revenue decrease reflects a negative trend in the golfing industry. Nationally, the number of golf rounds played has decreased dramatically. Declining interest in addition to the overbuilding of golf courses and the nation's troubled economy has resulted in the closing of many golf courses nationally. In order to reduce costs, the city-owned Pine Oaks Golf Course was reduced from 27 holes to 18 holes in FY 2008. The nine holes that were eliminated were converted to a passive park, which reduces maintenance costs.

The Ocala International Airport operation showed an operating surplus for the fiscal year. Revenue exceeded expenses by \$1,355,439 in FY 2008. The City Council is evaluating industrial and commercial development on the airport's 1,500 acres. A new \$2.43 million dollar control tower is scheduled for completion by August of 2009. The Florida Department of Transportation will provide \$1.95 million of the cost of the 91-foot-tall tower, with the City paying the balance. In October 2008, the City completed construction of twenty new T-hangers. The City is accepting proposals for a master commercial

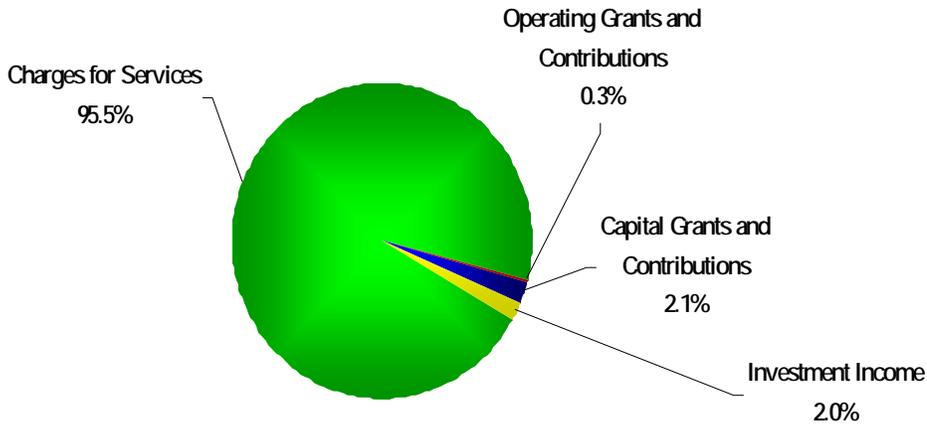
**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

developer for an industrial park to be located on 800 acres on the western portion of the airport.

The Adult Athletic Complex has a commitment to raise rates annually in order to recover 100% of costs. In FY 2008, the deficit increased to \$88,389 from \$51,412 in FY 2007 (71.9%). Rate increases have resulted in a more positive trend towards self-sufficiency.

SunTran, the City's public mass transit system, recorded a surplus of \$26,847, primarily due to capital and operating grants and contributions. In FY 2007, using Federal Grant funding and inter-fund loans, SunTran purchased seven new buses for \$2.2 million. The final Federal Grant fund payment for the buses will be made in FY 2009. The bus system had a significant 11.2% increase in passengers from FY 2007 to FY 2008. Similar growth in the number of passengers is anticipated during FY 2009. That growth is due primarily to economic hardship and the expansion of daily transit service by two hours. SunTran celebrated its 10th anniversary in 2008.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



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

The focus of the City's *governmental funds* is to provide information on short-term inflows, outflows and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balances* are a useful measure of a government's expendable net resources available at the end of the fiscal year.

At the end of fiscal year 2008, the City's governmental funds reported combined ending fund balances of \$59,401,861. Reserved for Capital Projects was \$ 16,506,488. The unreserved and undesignated fund balance of \$23,740,392 is available for spending at the City's discretion. In addition, \$ 8,001,972 is unreserved but designated for specific projects. The remaining funds are reserved for Debt Service (\$4,214,546), Transportation (\$5,158,209) and District Improvements (\$1,780,254).

The General Fund is the primary operating fund of the City. At the end of fiscal year 2008, the fund balance of the General Fund was \$27,070,783, all of which was unreserved. Of the total fund balance, \$8,001,972 was designated for specific projects and \$19,068,811 was undesignated. As a measure of the General Fund's liquidity, it is useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

The fund balance of the City's General Fund increased \$1,124,971 during FY 2008, as compared to an increase of \$6,217,549 in FY 2007.

Key factors for this significant increase are as follows:

- Property tax revenues decreased by \$44,130 in FY 2008. This was due to the lower valuations on property.
- An increase in General Fund expenditures of .2%, far below the increase in revenues.
- Total expenditures total only 91.35% of the final appropriated expenditure budget. The general government was under budget by \$1,871,087 and capital outlay was under budget by \$1,785,823. In anticipation of the potential future decrease of ad valorem taxes, the City's departments were urged to curtail spending in FY 2008. A hiring freeze went into effect in August 2007. Budgets for most General Fund departments include funding for contingencies that are not expended in most years.

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:

<u>Fund</u>	<u>Unrestricted Net Assets</u>
Electric System Revenue	\$ 26,416,661
Water and Sewer	34,840,907
Sanitation	2,295,558
Municipal Golf Course	(565,612)
Municipal Trailer Park	128,299
Ocala International Airport	1,550,271
Adult Athletic Complex	(214,640)
Communications	2,998,617
SunTran	(466,418)
Total	<u>\$ 66,983,643</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, 2008**

General Fund Budgetary Highlights

The following are noteworthy aspects of the FY 2008 budget. (Please also refer to budget vs. actual comparisons on page 71 of this report).

The City's original budget for the General Fund was issued with the knowledge that significant changes would be made. In addition to various budget amendments approved by City Council throughout the year, a mid-year review and revision was made. During the year, appropriations increased \$4,715,606 from the original to the final amended budget in the General Fund. Actual expenditures were \$6,284,213 lower than the final budget.

The final amended General Fund expenditure budget increased \$5,855,754 and the final amended General Fund revenue budget also increased \$5,199,639 from the original budget. This represented moderate increases of 10.5% for expenditures and 7.7% for revenues. Increases in General Fund revenues were generated from several sources. Property tax revenues were \$21,102,963 (.2 %) less than the prior year. This flat trend in property tax revenue is primarily due to a 20% decrease in the city's property tax rate from FY 2007. New construction of housing and voluntary annexations resulted in a 25% increase in the City's total taxable valuation from the prior fiscal year and offset the sharp decrease in the property tax rate. The impact of Florida's property tax amendment passed in January 2008 will be felt in FY 2009. Other revenue sources with significant increases included charges for services and utility service taxes as well as capital and operating grants. The new fire services fee that went into effect in January 2007 is included in charges for services.

The variance in General Fund actual expenditures versus the revised FY 2008 was a positive \$6,284,213. Departmental spending was considerably less than the final budget due to management's conservative budgeting and budgetary diligence by departments.

Please note that the General Fund budget in FY 2008 was not supported by reductions in available fund balance. This was the result of the aforementioned increases in revenues.

The positive change in fund balance in FY 2008 was primarily the result of fiscal prudence. Beginning in FY 2001, the City set a policy goal to achieve a General Fund balance of 15% of expenditures to be used as a reserve for unforeseen emergencies and deficiencies in the government. The 15% level is consistent with the one to two months of expenditure reserve recommended by the Government Finance Officers Association. The City has a projected reserve of 25% of FY 2009 budgeted General Fund expenditures.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008 totaled \$515,892,726 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, leasehold improvements, equipment, infrastructure, and construction in progress. Due to increases all categories of capital assets accompanied by an increase in accumulated depreciation, the City's investment in capital assets increased \$21,116,243. This was a net increase of 4.09%.

In FY 2008, the City implemented Tyler Technology's Eden fixed asset software. This state-of-the-art financial software is fully integrated into the City's general ledger. The new Eden software allows greatly enhanced reporting and tracking of capital assets.

In conjunction with the Eden software, the City changed its management estimate of fixed asset useful lives. The new estimated useful lives are as listed – reference Capital Assets, Note 1 (pg. 41).

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Major capital asset additions in FY 2008 included the following:

Governmental Activities:

- In FY 2008, Tyler Technology's Eden financial software system was purchased and most modules were implemented. Eden provides a web-based centralized customer service focus. This significant upgrade is part of the City's overall emphasis on technology-based improvements.
- Construction in progress increased in FY 2008. This was a result of various improvement projects, including several major street projects funded from a prior year bond issue.
- A new Fire and Police Facility opened in FY 2008. It serves the southwestern portion of the city, which has experienced much commercial and residential growth.

Business-type Activities:

CITY OF OCALA, FLORIDA CAPITAL ASSETS							
	Governmental Activities		Business-Type Activities		Total		
	2007	2008	2007	2008	2007	2008	
Land	\$ 16,207,314	\$ 17,757,858	\$ 18,937,691	\$ 19,160,084	\$ 35,145,005	\$ 36,917,942	
Buildings	34,442,350	35,424,992	16,988,317	19,351,957	51,430,667	54,776,949	
Improvements Other Than Buildings	-	-	372,361,721	402,557,272	372,361,721	402,557,272	
Crystal River Unit # 3	-	-	16,168,423	16,168,423	16,168,423	16,168,423	
Equipment	42,517,220	39,614,277	12,866,263	9,717,958	55,383,483	49,332,235	
Infrastructure	276,379,137	280,040,460	-	-	276,379,137	280,040,460	
Construction in Progress	13,796,958	14,962,683	39,987,203	42,804,213	53,784,161	57,766,896	
	383,342,979	387,800,270	477,309,618	509,759,907	860,652,597	897,560,177	
Less: Accumulated Depreciation	(200,640,891)	(204,872,930)	(165,235,223)	(176,794,521)	(365,876,114)	(381,667,451)	
Capital Assets, Net	<u>\$ 182,702,088</u>	<u>\$ 182,927,340</u>	<u>\$ 312,074,395</u>	<u>\$ 332,965,386</u>	<u>\$ 494,776,483</u>	<u>\$ 515,892,726</u>	

- In accordance with the City's Comprehensive Plan, a large number of improvements and extensions were made to the City's utility infrastructure. Operating revenues and available utility bond revenues funded these improvements.
- New electric transmission stations, transformers and electric lines were built in key growth areas.
- Planned water and sewer line replacements and lift station improvements were completed.

Additional information on the City's capital assets is presented in Note 4 on pages 54 through 56 of this report.

Long-term debt

At the end of fiscal year 2008, outstanding long-term debt of the City was \$247,247,042. That was a increase of \$88,752,522 or 64% from outstanding long-term debt of \$158,494,520 at the end of FY 2007. The Electric Utility and the Water & Sewer enterprise operations were responsible for the newly issued debt. Electric Utility and Water & Sewer debt is paid with operating revenues. The remaining outstanding governmental fund long-term debt was incurred for capital improvements and 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 fiscal year 2008, the City issued two new bonds. Utility Systems Improvement Revenue Bonds, Series 2007 A and Refunding Bonds Series B, for \$87.95 million and Capital Improvement Revenue Bonds, Series 2007 A and Refunding Bonds Series B for \$20.16 million. These bond issues provide

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

funding to increase capacity to meet increasing demand for utilities and for general government projects.

In FY 2008 the City's bonded debt increased 46.3% from the prior year. This was the result of the aforementioned bond issues during the fiscal year. Please note that the City had no outstanding general obligation debt at the close of FY 2008.

The City maintains excellent bond ratings from the major ratings agencies. The two bond issues of FY 2008 received AA- and A1 ratings from Fitch and Moody's Investors Services, respectively. Both of those ratings services assessed our financial health as good.

Additional information on the City's debt is present in Note 6 on pages 63 to 67 of this report.

Economic Factors, Next Year's Budgets and Rates

The following were some of the significant factors considered in preparing the City's fiscal year 2009 budget:

- On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. Homestead property will receive an exemption increase of \$25,000. Annual increases in assessed value for non-homestead property will be limited to 10%. This amendment becomes effective on October 1, 2008 with the exception of the ten percent assessment cap which becomes effective on January 1, 2009. Based on information received from the Marion County Property Appraiser's Office and after analysis of the data available, the estimated loss of property tax revenue for the City of Ocala as a result of this amendment is \$3,000,000 for FY2009. The City has developed a strategy to offset the loss in revenue. It includes an early retirement program, elimination of discretionary programs and reduced health care benefits.
- The adopted total City of Ocala budget of \$407,953,669 for fiscal year 2009 reflects a 22.3% decrease from the final amended budget of \$524,729,533 for fiscal year 2008. This balanced budget focuses on improving efficiency and downsizing without layoffs. The City is mindful of a recent citizen's survey. 81% of our citizens rated City services excellent or good. The majority of citizens surveyed responded that they want the City to maintain current service levels at current costs.
- The unemployment rate for the City on September 30, 2008 was 8.6 percent. This increase from the 4.8 percent rate in the prior year stems primarily from a sharp downturn in housing construction market.
- The taxable value of commercial and residential property increased 6.7 percent in FY 2008, increasing from \$4.712 billion to \$4.726 billion. This small increase was due to reassessments, growth in new construction and annexation.
- Building permit activity decreased significantly during the 2008 fiscal year.
- Population increased .4% percent from the prior fiscal year to an estimated 54,462 on September 30, 2008. The housing slump resulted in fewer new residents during the fiscal year.
- Effective January 1, 2007 a Fire Services Fee and a Fire Impact Fee went into effect. The City remains committed to maintaining its high quality ISO rating and an excellent 4 minutes response time. FY 2008 was the first full year of the fees. The fees increased in October 2007 and resulted in \$7.7 million revenue in fiscal year 2008. The large increase in revenue from \$4.659 million in FY 2007 is attributable to collecting the fee for a 12 months period in addition to the fee increase. Fire Fees in FY 2009 are projected at \$7.5 million The Fire Services Fee paid the majority of recurring operating costs for fire and rescue services, while the Fire Impact Fee is designed to help pay for equipment and facilities to meet growth needs.
- The City's *ad valorem* tax rate for the General Fund remains at the 4.5288 mills rate of fiscal year 2008. The City's total taxable valuation increased 3% over last year's value due to reassessments, growth in new construction and annexation. Despite the growth in the assessed valuation, continuing the FY 2007 reduction in the city's millage rate will result in an estimated \$27,139 decrease in *ad valorem* taxes for FY2009. This is due to the growth in the tax being capped at the 95% level.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

- New major infrastructure projects will be curtailed in FY 2009 due to current negative economic factors, including the following: declining property values, reduced revenue and substantially lower returns on investments.
- The city offered an early retirement option to employees, effective between October 1, 2008 and December 31, 2008. 79 employees opted to take early retirement with pension incentives. The net result of early retirements and the City's hiring freeze policy is a reduction in full-time equivalent positions from 1,148.25 in FY 2008 to 1,110.75 in FY 2009. These early retirements closed the gap on what had been estimated as a \$7.5 million deficit for FY 2009. Savings are estimated at \$18 million over the extended period of time from early retirement to regular retirement dates.
- On September 8, 2008, Rick Horst became the City Manager. Shortly thereafter, Mr. Horst reorganized city management. He created a City Manager Cabinet Staff of four assistant city managers and a chief of staff. The new assistant city managers will head development services, finance and administrative services, public services and utility services. This system will allow the cabinet members enough time out from daily minutia to develop a broader vision for the City. In addition, Mr. Horst established the Office of Long Term Planning and Sustainability to focus on the implementation of downtown redevelopment and airport development projects.
- The troubled local and national economies have influenced the City's utility rates. Water and Sewer rates increased in 2007 and 2008 as part of a three-year rate increase plan, but rate increases due to take effect on January 1, 2009 will be suspended until at least July 1, 2009. The City's Electric Utility made a major rate adjustment. Responding to its citizens, the City rolled back the FY 2008 rate increase from 8.7 cents per kilowatt to 5.5 cents per kilowatt, effective with the December 2008 electric bills. In addition, the City issued an electric utility rebate in the form of tax credits on December 2008 customer bills. The cost of the rebates was \$5.87 million.
- In March of 2009, the City plans to open an employee health clinic. The clinic will provide immediate medical services for employees and their families. It is conservatively estimated that that the City will reduce its medical insurance claims and save approximately \$300,000 after the first twelve months. After the clinic has been fully operational for three years, the cumulative savings should exceed \$3 million.
- In 2006, the City entered into a development agreement for a 40,000-square-foot open-air retail and restaurant complex to be located adjacent to the Downtown Square and across from Ocala City Hall. It was originally named Citywalk, but was later renamed City Shops & Walk. The developer for this project failed to meet commitments and the City regained ownership of the property at a bankruptcy auction in late February 2009. This economic development setback will not deter the City from seeking another developer for this prime site.

Requests for Information

- This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. For questions concerning any of the information provided in this report or for additional financial information, please contact the Finance and Administrative Services Department at Ocala City Hall, 151 SE Osceola Avenue, Ocala, Florida 34471, or telephone (352) 629-8373.

**CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Investments	\$ 16,065,013	\$ 78,598,985	\$ 94,663,998
Equity In Pooled Cash Fund	73,091,765	91,823,411	164,915,176
Receivables (net)	1,209,077	30,178,881	31,387,958
Internal Balances	2,081,455	(2,081,455)	-
Due From Other Governments	2,723,514	2,834,404	5,557,918
Inventories	-	4,564,854	4,564,854
Pension Asset	7,707,704	-	7,707,704
Other Assets	1,328,254	3,140,557	4,468,811
Capital Assets not being depreciated:			
Land	17,757,858	19,160,084	36,917,942
Construction in Progress	14,962,683	42,804,213	57,766,896
Capital Assets, net of accumulated depreciation:			
Buildings	22,553,501	12,422,140	34,975,641
Improvements Other than Buildings	-	251,677,270	251,677,270
Machinery and Equipment	13,561,368	6,901,679	20,463,047
Infrastructure	114,091,930	-	114,091,930
Total Assets	<u>287,134,122</u>	<u>542,025,023</u>	<u>829,159,145</u>
Liabilities			
Accounts Payable	9,925,616	22,078,703	32,004,319
Accrued Liabilities	1,119,547	4,018,916	5,138,463
Unearned Revenue	3,157,294	536,619	3,693,913
Other Liabilities	-	3,586,654	3,586,654
Long Term Liabilities:			
Due Within One Year	5,931,932	4,901,508	10,833,440
Due In More Than One Year	57,552,092	178,861,510	236,413,602
Total Liabilities	<u>77,686,481</u>	<u>213,983,910</u>	<u>291,670,391</u>
Net Assets			
Invested In Capital Assets, Net Of Related Debt	128,759,607	232,698,752	361,458,359
Restricted For:			
Transportation	5,158,209	-	5,158,209
District Improvements	1,780,254	-	1,780,254
Capital Projects	16,506,488	28,358,718	44,865,206
Debt Service	3,094,999	-	3,094,999
	-	-	-
Unrestricted	54,148,084	66,983,643	121,131,727
Total Net Assets	<u>\$ 209,447,641</u>	<u>\$ 328,041,113</u>	<u>\$ 537,488,754</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 7,347,987	\$ 4,786,682	\$ 102,679	
Public Safety	37,270,168	7,776,470	997,788	276,616
Public Works	15,599,695	5,105,758	6,128,571	
Culture and Recreation	5,290,461	708,726	350,096	
Housing and Urban Development	1,199,010	89,845	641,366	73,804
Human Services	181,926	83,612		
Physical Environment	120,691		227,264	
Transportation	519,577		485,162	
Interest On Long Term Debt	2,238,101			
Total Governmental Activities	69,767,616	18,551,093	8,932,926	350,420
Business Type Activities:				
Electric	166,633,502	176,235,678		151,534
Water and Sewer	26,199,859	29,897,392		1,455,710
Sanitation	11,249,757	10,722,931		
Municipal Golf Courses	3,201,620	1,988,105		
Municipal Trailer Park	185,069	119,587		
International Airport	1,276,023	793,948		1,837,514
Emergency Training Facility	-			
Adult Athletic Complex	249,338	155,461		5,488
Communications	1,290,286	1,861,780		
Suntran	2,385,529	258,529	672,437	1,481,409
Total Business Type Activities	\$ 212,670,983	\$ 222,033,411	\$ 672,437	\$ 4,931,655

General Revenues:

Taxes:

Property Taxes

Utility Service Taxes

Other Taxes

State Shared Revenues - Unrestricted

Grants and Contributions-Non Program Specific

Investment Income

Miscellaneous

Transfers

Total General Revenues, Special Items 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
\$ (2,458,626)	\$ -	\$ (2,458,626)
(28,219,294)	-	(28,219,294)
(4,365,366)	-	(4,365,366)
(4,231,639)	-	(4,231,639)
(393,995)	-	(393,995)
(98,314)	-	(98,314)
106,573	-	106,573
(34,415)	-	(34,415)
(2,238,101)	-	(2,238,101)
<u>(41,933,177)</u>	<u>-</u>	<u>(41,933,177)</u>

-	9,753,710	9,753,710
-	5,153,243	5,153,243
-	(526,826)	(526,826)
-	(1,213,515)	(1,213,515)
-	(65,482)	(65,482)
-	1,355,439	1,355,439
-	-	-
-	(88,389)	(88,389)
-	571,494	571,494
-	26,847	26,847
<u>\$ -</u>	<u>\$ 14,966,520</u>	<u>\$ 14,966,520</u>

\$ 21,102,963	\$ -	\$ 21,102,963
12,468,590	-	12,468,590
1,111,427	-	1,111,427
4,897,376	-	4,897,376
-	-	-
2,646,691	4,761,503	7,408,194
1,391,588	-	1,391,588
11,250,144	(11,250,144)	(0)
<u>54,868,778</u>	<u>(6,488,641)</u>	<u>48,380,137</u>
12,935,602	8,477,879	21,413,481
196,512,039	319,563,234	516,075,273
<u>\$ 209,447,641</u>	<u>\$ 328,041,113</u>	<u>\$ 537,488,754</u>

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Investments	\$ 106,688	\$ 15,957,725	16,064,413
Equity In Pooled Cash Fund	30,928,597	17,979,424	48,908,021
Receivables (net)	748,224	221,040	969,264
Due From Other Funds	1,939,790	217,696	2,157,486
Advances from Other Funds	-	-	-
Due From Other Governments	2,281,024	442,490	2,723,514
Other Assets	22,315	9,296	31,611
	<u>36,026,638</u>	<u>34,827,671</u>	<u>70,854,309</u>
Total Assets	\$ 36,026,638	\$ 34,827,671	\$ 70,854,309
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 7,547,952	\$ 671,171	\$ 8,219,123
Accrued Liabilities	-	-	-
Unearned Revenue	1,331,872	1,825,422	3,157,294
Advances To Other Funds	76,031	-	76,031
Total Liabilities	<u>8,955,855</u>	<u>2,496,593</u>	<u>11,452,448</u>
Fund Balances:			
Reserved For:			
Inventories	-	-	-
Advances To Other Funds	-	-	-
Debt Service	-	4,214,546	4,214,546
Transportation	-	5,158,209	5,158,209
District Improvements	-	1,780,254	1,780,254
Capital Projects	-	16,506,488	16,506,488
Unreserved:			
Designated For Specific Projects	8,001,972	-	8,001,972
Unreserved and Undesignated:			
General Fund	19,068,811	-	19,068,811
Special Revenue Funds	-	4,671,581	4,671,581
Debt Service Funds	-	-	-
Capital Projects Funds	-	-	-
Total Fund Balances	<u>27,070,783</u>	<u>32,331,078</u>	<u>59,401,861</u>
Total Liabilities and Fund Balances	\$ 36,026,638	\$ 34,827,671	\$ 70,854,309

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, 2008**

Total Fund Balances of Governmental Funds \$ 59,401,861

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 \$ 349,063,478 and the accumulated depreciation is \$180,504,700 168,558,778

The negative net pension obligation is an asset for the government-wide statement of net assets. A negative net pension obligation is not net assets. A negative net pension obligation is not considered to be considered to represent a financial asset and, therefore, is not reported in the governmental funds. 7,707,704

The internal service fund is used by management to charge the costs of fleet management, risk management, information technology and other services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 32,743,171

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	(54,090,000)
Less: Deferred charge on refunding (to be amortized as interest expense).	318,586
Deferred charge for issuance costs (to be amortized over life of debt)	748,000
Bond (premium) discount (to be amortized over life of debt)	(597,118)
Accrued interest payable	(1,119,547)
Installment purchase contract payable	(547,201)
Compensated absences	(3,433,287)
OPEB liability payable	(243,306)
	(5,952,073)

Total net assets of governmental activities \$ 209,447,641

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, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 20,773,893	329,070	\$ 21,102,963
Utility Service Taxes	12,468,590	-	12,468,590
Other Taxes	1,111,427	-	1,111,427
State Revenue Sharing	4,897,376	-	4,897,376
Other Intergovernmental Revenues	3,014,342	6,252,916	9,267,258
Parking Meters and Facilities	-	55,009	55,009
Licenses and Permits	1,869,393	-	1,869,393
Fines and Forfeitures	445,419	15,597	461,016
Charges For Services	10,680,826	4,772,761	15,453,587
Investment Income	1,051,511	1,041,593	2,093,104
Gifts	424,628	122,416	547,044
Other	1,289,654	101,934	1,391,588
Total Revenues	<u>58,027,059</u>	<u>12,691,296</u>	<u>70,718,355</u>
Expenditures			
Current			
General Government	14,011,284	343,374	14,354,658
Public Safety	36,498,069	-	36,498,069
Public Works	6,346,791	3,351,443	9,698,234
Culture and Recreation	5,079,841	77,297	5,157,138
Housing and Urban Development	702,230	481,853	1,184,083
Human Services	164,528	-	164,528
Physical Environment	81,207	-	81,207
Transportation	545,969	-	545,969
Capital Outlay	2,904,211	7,644,083	10,548,294
Debt Service:			
Principal Payments	-	3,020,000	3,020,000
Interest and Fees	11,458	1,883,293	1,894,751
Total Expenditures	<u>66,345,588</u>	<u>16,801,343</u>	<u>83,146,931</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(8,318,529)</u>	<u>(4,110,047)</u>	<u>(12,428,576)</u>
Other Financing Sources (Uses)			
Transfers In	14,620,752	5,710,033	20,330,785
Transfers Out	(5,177,252)	(5,015,410)	(10,192,662)
Bond Proceeds	-	20,707,201	20,707,201
Bond Premium (Discount)	-	(378,596)	(378,596)
Payment To Refunded Bonds Escrow Agent	-	(4,195,219)	(4,195,219)
Total Other Financing Sources (Uses)	<u>9,443,500</u>	<u>16,828,009</u>	<u>26,271,508</u>
Net Change In Fund Balances	1,124,971	12,717,962	13,842,933
Fund Balances-Beginning	25,945,812	19,613,116	45,558,928
Fund Balances-Ending	<u>\$ 27,070,783</u>	<u>\$ 32,331,078</u>	<u>\$ 59,401,861</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, 2008**

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

Net change in fund balances - total governmental funds	\$ 13,842,933
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 capital purchases of \$10,548,294 exceeded depreciation expense and loss on asset disposal of \$8,566,792	1,981,512
Developer contributions of infrastructure are not reported as revenue at the fund level. This reconciling item is the fair value of the infrastructure assets contributed to the City	181,132
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	(20,160,000)
Bond discount	378,596
Bond issuance costs	304,758
Installment purchase contract payable	(547,201)
Principal repayments:	
Bonds and Certificates	3,020,000
Other	-
Payment to escrow agent for refunding	4,195,219
Amortization of bond discount, premium, issuance costs and deferred amounts on refunding	(47,738)
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	(499,297)
Accrued interest on long term debt	(286,148)
OPEB liability payable	(243,306)
A negative net pension obligation does not represent a current financial resource and, therefore, is not an asset for the governmental funds. Payments made contributing to the negative net pension obligation are therefore expenditures for the governmental funds. In the statement of net assets, however, these payments increase the negative net pension obligation.	6,961,895
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.	3,853,247
Change in net assets of governmental activities	\$ 12,935,602

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, 2008**

	BUSINESS-TYPE ACTIVITIES -				
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Assets					
Current Assets:					
Cash and investments	\$ 3,300	\$ 250	\$ -	\$ 2,178	\$ 100
Equity in pooled cash and investment fund	13,653,521	30,986,481	3,582,676	21,195	129,263
Restricted assets available for current liabilities	2,816,436	8,061,632	-	-	-
Accrued interest receivable	151,996	221,334	25,856	-	1,062
Accounts and notes receivable	14,112,173	44,969	-	1,321	110
Accrued unbilled revenues	14,858,564	-	-	-	-
Due from other funds	-	1,493,068	462,340	-	-
Interfund loans receivable	58,326	-	-	-	-
Inventories	4,391,231	26,213	-	71,936	-
Due from other governments	151,534	-	-	600	-
Other current assets	676,016	-	-	12,296	-
Total current assets	50,873,097	40,833,947	4,070,872	109,526	130,535
Noncurrent Assets:					
Restricted Assets:					
Cash and investments:					
Crystal River Decommissioning Trust	9,947,705	-	-	-	-
Construction accounts	39,390,976	21,146,408	-	-	-
Debt service accounts	1,960,147	6,147,821	-	-	-
Equity in pooled cash and investment fund:					
Construction accounts	1,897,877	10,399,009	-	-	-
Debt service accounts	-	-	-	-	-
Impact fee accounts	-	16,494,732	-	-	-
Renewal and replacement	8,154,588	3,528,596	-	-	-
Accrued interest receivable:					
Construction accounts	253,263	287,217	-	-	-
Impact fee accounts	-	120,656	-	-	-
Renewal and replacement	34,722	25,424	-	-	-
Due from other governments	-	-	-	-	-
Other	-	386,132	-	-	-
Less: Portion classified as current	(2,816,436)	(8,061,632)	-	-	-
Total restricted assets	58,822,842	50,474,363	-	-	-
Issuance Costs on Long-Term Debt	772,270	1,293,583	-	-	-
Interfund Loans Receivable, long-term	361,443	-	-	-	-
Capital Assets, Net:					
Land	5,703,021	7,243,829	-	394,678	33,908
Buildings	4,472,820	2,479,732	4,030	1,143,437	48
Improvements other than buildings	80,416,929	157,046,250	1,426	1,518,351	172
Machinery and equipment	2,146,632	759,599	675,697	50,511	-
Construction in process	21,219,446	18,662,755	-	153,309	-
Total capital assets (net)	113,958,848	186,192,165	681,153	3,260,286	34,128
Total Noncurrent Assets	173,915,403	237,960,111	681,153	3,260,286	34,128
Total Assets	\$ 224,788,500	\$ 278,794,058	\$ 4,752,025	\$ 3,369,812	\$ 164,663

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

<u>ENTERPRISE FUNDS</u>					<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Adult Athletic Complex</u>	<u>Communi- cations</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES Internal Service Funds</u>
\$ 100	\$ -	\$ -	\$ -	\$ 5,928	\$ 600
6,733	-	2,968,740	-	51,348,609	24,183,744
1,551,344	-	-	-	12,429,412	-
908	-	20,262	-	421,418	157,783
-	-	294	18,750	14,177,617	82,030
-	-	-	-	14,858,564	-
-	-	-	-	1,955,408	-
-	-	-	-	58,326	-
-	1,955	73,519	-	4,564,854	360,482
-	-	-	887,539	1,039,673	-
260	-	-	-	688,572	188,161
<u>1,559,345</u>	<u>1,955</u>	<u>3,062,815</u>	<u>906,289</u>	<u>101,548,381</u>	<u>24,972,800</u>
-	-	-	-	9,947,705	-
-	-	-	-	60,537,384	-
-	-	-	-	8,107,968	-
-	-	-	-	12,296,886	-
-	-	-	-	-	-
-	-	-	-	16,494,732	-
-	-	-	-	11,683,184	-
-	-	-	-	540,480	-
-	-	-	-	120,656	-
-	-	-	-	60,146	-
1,794,731	-	-	-	1,794,731	-
-	-	-	-	386,132	-
(1,551,344)	-	-	-	(12,429,412)	-
<u>243,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,540,592</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,065,853</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361,443</u>	<u>-</u>
5,773,547	11,101	-	-	19,160,084	667,770
2,886,108	97,170	-	1,338,795	12,422,140	3,438,009
7,949,115	742,086	5,003,271	-	252,677,600	867,727
38,213	-	14,453	2,216,244	5,901,349	9,380,556
2,595,106	-	173,597	-	42,804,213	14,500
<u>19,242,089</u>	<u>850,357</u>	<u>5,191,321</u>	<u>3,555,039</u>	<u>332,965,386</u>	<u>14,368,562</u>
<u>19,485,476</u>	<u>850,357</u>	<u>5,191,321</u>	<u>3,555,039</u>	<u>444,933,274</u>	<u>14,368,562</u>
<u>\$ 21,044,821</u>	<u>\$ 852,312</u>	<u>\$ 8,254,136</u>	<u>\$ 4,461,328</u>	<u>\$ 546,481,655</u>	<u>\$ 39,341,362</u>

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

Liabilities and Fund Equity	BUSINESS-TYPE ACTIVITIES -				
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Current Liabilities:					
Payable from unrestricted assets:					
Accounts payable	\$ 15,243,719	\$ 1,024,829	\$ 1,303,981	\$ 233,563	\$ 1,095
Claims payable	-	-	-	-	-
Compensated absences payable	392,780	190,794	179,017	23,837	1,042
Accrued interest payable	948	-	-	-	-
Due to other funds	2,801,552	-	-	-	-
Customer deposits	3,586,654	-	-	-	-
Unearned revenue	-	-	-	48,252	-
Interfund loans payable	-	-	-	47,777	-
Total current liabilities payable from unrestricted assets	<u>22,025,653</u>	<u>1,215,623</u>	<u>1,482,998</u>	<u>353,429</u>	<u>2,137</u>
Payable from restricted assets:					
Accounts payable	856,289	1,531,256	-	-	-
Accrued interest payable	1,380,147	2,637,821	-	-	-
Unearned revenue	-	382,555	-	-	-
Revenue bonds payable within one year	580,000	3,510,000	-	-	-
Total current liabilities payable from restricted assets	<u>2,816,436</u>	<u>8,061,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>24,842,089</u>	<u>9,277,255</u>	<u>1,482,998</u>	<u>353,429</u>	<u>2,137</u>
Noncurrent Liabilities:					
Interfund Loans Payable After One Year	-	-	-	295,961	-
Decommissioning costs	9,947,705	-	-	-	-
Compensated absences payable	487,542	199,380	264,500	19,831	-
OPEB obligation payable	68,248	29,982	27,816	5,917	99
Revenue Bonds and Notes Payable After One Year	59,551,560	108,232,600	-	-	-
Total noncurrent liabilities	<u>70,055,055</u>	<u>108,461,962</u>	<u>292,316</u>	<u>321,709</u>	<u>99</u>
Total liabilities	<u>94,897,144</u>	<u>117,739,217</u>	<u>1,775,314</u>	<u>675,138</u>	<u>2,236</u>
Net Assets:					
Invested in capital assets, net of related debt	95,285,385	106,044,526	681,153	3,260,286	34,128
Restricted for debt service	-	-	-	-	-
Restricted for capital projects	-	-	-	-	-
Restricted for capital projects	8,189,310	20,169,408	-	-	-
Unrestricted (accumulated deficit)	26,416,661	34,840,907	2,295,558	(565,612)	128,299
Total net assets	<u>\$ 129,891,356</u>	<u>\$ 161,054,841</u>	<u>\$ 2,976,711</u>	<u>\$ 2,694,674</u>	<u>\$ 162,427</u>

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

<u>ENTERPRISE FUNDS</u>					<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Adult Athletic Complex</u>	<u>Communi- cations</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES Internal Service Funds</u>
\$ 126,468	\$ 2,711	\$ 35,071	\$ 274,189	\$ 18,245,626	\$ 1,706,493
-	-	-	-	-	4,392,924
8,641	964	14,433	-	811,508	208,728
-	-	-	-	948	-
-	212,824	-	738,409	3,752,785	-
-	-	-	-	3,586,654	-
-	-	-	-	48,252	-
-	-	-	360,109	407,886	-
<u>135,109</u>	<u>216,499</u>	<u>49,504</u>	<u>1,372,707</u>	<u>26,853,659</u>	<u>6,308,145</u>
1,445,532	-	-	-	3,833,077	-
-	-	-	-	4,017,968	-
105,812	-	-	-	488,367	-
-	-	-	-	4,090,000	-
<u>1,551,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,429,412</u>	<u>-</u>
<u>1,686,453</u>	<u>216,499</u>	<u>49,504</u>	<u>1,372,707</u>	<u>39,283,071</u>	<u>6,308,145</u>
-	-	-	-	295,961	-
-	-	-	-	9,947,705	-
9,568	-	12,327	-	993,148	254,049
1,972	96	2,367	-	136,497	35,997
-	-	-	-	-	-
-	-	-	-	167,784,160	-
<u>11,540</u>	<u>96</u>	<u>14,694</u>	<u>-</u>	<u>179,157,471</u>	<u>290,046</u>
<u>1,697,993</u>	<u>216,595</u>	<u>64,198</u>	<u>1,372,707</u>	<u>218,440,542</u>	<u>6,598,191</u>
17,796,557	850,357	5,191,321	3,555,039	232,698,752	14,368,562
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	28,358,718	-
<u>1,550,271</u>	<u>(214,640)</u>	<u>2,998,617</u>	<u>(466,418)</u>	<u>66,983,643</u>	<u>18,374,609</u>
<u>\$ 19,346,828</u>	<u>\$ 635,717</u>	<u>\$ 8,189,938</u>	<u>\$ 3,088,621</u>	<u>\$ 328,041,113</u>	<u>\$ 32,743,171</u>

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

	BUSINESS-TYPE ACTIVITIES -				
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Operating Revenues:					
Charges for services	\$ 168,596,204	\$ 26,309,898	\$ 10,659,057	\$ 1,986,259	\$ 118,625
Other	6,844,887	754,664	50,690	1,846	962
Total operating revenues	<u>175,441,091</u>	<u>27,064,562</u>	<u>10,709,747</u>	<u>1,988,105</u>	<u>119,587</u>
Operating Expenses:					
Purchase of electricity	129,786,680	-	-	-	-
Distribution	13,325,165	2,044,230	-	-	-
Operation and maintenance	4,687,426	-	10,680,835	2,460,621	184,621
Water and sewer treatment	-	5,664,769	-	-	-
Sewer collection	-	2,903,335	-	-	-
Internal service	-	-	-	-	-
Administration	7,849,062	2,432,794	495,717	452,064	99
Depreciation and amortization	5,093,380	7,785,120	73,205	255,469	349
Economic improvement incentives	395,271	-	-	-	-
Other	3,911,069	430,757	-	-	-
Total operating expenses	<u>165,048,053</u>	<u>21,261,005</u>	<u>11,249,757</u>	<u>3,168,154</u>	<u>185,069</u>
Operating Income (Loss)	<u>10,393,038</u>	<u>5,803,557</u>	<u>(540,010)</u>	<u>(1,180,049)</u>	<u>(65,482)</u>
Non-Operating Revenues (Expenses):					
Investment income	1,844,593	2,727,343	106,202	-	6,057
Interest expense	(1,585,449)	(4,938,854)	-	(33,466)	-
Other non-operating revenue	-	-	-	-	-
Total non-operating revenues (expenses)	<u>259,144</u>	<u>(2,211,511)</u>	<u>106,202</u>	<u>(33,466)</u>	<u>6,057</u>
Income (Loss) Before Capital Contributions and Transfers	<u>10,652,182</u>	<u>3,592,046</u>	<u>(433,808)</u>	<u>(1,213,515)</u>	<u>(59,425)</u>
Capital Contributions	<u>945,839</u>	<u>4,288,542</u>	<u>13,185</u>	<u>-</u>	<u>-</u>
Transfers:					
From other funds	-	-	-	1,200,123	-
To other funds	(12,834,525)	(773,611)	(127,188)	-	-
Total operating transfers	<u>(12,834,525)</u>	<u>(773,611)</u>	<u>(127,188)</u>	<u>1,200,123</u>	<u>-</u>
Change in net assets	(1,236,504)	7,106,977	(547,811)	(13,392)	(59,425)
Net assets:					
Beginning of year, as restated	<u>131,127,860</u>	<u>153,947,864</u>	<u>3,524,522</u>	<u>2,708,066</u>	<u>221,853</u>
End of year	<u>\$ 129,891,356</u>	<u>\$ 161,054,841</u>	<u>\$ 2,976,711</u>	<u>\$ 2,694,674</u>	<u>\$ 162,428</u>

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

<u>ENTERPRISE FUNDS</u>					<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Adult Athletic Complex</u>	<u>Communi- cations</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES Internal Service Funds</u>
\$ 793,592	\$ 157,989	\$ 1,852,688	\$ 214,786	\$ 210,689,098	\$ 29,143,524
3,213	-	9,474	44,965	7,710,701	590,733
<u>796,805</u>	<u>157,989</u>	<u>1,862,162</u>	<u>259,751</u>	<u>218,399,799</u>	<u>29,734,257</u>
-	-	-	-	129,786,680	-
-	-	-	-	15,369,395	-
788,420	97,087	842,253	2,139,162	21,880,425	-
-	-	-	-	5,664,769	-
-	-	-	-	2,903,335	-
-	-	-	-	-	25,281,781
14,686	96	33,806	-	11,278,324	-
472,917	143,135	414,227	204,106	14,441,908	2,264,837
-	-	-	-	395,271	-
-	-	-	-	4,341,826	-
<u>1,276,023</u>	<u>240,318</u>	<u>1,290,286</u>	<u>2,343,268</u>	<u>206,061,933</u>	<u>27,546,618</u>
<u>(479,218)</u>	<u>(82,329)</u>	<u>571,876</u>	<u>(2,083,517)</u>	<u>12,337,866</u>	<u>2,187,639</u>
7,826	-	69,482	-	4,761,503	553,587
-	(9,020)	-	(42,261)	(6,609,050)	-
-	-	-	2,152,625	2,152,625	-
<u>7,826</u>	<u>(9,020)</u>	<u>69,482</u>	<u>2,110,364</u>	<u>305,078</u>	<u>553,587</u>
<u>(471,392)</u>	<u>(91,349)</u>	<u>641,358</u>	<u>26,847</u>	<u>12,642,944</u>	<u>2,741,226</u>
<u>1,837,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,085,080</u>	<u>-</u>
1,054,380	-	-	230,677	2,485,180	1,118,327
-	-	-	-	(13,735,324)	(6,306)
<u>1,054,380</u>	<u>-</u>	<u>-</u>	<u>230,677</u>	<u>(11,250,144)</u>	<u>1,112,021</u>
2,420,502	(91,349)	641,358	257,524	8,477,880	3,853,247
<u>16,926,326</u>	<u>727,066</u>	<u>7,548,580</u>	<u>2,831,097</u>	<u>319,563,234</u>	<u>28,889,924</u>
<u>\$ 19,346,828</u>	<u>\$ 635,717</u>	<u>\$ 8,189,938</u>	<u>\$ 3,088,621</u>	<u>\$ 328,041,114</u>	<u>\$ 32,743,171</u>

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

	BUSINESS-TYPE ACTIVITIES -				
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Cash Flows from Operating Activities:					
Cash received from customers	\$ 173,529,767	\$ 26,945,883	\$ 10,744,313	\$ 1,999,350	\$ 119,587
Cash paid to suppliers for goods and services	(147,340,025)	(7,591,507)	(5,388,187)	(1,710,461)	(147,584)
Cash paid to employees for services	(10,250,610)	(5,401,314)	(4,711,018)	(1,246,734)	(40,236)
Net cash provided by (used in) operating activities	<u>15,939,132</u>	<u>13,953,062</u>	<u>645,108</u>	<u>(957,845)</u>	<u>(68,233)</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers in	-	-	-	1,200,123	-
Transfers out	(12,834,525)	(773,611)	(127,188)	-	-
Operating grants	-	-	-	-	-
Principal received on loans to other funds	1,221,148	-	-	-	-
Interest received on loans to other funds	37,013	-	-	-	-
Principal paid on loans from other funds	-	-	-	(44,556)	-
Interest paid on loans from other funds	-	-	-	(25,769)	-
Loans to other funds	-	-	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>(11,576,364)</u>	<u>(773,611)</u>	<u>(127,188)</u>	<u>1,129,798</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from issuance of bonds	39,507,732	51,124,699	-	-	-
Bond issuance costs	(505,638)	(640,666)	-	-	-
Deposit to escrow agent	-	(23,487,983)	-	-	-
Principal paid on bonds and notes	(570,000)	(3,365,000)	-	-	-
Interest paid on bonds and notes	(1,687,612)	(4,695,349)	-	-	-
Proceeds of loans from other funds	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Acquisition and construction of capital assets	(11,242,764)	(17,766,127)	(380,484)	(152,708)	-
Contributions received from other governments and developers	945,839	4,288,542	13,185	-	-
Net cash provided by (used in) capital and related financing activities	<u>26,447,557</u>	<u>5,458,116</u>	<u>(367,299)</u>	<u>(152,708)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Purchase of investments	(40,520,879)	(27,646,408)	-	-	-
Proceeds from sales and maturities of investments	250,000	6,500,000	-	-	-
Investment income	2,024,322	3,052,783	108,702	-	6,503
Net cash provided by investing activities	<u>(38,246,557)</u>	<u>(18,093,625)</u>	<u>108,702</u>	<u>-</u>	<u>6,503</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,436,232)	543,942	259,323	19,245	(61,730)
Cash and Cash Equivalents, beginning of year	34,989,166	67,012,947	3,323,353	4,128	191,093
Cash and Cash Equivalents, end of year	<u>\$ 27,552,934</u>	<u>\$ 67,556,889</u>	<u>\$ 3,582,676</u>	<u>\$ 23,373</u>	<u>\$ 129,363</u>

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

<u>ENTERPRISE FUNDS</u>					<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Adult Athletic Complex</u>	<u>Communi-cations</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES Internal Service Funds</u>
\$ 902,617	\$ 157,989	\$ 1,862,162	\$ 259,751	\$ 216,521,419	\$ 29,764,915
(262,945)	(59,320)	(435,815)	(2,533,647)	(165,469,491)	(15,921,045)
<u>(446,091)</u>	<u>(95,494)</u>	<u>(472,863)</u>	<u>(2,451)</u>	<u>(22,666,811)</u>	<u>(6,734,795)</u>
193,581	3,175	953,484	(2,276,347)	28,385,117	7,109,075
1,054,380	-	-	230,677	2,485,180	1,118,327
-	-	-	-	(13,735,324)	(6,306)
-	-	-	2,074,777	2,074,777	-
-	-	-	-	1,221,148	-
-	-	-	-	37,013	-
-	-	-	(670,830)	(715,386)	-
-	-	-	(42,261)	(68,030)	-
-	-	-	-	-	-
<u>1,054,380</u>	<u>-</u>	<u>-</u>	<u>1,592,363</u>	<u>(8,700,622)</u>	<u>1,112,021</u>
-	-	-	-	90,632,431	-
-	-	-	-	(1,146,304)	-
-	-	-	-	(23,487,983)	-
-	-	-	-	(3,935,000)	-
-	-	-	-	(6,382,961)	-
-	-	-	-	-	-
-	-	-	-	-	287,651
(1,692,089)	(3,175)	(279,110)	(6,366)	(31,522,823)	(1,941,828)
<u>440,551</u>	<u>-</u>	<u>-</u>	<u>690,350</u>	<u>6,378,467</u>	<u>-</u>
<u>(1,251,538)</u>	<u>(3,175)</u>	<u>(279,110)</u>	<u>683,984</u>	<u>30,535,827</u>	<u>(1,654,177)</u>
-	-	-	-	(68,167,287)	-
-	-	-	-	6,750,000	-
<u>10,310</u>	<u>-</u>	<u>66,068</u>	<u>-</u>	<u>5,268,688</u>	<u>522,087</u>
<u>10,310</u>	<u>-</u>	<u>66,068</u>	<u>-</u>	<u>(56,148,599)</u>	<u>522,087</u>
6,733	-	740,442	-	(5,928,277)	7,089,006
100	-	2,228,298	-	107,749,085	17,095,338
<u>\$ 6,833</u>	<u>\$ -</u>	<u>\$ 2,968,740</u>	<u>\$ -</u>	<u>\$ 101,820,808</u>	<u>\$ 24,184,344</u>

(Continued)

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	BUSINESS-TYPE ACTIVITIES -					E
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park	
Reconciliation of Cash and Cash Equivalents to Balance Sheet:						
Total current cash and invest- ments per the balance sheet	\$ 13,656,821	\$ 30,986,731	\$ 3,582,676	\$ 23,373	\$ 129,363	\$
Total noncurrent cash and invest- ments per the balance sheet	<u>61,351,293</u>	<u>57,716,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments	75,008,114	88,703,297	3,582,676	23,373	129,363	-
Less: Investments not meeting the definition of cash equivalents	<u>(47,455,180)</u>	<u>(21,146,408)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, end of year	<u>\$ 27,552,934</u>	<u>\$ 67,556,889</u>	<u>\$ 3,582,676</u>	<u>\$ 23,373</u>	<u>\$ 129,363</u>	<u>\$</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ 10,393,038	\$ 5,803,557	\$ (540,010)	\$ (1,180,049)	\$ (65,482)	\$
Adjustments to reconcile operating income (loss) to cash provided by operating activities:						
Depreciation	5,159,708	7,799,247	73,205	255,469	349	-
Amortization	(66,277)	(14,077)	-	-	-	-
Loss(gain) on capital asset disposal	(1,339,130)	(460,030)	12,694	23,526	(1)	-
(Increase) decrease in assets:						
Accounts and notes receivable	(1,871,598)	5,792	1,000	(136)	-	-
Accrued unbilled revenue	(11,104)	-	-	-	-	-
Due from other funds	-	(156,943)	33,566	-	-	-
Inventories	130,872	26,797	-	15,320	-	-
Due from other governments	(151,534)	971	-	-	-	-
Other current assets	(81,479)	100,883	-	(8,666)	-	-
Increase (decrease) in liabilities:						
Accounts payable	2,503,582	802,720	955,224	148,417	180	-
Compensated absences payable	128,511	83,545	81,613	(23,291)	(3,378)	-
OPEB obligation payable	68,248	29,982	27,816	5,917	99	-
Due to other funds	244,794	-	-	(205,733)	-	-
Customer deposits	(28,622)	-	-	-	-	-
Unearned revenue	-	(69,382)	-	11,381	-	-
Decommissioning costs	<u>860,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 15,939,132</u>	<u>\$ 13,953,062</u>	<u>\$ 645,108</u>	<u>\$ (957,845)</u>	<u>\$ (68,233)</u>	<u>\$</u>
Noncash Capital and Related Financing Activities:						
Plant and equipment contributed by developers	<u>\$ -</u>	<u>\$ 4,288,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>
Noncash Investing Activities:						
Change in fair value of investments	<u>\$ (105,071)</u>	<u>\$ (102,195)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>

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

INTERPRISE FUNDS

GOVERNMENTAL

Ocala International Airport	Adult Athletic Complex	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
6,833	\$ -	\$ 2,968,740	\$ -	\$ 51,354,537	\$ 24,184,344
-	-	-	-	119,067,859	-
6,833	-	2,968,740	-	170,422,396	24,184,344
-	-	-	-	(68,601,588)	-
<u>6,833</u>	<u>\$ -</u>	<u>\$ 2,968,740</u>	<u>\$ -</u>	<u>\$ 101,820,808</u>	<u>\$ 24,184,344</u>
(479,218)	\$ (82,329)	\$ 571,876	\$ (2,083,517)	\$ 12,337,866	\$ 2,187,639
472,917	143,135	414,227	204,106	14,522,363	2,264,837
-	-	-	-	(80,354)	-
11,126	-	(62,770)	62,731	(1,751,854)	1,326,732
-	-	-	-	(1,864,942)	30,658
-	-	-	-	(11,104)	-
-	-	-	-	(123,377)	-
-	(1,480)	123,636	-	295,145	(17,103)
-	-	-	-	(150,563)	-
(260)	-	-	-	10,478	(12)
81,311	(1,394)	(101,375)	21,365	4,410,030	1,391,557
(79)	(8,087)	5,523	-	264,357	(111,230)
1,972	96	2,367	-	136,497	35,997
-	(46,766)	-	(481,032)	(488,737)	-
-	-	-	-	(28,622)	-
105,812	-	-	-	47,811	-
-	-	-	-	860,123	-
<u>193,581</u>	<u>\$ 3,175</u>	<u>\$ 953,484</u>	<u>\$ (2,276,347)</u>	<u>\$ 28,385,117</u>	<u>\$ 7,109,075</u>
-	\$ -	\$ -	\$ -	\$ 4,288,542	\$ -
-	\$ -	\$ -	\$ -	\$ (207,266)	\$ -

**CITY OF OCALA, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008**

Assets	PENSION TRUST FUNDS
Cash and Cash Equivalents	<u>\$ 3,130,631</u>
Receivables:	
Interest and dividends receivable	242,015
Accounts receivable	7,283,368
Due from other governments	<u>26,272</u>
Total receivables	<u>7,551,655</u>
Investments, at fair value:	
Mutual funds: equities	8,737,673
Mutual funds: bonds	22,044,537
Mutual funds: real estate	7,500,758
Mutual funds: hedge fund of funds	3,763,688
Common stock	51,777,211
Government obligations	6,476,415
International stock	17,381,360
Non-government obligations	<u>6,937,355</u>
Total investments	<u>124,618,997</u>
Total Assets	<u>135,301,283</u>
Liabilities	
Accounts Payable	<u>4,445,697</u>
Total liabilities	<u>4,445,697</u>
Net Assets Reserved for Employees'	
Pension Benefits	<u>\$ 130,855,586</u>

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, 2008**

	PENSION TRUST FUNDS
Additions:	
Contributions:	
Employer	\$ 14,520,241
State	1,043,903
Employee	<u>2,230,458</u>
Total contributions	<u>17,794,602</u>
Investment income:	
Investment income (loss)	(31,390,419)
Dividend income	<u>5,416,592</u>
Total income on investments	<u>(25,973,827)</u>
Less: Investment management fees	<u>(728,792)</u>
Net investment income (loss)	<u>(26,702,619)</u>
Total additions (reductions)	<u>(8,908,017)</u>
Deductions:	
Pension payments	9,435,858
Refunds to employees	116,648
Administration	<u>240,253</u>
Total deductions	<u>9,792,759</u>
Net Increase (Decrease)	(18,700,776)
Net Assets Reserved for Employees'	
Pension Benefits:	
Beginning of year	<u>149,556,362</u>
End of year	<u><u>\$ 130,855,586</u></u>

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant City accounting policies are described below.

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.

Blended Component Unit:

Community Redevelopment Agency (CRA) - The Community Redevelopment Agency 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. Separate financial statements for the CRA are not presently developed.

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.

Related Organization:

The City is responsible for appointing the Ocala Housing Authority's board. However, the City's accountability for this organization does not extend beyond making these appointments.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, except for property taxes, to be available if they generally are collected within 90 days of the end of the current fiscal period, except for certain expenditure reimbursement type grants, such as FEMA disaster relief for hurricane damage which have a one year window. Property taxes for the current period are susceptible to accrual if the applicable payments are received within 60 days after the close of the period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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

The City reports the following 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.
- The *Water and Sewer System* accounts for the fiscal activity of providing water and wastewater services to residential and commercial customers.
- 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 two golf courses.
- The *Municipal Trailer Park Fund* accounts for the operations and maintenance of the City-owner trailer park.
- The *Ocala International Airport Fund* accounts for the construction, operations and maintenance of the City's airport and the Foreign Trade Zone #217.
- The *Adult Athletic Complex Fund* accounts for the construction, operations and maintenance of the Ocala Regional Sportsplex.
- The *Communication 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.

Additionally, the City reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- *Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Internal Service Funds* account for the activities of the City's risk management, fleet management and internal service funds. The City's risk management program includes amounts collected and the claims paid for the County's workers' compensation, property, general liability, and prescription medicine self-insurance. The Fleet management fund is charged with acquiring and maintaining of approximately 930 units of gas-driven vehicles and equipment. The Internal Services fund operates the City's information technology system, facilities maintenance, purchasing and warehousing functions.
- *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.

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

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

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

Annual Budgets

An annual budget is prepared for all governmental and proprietary funds. 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, 2008.

The City Manager is authorized 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 2008, 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, 2008, no expenditures exceeded the budget at the fund level.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity in Pooled Cash and Investments

The City maintains a pooled cash and 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.

Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand (including equity pooled cash), demand deposit accounts and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

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.

Utility Receivables

Utility receivables are shown net of the allowance for uncollectible accounts of \$3,397,436. This amount is based upon the past history of accounts written off as compared to the receivable balance. Utility revenues are generally recognized when they are billed.

Inventories

Inventories held by the proprietary funds consist of golf retail merchandise, 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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	15-40 Years
Electric and Water/Sewer Plant	20-30 Years
Machinery, Equipment and Vehicles	05-10 Years
Infrastructure	15-40 Years

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization of Interest - In accordance with FASB Statement No. 62, the Water and Sewer System enterprise fund capitalizes net interest costs on funds borrowed to finance the construction of capital assets. For the year ended September 30, 2008, capitalization of net interest costs was as follows:

	<u>Water and Sewer System</u>	<u>Electric System</u>	<u>Total</u>
Interest expense	\$ 649,944	\$ 1,027,799	\$ 1,677,743
Amortization of bond issuance costs	(17,585)	(26,222)	(43,807)
Interest income	<u>(520,290)</u>	<u>(435,058)</u>	<u>(955,348)</u>
Increase in construction in progress	<u>\$ 112,069</u>	<u>\$ 566,519</u>	<u>\$ 678,588</u>

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 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.

Accrued Revenue

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

Property Taxes

Property taxes levied by the City are billed and collected by Marion County and normally attach as an enforceable lien on property as of January 1. Generally taxes are levied on November 1 and are payable on or before June 1. Substantially all property tax billings are collected during the fiscal period billed.

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, 2008 was \$4.5288 per \$1,000 of assessed property value.

Interfund Payables and Receivables

Interfund payables and receivables are non-interest bearing and generally are liquidated monthly (Note 3). Interfund advances are liquidated in accordance with the City Council's resolution and may bear interest (Note 3).

Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee terminations prior to year-end, if any, are recorded as expenditures and represent 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 - CONTINUED
SEPTEMBER 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Pension Costs

Pension plan contributions include provision for normal cost plus an amount sufficient to amortize the past service liability over a thirty-year period.

Reserves of Fund Balances

Fund balances of governmental funds are reserved for assets which have been legally segregated for specific future uses or which are not available for expenditure. Encumbrances lapse at year end.

Grants and Contributions

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.

Contributed assets are recorded at fair market value at the time received.

On-Behalf Payments for Fringe Benefits

The City receives on-behalf payments from the State of Florida to be used for the Police Officers' Retirement System and for the Firefighters' Retirement Plan. On-behalf payments to the City totaled \$1,043,903 for the fiscal year ended September 30, 2008. These payments are recorded as intergovernmental revenues and public safety expenditures in the City's General Fund.

Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method.

Bond discounts are presented as a reduction of the face amount of the related bonds payable and bond premiums are presented as an addition to the face amount of the related bonds payable. Issuance costs are recorded as other assets.

Deferred Loss on Defeasance of Debt

The difference between the reacquisition price (new debt) and the net carrying value of the old debt in a debt refinancing is deferred and amortized as a component of interest expense over the shorter remaining life of the old or new debt. The deferred loss on defeasance of debt is presented as a reduction of the face amount of the new bonds payable.

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 an operating revenue of the Electric Revenue Fund.

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Governmental and Business-Type Activities:

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". 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.

A. Cash and Cash Equivalents

At September 30, 2008, the carrying amount of the City's deposits was \$34,479,458. These deposits, consisting of interest bearing and non-interest bearing demand accounts and certificates of deposit, 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.

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 pay monthly direct service charges and will earn interest on collected balances at the effective federal funds rate less 5 basis points and adjusted for reserve requirement.

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 Fund A and Fund B. Fund A operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in Fund A Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$2,277,362 is reported at amortized cost. The Fund A investment pool had a weighted average days to maturity of 8.5 days as of September 30, 2008. Fund A is rated AAAM by Standard & Poors. Details on Fund B are in the Investment Portfolio section of this note.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investment Portfolio

On December 8, 1992, 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.

Section 218.415, Florida Statutes, limits the types of investments that a government can invest in unless specifically authorized in an investment policy. 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 Agencies, 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.

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.

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 five (5) years. No more than 50% of the City's total investment portfolio shall be placed in securities maturing more than three years.

The City utilizes "effective duration" as a measurement of interest rate risk and as of September 30, 2008 the Treasury Investment Portfolio had an overall effective duration of 2.21 years. As of September 30, 2008, the Treasury Investment Portfolio had the following investment types and effective duration presented in terms of years:

Security Type	Average Rating	Fair Value	Effective Duration or Effective Maturity (In Years)
Cash	n/a	2,771,754	0.00
SBA Funds - Pool B	Not Rated	897,366	9.36
U.S. Treasury Bonds and Notes	AAA	30,380,899	2.49
U.S. Government Agencies	AAA	42,244,582	1.79
CMO/Mortgage Backed Securities	AAA	15,988,452	2.73
Corporate Debt	AA-	44,632,817	2.31
Municipal Bonds	AA	5,561,716	1.89
		\$ 142,477,586	

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Federal Instrumentalities Pass-Through Securities (Mortgage Backed Securities or MBS) are highly sensitive to interest rate changes due to the prepayment feature of the underlying mortgages. The total market value of MBS invested in the portfolio at September 30, 2008 was \$8,187,531.

The City's investment in Fund B Local Government Surplus Funds Trust Fund in the amount of \$897,366 is reported at fair value. The Fund B investment pool had a weighted average life of 9.36 years as of September 30, 2008.

In addition to the investment portfolio, the City had a Crystal River – 3 Decommissioning Fund and three separate bond funds. The balances as of September 30th, 2008 were as follows:

CR – 3 Decommissioning

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	2,832,429	0.00
Commercial Paper	A1	3,444,141	0.28
U.S. Government & Agency Bonds	AAA	1,787,635	5.87
		\$ 8,064,204	2.05

Ocala Utility System Construction 2007A –Electric bond fund:

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	16,214,593	0.00
U.S. Treasury Notes	AAA	3,029,295	0.65
U.S. Government Agencies	AAA	12,480,165	0.73
Corporate Debt	A	7,666,923	0.70
		\$ 39,390,976	0.44

Ocala Capital Improvement Construction 2007A bond fund:

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	2,538,280	0.00
U.S. Treasury Notes	AAA	1,010,656	0.70
U.S. Government Agencies	AAA	5,159,494	0.61
Corporate Debt	A	3,034,749	0.69
		\$ 11,743,179	0.51

Ocala Water and Sewer Construction 2007A bond fund

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	158,875	0.00
Commercial Paper	A-1+	6,751,896	0.64
U.S. Government Agencies	AAA	12,987,759	1.10
Corporate Debt	AA	1,247,878	0.83
		\$ 21,146,408	0.94

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Total Funds Recap

	Average Rating	Fair Value	Effective Duration (In Years)
Carrying Value of Cash	not rated	34,479,458	0
Treasury Investment Portfolio	AA+	142,477,586	2.22
SBA Pool A	AAA _m	2,277,362	8.5 days
CR-3 Decommissioning	AAA	8,064,204	2.05
Ocala Utility System Construction -Electric	AA	39,390,976	0.44
Ocala Capital Improvement Construction	AAA	11,743,179	0.51
Ocala Water and Sewer Construction	AAA	21,146,408	0.94
Total	AA+	\$ 259,579,174	1.45

D. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. The City's investment policy limits investments to those described above. Corporate obligations are limited to Corporations whose long-term debt is rated at least "A" or the equivalent by Standard & Poor's or Moody's.

E. Custodial Credit Risk

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

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

As of September 30, 2008 the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

F. Concentration of Credit Risk

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

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>Sector Allocations</u>		Individual Issue/ <u>Fund Limit</u>
	<u>Minimum</u>	<u>Maximum</u>	
U.S. Treasury & Federal Agencies	35%	None	None
Corporate Debt Obligations	None	50%	5%
Mortgage/Asset Backed Securities	None	30%	5%
Municipal Securities	None	20%	5%
Certificates of Deposit	None	20%	5%
Repurchase Agreements	None	25%	15%
Local Government Surplus Funds Trust Fund	None	50%	50%
Money Market Mutual/Trust	None	30%	15%

As of September 30, 2008, the City's investment portfolio was in compliance with all diversification requirements of the City's investment policy.

G. Foreign Currency Risk

The City is not exposed to this type of risk.

Pension Trust Funds:

The City maintains single-employer, defined benefit 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.

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 Cash Equivalents

At September 30, 2008, the carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	\$225,301
Firefighters' Retirement Plan	63,822
Police Officers' Retirement System	<u>68,824</u>
Total Pension Trust Funds	\$357,947

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 Portfolio

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 ratings requirements, and maturity limits to protect their pension plan's cash and investment assets. Each of the plans employ 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 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 Agencies, 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, both the General Employees' and the Firefighters' plans 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. The General Employees' plan is also permitted to invest in pooled Real Estate vehicles, limited partnerships, or other types of Real Estate investments as determined by the board in consultation with their Investment Adviser.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

As of September 30, 2008, the investments of the City's pension plans are as follows:

Investment Type	Market Value	% of Portfolio	Credit Rating	Duration (In Years)
<u>General Employees Retirement System</u>				
Cash and Cash Equivalents	1,203,667	1.85%	N/A	N/A
Fixed Income	14,352,721	22.02%	AA-	4.5
Real Estate	6,246,698	9.58%	N/A	N/A
Common Stock	28,458,468	43.66%	N/A	N/A
Hedge Fund (mutual fund)	3,763,688	5.77%	N/A	N/A
International Equities	<u>11,160,024</u>	<u>17.12%</u>	N/A	N/A
Fund Total	<u>65,185,266</u>	<u>100.00%</u>		
<u>Firefighters Retirement Plan</u>				
Cash and Cash Equivalents	102,242	.41%	N/A	N/A
Domestic Equities	13,713,312	64.67%	N/A	N/A
Fixed Income	7,691,816	32.67%	AA	4.5
Real Estate	1,254,060	5.00%	N/A	N/A
International Equities	<u>2,321,336</u>	<u>9.25%</u>	N/A	N/A
Fund Total	<u>25,082,766</u>	<u>100.00%</u>		
<u>Police Officers Retirement System</u>				
Cash and Cash Equivalents	1,466,775	3.95%	N/A	N/A
Domestic Equities	18,343,104	49.41%	N/A	N/A
Fixed Income	13,413,770	36.13%	AA+	4.6
International Equities	<u>3,900,000</u>	<u>10.51%</u>	N/A	N/A
Fund Total	<u>37,123,649</u>	<u>100.00%</u>		
Total Pension Plan Investments not including bank accounts	127,391,681			

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, 2008, the securities in the City's pension plans had the effective durations presented above and were in compliance with their respective investment policies.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 provide 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, 2008, 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, 2008, all identifiable investment securities of the pension plan portfolios are registered in the respective plan's name and are held by a third-party custodian as required.

F. Concentration of Credit Risk

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

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 Employee's Retirement System had an actual allocation to international equity was 17.11% as of September 30, 2008. 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 9.25% to international equities as of September 30, 2008. According to F.S. 175.071, firefighter pension plans may have up to 10% of assets allocated to international equities. The Police Officers Retirement System had an allocation of 10.46% to international equities. According to F.S. 185.06, police pension plans may have up to 10% of assets allocated to international equities.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 3 - INTERFUND TRANSACTIONS

The composition of interfund balances as of September 30, 2008 is as follows:

	<u>Interfund Receivables/ Payables</u>	<u>Interfund Advances Current</u>	<u>Interfund Advances Long-Term</u>	<u>Interfund Advances Total</u>	<u>Total Interfund Balances</u>
Due to General Fund from:					
Electric System Revenue Fund	\$ 628,448	\$ -	\$ -	-	\$ 628,448
Adult Athletic Complex Fund	212,824	-	-	-	212,824
SunTran Fund	738,409	360,109	-	360,109	1098518
Total due to General Fund from other funds	<u>\$ 1,579,681</u>	<u>\$ 360,109</u>	<u>\$ -</u>	<u>\$ 360,109</u>	<u>\$ 1,939,790</u>
Due to nonmajor governmental funds from:					
Electric System Revenue Fund	<u>\$ 217,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,696</u>
Due to Electric System Revenue Fund from:					
General Fund	\$ -	\$ 10,549	\$ 65,482	\$ 76,031	\$ 76,031
Municipal Golf Course Fund	-	47,777	295,961	343,738	343,738
Total due to Electric System Revenue Fund from other funds	<u>\$ -</u>	<u>\$ 58,326</u>	<u>\$ 361,443</u>	<u>\$ 419,769</u>	<u>\$ 419,769</u>
Due to Water and Sewer Fund from:					
Electric System Revenue Fund	<u>\$ 1,493,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,493,068</u>
Due to Sanitation Fund from:					
Electric System Revenue Fund	<u>\$ 462,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,340</u>
Totals at the fund level	<u>\$ 3,752,785</u>	<u>\$ 418,435</u>	<u>\$ 361,443</u>	<u>\$ 779,878</u>	<u>\$ 4,532,663</u>

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 - CONTINUED
SEPTEMBER 30, 2008**

NOTE 3 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers for the year ended September 30, 2008 consisted of the following:

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 1,591,991
Electric System Revenue Fund	12,528,761
Water and Sewer Fund	500,000
Total transfers to General Fund	<u>\$ 14,620,752</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 3,027,707
Nonmajor governmental funds	2,069,457
Electric System Revenue Fund	305,764
Water and Sewer Fund	173,611
Sanitation Fund	127,188
Internal Service Fund	6,306
Total transfers to nonmajor governmental funds	<u>\$ 5,710,033</u>
Transfers to SunTran Fund from:	
Nonmajor governmental funds	<u>\$ 230,677</u>
Total transfers to SunTran Fund	<u>\$ 230,677</u>
Transfers to Ocala International Airport Fund from:	
General Fund	\$ 77,858
Nonmajor governmental funds	976,522
Total transfers to Ocala International Airport Fund	<u>\$ 1,054,380</u>
Transfers to Municipal Golf Course Fund from:	
General Fund	\$ 953,360
Nonmajor governmental funds	\$ 146,763
Water and Sewer Fund	100,000
Total transfers to Municipal Golf Course Fund	<u>\$ 1,200,123</u>
Transfers to Internal Service Funds from:	
General Fund	<u>\$ 1,118,327</u>
Total transfers to Internal Service Funds	<u>\$ 1,118,327</u>
Total transfers at the fund level	<u>\$ 23,934,292</u>

Interfund transfers are normally recurring and are approved by City Council during the budget process or by separate resolutions. The transfers from the Electric System Revenue Fund and the Water and Sewer Fund to the General Fund are in support of general government operations. Other transfers are for debt service requirements, for City grant matches, for the early retirement incentive program and for capital projects for enterprise funds.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and Improvements	16,207,314	1,550,544	-	17,757,858
Construction In Progress	13,796,959	9,228,072	(8,062,348)	14,962,683
Total capital assets not being depreciated	<u>30,004,273</u>	<u>10,778,616</u>	<u>(8,062,348)</u>	<u>32,720,541</u>
Capital assets being depreciated:				
Buildings and Improvements	34,442,351	3,384,663	(2,402,022)	35,424,992
Equipment	42,517,220	3,488,103	(6,391,046)	39,614,277
Infrastructure (Roads and Streets)	276,379,137	3,661,323	-	280,040,460
Total capital assets being depreciated	<u>353,338,708</u>	<u>10,534,088</u>	<u>(8,793,068)</u>	<u>355,079,729</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(12,902,446)	(1,216,512)	1,247,468	(12,871,491)
Equipment	(28,401,538)	(3,003,484)	5,498,402	(25,906,619)
Infrastructure (Roads and Streets)	(159,336,909)	(6,757,911)	-	(166,094,819)
Total Accumulated Depreciation	<u>(200,640,893)</u>	<u>(10,831,619)</u>	<u>6,599,582</u>	<u>(204,872,930)</u>
Total capital assets being depreciated-net	<u>152,697,815</u>	<u>(297,530)</u>	<u>(2,193,486)</u>	<u>150,206,799</u>
Governmental activities capital assets-net	<u>182,702,088</u>	<u>10,481,086</u>	<u>(10,255,833)</u>	<u>182,927,340</u>
Business Type Activities:				
Capital assets not being depreciated:				
Land and Improvements	18,937,692	222,393	-	19,160,084
Construction In Progress	39,987,202	28,047,074	(25,230,064)	42,804,213
Total capital assets not being depreciated	<u>58,924,894</u>	<u>28,269,467</u>	<u>(25,230,064)</u>	<u>61,964,297</u>
Capital assets being depreciated:				
Buildings	16,988,318	2,363,639	-	19,351,957
Improvements and Extensions	372,361,723	30,751,933	(556,384)	402,557,271
Equipment	12,866,263	720,639	(3,868,944)	9,717,958
Crystal River Unit No.3	16,168,423	-	-	16,168,423
Total capital assets being depreciated	<u>418,384,727</u>	<u>33,836,211</u>	<u>(4,425,328)</u>	<u>447,795,609</u>
Less Accumulated Depreciation:				
Buildings	(5,455,751)	(1,474,065)	-	(6,929,817)
Improvements and Extensions	(139,163,007)	(14,021,660)	184,297	(153,000,371)
Equipment	(7,828,800)	(886,947)	4,899,138	(3,816,609)
Crystal River Unit No.3	(12,787,667)	(260,058)	-	(13,047,725)
Total Accumulated Depreciation	<u>(165,235,225)</u>	<u>(14,522,363)</u>	<u>5,083,435</u>	<u>(176,794,521)</u>
Total capital assets being depreciated-net	<u>253,149,502</u>	<u>19,313,848</u>	<u>658,107</u>	<u>271,001,089</u>
Business-Type activities capital assets-net	<u>\$312,074,396</u>	<u>\$47,583,315</u>	<u>(\$24,571,957)</u>	<u>\$332,965,386</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government and Administration	\$ 345,936
Public Safety	976,291
Public Works	199,416
Infrastructure	6,757,911
Culture and Recreation	235,055
Housing	12,691
Human Services	5,309
Physical Environment	28,109
Transportation	6,064
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,264,837
Total Depreciation Expense - Governmental Activities	\$ 10,831,619
Business Type Activities:	
Electric	\$ 5,159,708
Water and Sewer	7,799,247
Sanitation	73,205
Golf Courses	255,469
Trailer Park	349
Airport	472,917
Athletic Complex	143,135
Communications	414,227
SunTran	204,106
Total Depreciation Expense - Business Type Activities	\$ 14,522,363

During fiscal year 2008 the City of Ocala increased the capitalization threshold for fixed assets from \$1,000 to \$5,000. The result of this action reduced net assets as presented below. In accordance with FS Chapter 274 and Florida Administrative Code Rule 691-73 these items are tracked, outside of the financial statements, as inventory in tangible and public service types.

	Cost	Accumulated Depreciation	Loss
Governmental Activities	\$ 5,866,298	\$ 4,166,234	\$ 1,700,064
Business Type Activities	\$ 1,989,585	\$ 1,473,947	\$ 515,638

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Loss on increase of capitalization threshold from \$1,000 to \$5,000 was charged to functional programs of the government as follows:

Governmental Activities:

General Government and Administration	\$71,844
Public Safety	968,471
Public Works	174,224
Culture and Recreation	101,906
Housing	2,150
Human Services	622
Physical Environment	70,971
Transportation	17,245
Capital assets held by the City's internal service funds	292,631
are charged to the various functions based on their usage of the assets	

Total Loss on Capital Limit Increase - Governmental Activities	\$1,700,064
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Business Type Activities:

Electric	\$282,054
Water and Sewer	194,751
Sanitation	12,695
Airport	11,052
SunTran	15,086

Total Loss on Capital Limit Increase - Business Type Activities	\$515,638
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NOTE 5 - 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 - CONTINUED
SEPTEMBER 30, 2008**

NOTE 5 - PENSION PLANS (CONTINUED)

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 contributes 15.5% and general employees contribute 2.3% 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 2008 fiscal year the amount of these contributions totaled \$544,393, all of which is available to the plan for the provision of benefits, in accordance with Chapter 185, Florida Statutes. The City contributes 15.5% 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 2008 fiscal year the amount of these contributions totaled \$450,888, however, the amount available to the plan for the provision of benefits is frozen, in accordance with Chapter 175, Florida Statutes at \$259,377. The City contributes 15.5% and the firefighters contribute 8.42% of their salaries or wages to the Firefighters' Retirement Plan.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 5 - PENSION PLANS (CONTINUED)

Participation - At September 30, 2008, participation in the plans consisted of the following:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Retirees and beneficiaries currently receiving benefits	406	59	48
DROP retirees	14	8	8
Terminated employees entitled to benefits not yet receiving them	<u>199</u>	<u>13</u>	<u>4</u>
	<u><u>619</u></u>	<u><u>80</u></u>	<u><u>60</u></u>
Current employees:			
Vested	503	78	63
Nonvested	<u>238</u>	<u>68</u>	<u>58</u>
Total	<u>741</u>	<u>146</u>	<u>121</u>

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.

Contributions Required and Contribution Made

The contribution requirement for the General Employees' Retirement System for the 2008 fiscal year, established through an actuarial valuation performed as of October 1, 2006, was \$5,919,245 (19.3% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled \$969,858 (2.3% of current covered payroll), actual employer contributions to the General Employees' Retirement System amounted to \$12,133,628 (15.5% 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 2008 fiscal year, established through an actuarial valuation performed as of October 1, 2006, was \$2,269,538 (28.04% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled \$647,482 (8.00% of current covered payroll), actual City contributions were \$1,254,445 (15.5% of current covered payroll) and actual state contributions deposited directly to the plan amounted to \$544,393 (6.72% 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 Firefighters' Retirement Plan for the 2008 fiscal year, determined through an actuarial valuation performed as of October 1, 2006, was \$1,698,634 (23.25% of current covered payroll). Actual employee contributions totaled \$613,118 (8.39% of current covered payroll), actual City contributions were \$1,132,167 (15.5% of current covered payroll) and actual state contributions deposited directly to the plan amounted to \$499,510 (6.83% 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 5 - PENSION PLANS (CONTINUED)

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 are as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>
Annual Required Pension Contribution	5,213,030	1,194,413	998,664
Interest on Net Pension Obligation	(22,957)	(40,437)	-
Actuarial Adjustment	24,572	43,281	-
Annual Pension Cost	5,214,645	1,197,257	998,664
(Actual Pension Contributions)	12,133,628	1,254,445	984,388
Increase (Decrease) in NPO	(6,918,983)	(57,188)	14,276
Net Pension Obligation - Beginning	(270,082)	(475,727)	-
Net Pension Obligation (Asset)	(7,189,065)	(532,915)	14,276

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, 2008	October 1, 2008	October 1, 2008
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	30 Years	30 Years	20 Years
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing	Expected Value
Actual Assumptions (All Plans):			
Net Investment Rate of Return	8.5%	8.5%	8.0%
Projected Salary Increases*	6.0%	6.0%	3.50% - 7.50%
*Includes Inflation at	3.0%	3.0%	3.50%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 5 - PENSION PLANS (CONTINUED)

Three-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:			
9/30/06	4,417,397	104.84%	(213,853)
9/30/07	4,740,189	101.21%	(270,082)
9/30/08	5,213,030	233.00%	(7,189,065)
Police Officers' Plan:			
9/30/06	867,517	140.65%	(352,608)
9/30/07	1,070,907	111.69%	(475,727)
9/30/08	1,194,413	105.00%	(532,915)
Firefighters' Plan:			
9/30/06	940,934	100.00%	-
9/30/07	984,388	100.00%	-
9/30/08	998,664	100.00%	-

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.

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)
09/30/2007	\$80,419,973	\$64,319,044	\$16,100,929	1.25	\$31,347,437	0.51

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)
09/30/2007	\$42,305,347	\$16,312,862	\$25,992,485	2.59	\$8,198,176	3.17

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)
09/30/2007	\$27,253,578	\$37,573,342	\$10,319,764	.725	\$1,158,844	8.905

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 5 - PENSION PLANS (CONTINUED)

Other Pension Plan Information (Concluded)

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.

The following is the combining statement of plan net assets for the pension trust funds at September 30, 2008

Assets	General Employees' Retirement System	Firefighters' Retirement Plan	Police Officers' Retirement System	Total
Cash and Cash Equivalents	\$ 1,428,968	\$ 166,064	\$ 1,535,599	\$ 3,130,631
Receivables:				
Interest and dividends receivable	45,686	17,602	178,727	242,015
Accounts receivable	7,197,825	-	85,543	7,283,368
Due from other governments	-	26,272	-	26,272
Total receivables	<u>7,243,511</u>	<u>43,874</u>	<u>264,270</u>	<u>7,551,655</u>
Investments, at fair value:				
Mutual funds: equities	-	8,737,673	-	8,737,673
Mutual funds: bonds	14,352,721	7,691,816	-	22,044,537
Mutual funds: real estate	6,246,698	1,254,060	-	7,500,758
Mutual funds: hedge fund of funds	3,763,688	-	-	3,763,688
Common stock	28,458,468	4,975,639	18,343,104	51,777,211
Government obligations	-	-	6,476,415	6,476,415
International stock	11,160,024	2,321,336	3,900,000	17,381,360
Non-government obligations	-	-	6,937,355	6,937,355
Total investments	<u>63,981,599</u>	<u>24,980,524</u>	<u>35,656,874</u>	<u>124,618,997</u>
Total Assets	<u>72,654,078</u>	<u>25,190,462</u>	<u>37,456,743</u>	<u>135,301,283</u>
Liabilities				
Accounts Payable	2,471,869	691,739	1,282,089	4,445,697
Total liabilities	<u>2,471,869</u>	<u>691,739</u>	<u>1,282,089</u>	<u>4,445,697</u>
Net Assets				
Net Assets Reserved for Employees' Pension Benefits	<u>\$ 70,182,209</u>	<u>\$ 24,498,723</u>	<u>\$ 36,174,654</u>	<u>\$ 130,855,586</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 5 - PENSION PLANS (CONTINUED)

The following is the combining statement of changes in plan net assets for the pension trust funds for the fiscal year ended September 30, 2008

	General Employees' Retirement System	Firefighters' Retirement Plan	Police Officers' Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 12,133,628	\$ 1,132,168	\$ 1,254,445	\$ 14,520,241
State	-	499,510	544,393	1,043,903
Employee	969,858	613,118	647,482	2,230,458
Total contributions	<u>13,103,486</u>	<u>2,244,796</u>	<u>2,446,320</u>	<u>17,794,602</u>
Investment income:				
Investment income (loss)	(17,648,940)	(6,553,952)	(7,187,527)	(31,390,419)
Dividend income	3,698,845	859,436	858,311	5,416,592
Total income on investments	<u>(13,950,095)</u>	<u>(5,694,516)</u>	<u>(6,329,216)</u>	<u>(25,973,827)</u>
Less: Investment management fees	<u>(363,062)</u>	<u>(130,377)</u>	<u>(235,353)</u>	<u>(728,792)</u>
Net investment income (loss)	<u>(14,313,157)</u>	<u>(5,824,893)</u>	<u>(6,564,569)</u>	<u>(26,702,619)</u>
Total additions (reductions)	<u>(1,209,671)</u>	<u>(3,580,097)</u>	<u>(4,118,249)</u>	<u>(8,908,017)</u>
Deductions:				
Pension payments	5,106,231	1,417,761	2,911,866	9,435,858
Refunds to employees	39,732	66,719	10,197	116,648
Administration	126,204	49,096	64,953	240,253
Total deductions	<u>5,272,167</u>	<u>1,533,576</u>	<u>2,987,016</u>	<u>9,792,759</u>
Net Increase (Decrease)	(6,481,838)	(5,113,673)	(7,105,265)	(18,700,776)
Net Assets Reserved for Employees'				
Pension Benefits:				
Beginning of year	<u>76,664,047</u>	<u>29,612,396</u>	<u>43,279,919</u>	<u>149,556,362</u>
End of year	<u>\$ 70,182,209</u>	<u>\$ 24,498,723</u>	<u>\$ 36,174,654</u>	<u>\$ 130,855,586</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008

NOTE 6 - LONG-TERM LIABILITIES

The City's outstanding long-term debt includes bonds payable, notes payable, claims payable and compensated absences payable. The following is a schedule of changes in the City's long-term debt for the fiscal year ended September 30, 2008:

	<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	\$ 11,210,000	\$ -	\$ (1,695,000)	\$ 9,515,000	\$ 1,555,000
1995 Capital Improvement Certificates	4,280,000	-	(4,280,000)	-	-
2002 Capital improvement Certificates	12,130,000	-	(585,000)	11,545,000	600,000
2003 Capital improvement Certificates	13,500,000	-	(630,000)	12,870,000	640,000
2007A Capital improvement Certificates	-	15,870,000	-	15,870,000	-
2007B Capital improvement Certificates	-	4,290,000	-	4,290,000	120,000
Subtotal	<u>41,120,000</u>	<u>20,160,000</u>	<u>(7,190,000)</u>	<u>54,090,000</u>	<u>2,915,000</u>
Less deferred refundings and discounts	707,148	(403,815)	(24,801)	278,532	-
Total Revenue Bonds and Certificates	<u>41,827,148</u>	<u>19,756,185</u>	<u>(7,214,801)</u>	<u>54,368,532</u>	<u>2,915,000</u>
Other liabilities					
Installment Purchase Contract Payable	-	547,201	-	547,201	273,601
Compensated Absences	3,328,114	3,344,898	(2,776,948)	3,896,064	1,864,746
OPEB Liability	-	136,497	-	136,497	-
Claims and Judgements	4,577,807	2,388,513	(2,573,396)	4,392,924	878,585
Total other liabilities	<u>7,905,921</u>	<u>6,417,109</u>	<u>(5,350,344)</u>	<u>8,972,686</u>	<u>3,016,932</u>
Total Governmental Activities	<u>\$ 49,733,069</u>	<u>\$ 26,173,294</u>	<u>\$ (12,565,145)</u>	<u>\$ 63,341,218</u>	<u>\$ 5,931,932</u>
Business-type Activities:					
Revenue Bonds					
1996 Water and Sewer Bonds	\$ 7,375,000	\$ -	\$ (5,195,000)	\$ 2,180,000	\$ 685,000
2001 Water and Sewer Bonds	17,975,000	-	(17,975,000)	-	-
2001 A Water and Sewer Bonds	28,075,000	-	(2,650,000)	25,425,000	2,755,000
2005-A Utility Systems Bonds	24,440,000	-	(70,000)	24,370,000	70,000
2005-B Utility Systems Bonds	32,420,000	-	(570,000)	31,850,000	580,000
2007-A Utility Systems Bonds	-	64,025,000	-	64,025,000	-
2007-B Utility Systems Bonds	-	23,925,000	-	23,925,000	-
Subtotal	<u>110,285,000</u>	<u>87,950,000</u>	<u>(26,460,000)</u>	<u>171,775,000</u>	<u>4,090,000</u>
Less deferred refundings and discounts	(1,673,290)	1,554,949	217,501	99,160	-
CR#3 decommissioning costs payable	9,087,582	-	-	9,087,582	-
OPEB Liability	-	279,303	-	279,303	-
Compensated Absences	1,540,299	3,433,849	(1,078,084)	3,896,064	844,197
Total Business-type Activities	<u>\$ 119,239,591</u>	<u>\$ 93,218,101</u>	<u>\$ (27,320,583)</u>	<u>\$ 185,137,109</u>	<u>\$ 4,934,197</u>

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

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Pledged Revenue

The City has pledged certain revenues, to repay certain bonds and notes outstanding as of September 30, 2008. 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, 2008 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, 2008:

<u>Description Of Bonds</u>	<u>Purpose Of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
Governmental Activities:				
2002 Optional Gas Tax Bonds	Road Projects	\$ 17,565,000	\$ 9,515,000	2.25%-3.55%
1995 Capital Improvement Certificates	Capital Projects	5,000,000	-	4.40%-5.375%
2002 Capital Improvement Certificates	Capital Projects	14,340,000	11,545,000	2.00%-4.50%
2003 Capital Improvement Certificates	Refunding	15,310,000	12,870,000	2.00%-5.375%
2007-A Capital Improvement Certificate:	Capital Projects	15,870,000	15,870,000	4.25%-4.50%
2007-B Capital Improvement Certificate:	Refunding	4,290,000	<u>4,290,000</u>	3.50%-4.125%
Total Governmental Activities			<u>\$ 54,090,000</u>	
Business-Type Activities:				
1996 Water and Sewer Bonds	Refunding	12,170,000	\$ 2,180,000	5.50%-6.00%
2001 Water and Sewer Bonds	Capital Projects	36,205,000	-	5.00%-5.75%
2001-A Water and Sewer Bonds	Refunding	39,885,000	25,425,000	3.25%-4.50%
2005-A Utility Systems Bonds	Refunding	24,625,000	24,370,000	2.10%-5.25%
2005-B Utility Systems Bonds	Capital Projects	33,355,000	31,850,000	2.10%-5.25%
2007-A Utility Systems Bonds	Capital Projects	64,025,000	64,025,000	4.25%-5.00%
2007-B Utility Systems Bonds	Refunding	23,925,000	<u>23,925,000</u>	4.00%-4.25%
Total Business-Type Activities			<u>\$ 171,775,000</u>	

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

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

Fiscal Year	Governmental Activities			
	Capital Improvement Certificates		Optional Gas Tax Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 1,360,000	\$ 1,915,463	\$ 1,555,000	\$ 313,493
2010	1,410,000	1,878,711	1,600,000	267,722
2011	1,450,000	1,837,357	1,650,000	216,910
2012	1,490,000	1,791,234	1,700,000	161,622
2013	1,930,000	1,722,655	3,010,000	103,228
2014-2018	11,095,000	7,118,552	-	-
2019-2023	9,970,000	4,531,298	-	-
2024-2028	7,085,000	2,770,024	-	-
2025-2033	8,785,000	1,022,965	-	-
Total	\$ 44,575,000	\$ 24,588,259	\$ 9,515,000	\$ 1,062,975
Pledged revenue description	Local government half-cent sales tax, franchise fees, occupational license taxes, fines and forfeitures, local communications services tax, guaranteed entitlement portion of state revenue sharing, mobile home licenses.		Sixth cent optional gas tax	
Fiscal year 2008 pledged revenues		\$ 8,733,751		\$ 2,892,928
Fiscal year 2008 principal and interest paid		\$ 2,905,000		\$ 1,848,436
Outstanding principal and interest		\$ 69,163,259		\$ 10,577,975
Pledged through fiscal year		2033		2013
Estimated percentage pledged		31.68%		73.13%
Fiscal Year	Business-Type Activities			
	Utility Systems Revenue Bonds		Water and Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 650,000	\$ 6,835,338	\$ 3,440,000	\$ 1,120,591
2010	660,000	6,818,627	3,590,000	969,335
2011	685,000	6,799,444	3,745,000	807,685
2012	1,670,000	6,758,852	3,095,000	661,638
2013	1,730,000	6,696,656	3,225,000	530,465
2014-2018	16,290,000	32,040,922	10,510,000	714,321
2019-2023	31,830,000	25,769,984	-	-
2024-2028	40,085,000	17,349,224	-	-
2025-2033	50,570,000	6,538,765	-	-
Total	\$ 144,170,000	\$ 115,607,812	\$ 27,605,000	\$ 4,804,035
Pledged revenue description	Net revenues of the combined Electric Revenue System and Water and Sewer System (as defined in bond resolutions)		Net revenues of the City's Water and Sewer System (as defined in bond resolutions)	
Fiscal year 2008 pledged revenues		\$ 23,369,566		\$ 12,253,984
Fiscal year 2008 principal and interest paid		\$ 5,071,856		\$ 5,246,105
Outstanding principal and interest		\$ 259,777,812		\$ 32,409,035
Pledged through fiscal year		2033		2016
Estimated percentage pledged		44.46%		33.06%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

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, 2008, there was no general obligation debt outstanding.

In November, 2007, the City also issued \$64,025,000 of Utility Systems Revenue Bonds, Series 2007A, for improvements to the City's Water and Sewer system and to the City's Electric system. The interest rates on the Series 2007A bonds range from 4.25% to 5.00%. The coverage for the utility systems bonds is 110% of the combined net revenues of both the Electric and Water and Sewer systems.

In November, 2007, the City issued \$23,925,000 Utility Systems Refunding Revenue Bonds, Series 2007B, for the purpose of defeasing \$4,550,000 of the \$6,730,000 outstanding balance of the Water and Sewer Revenue Bonds, Series 1996, and all of the \$17,975,000 outstanding balance of the Water and Sewer Revenue Bonds, Series 2001. The funds were deposited with an escrow agent. The interest rates on the Series 2007B bonds range from 4.00% to 4.25%. The coverage on the 2007B issue is 110% of the combined revenues of the City's Electric and Water and Sewer systems. The defeasance of the resulted in a \$380,888 loss for the 1996 bonds and a \$1,095,642 loss for the 2001 bonds, both of which are being deferred and amortized over the lives of the issues. The combined defeasance resulted in the following:

Annual Average Savings	\$	50,348
Aggregate Future Value Savings		1,006,950
Present Value Savings *		702,893

* Discounted using average interest cost of 4.40%

The \$15,870,000 Capital Improvement Revenue Certificates, Series 2007A, were issued in November, 2007 at interest rates of 4.25% to 4.50%. The proceeds of this issue are being used primarily for the purpose of financing certain capital improvements within the City. The certificates are insured and are secured by a lien upon and pledge of half-cent sales tax revenues, franchise fees, local communication services tax, occupational license taxes, the guaranteed entitlement portion of state revenue sharing funds, mobile home licenses and court fines and forfeitures.

In November, 2007, the City issued \$4,290,000 Utility Systems Refunding Revenue Bonds, Series 2007B, for the purpose of defeasing all of the \$4,170,000 outstanding balance of the Capital Improvement Revenue Certificates, Series 1995. The funds were deposited with an escrow agent. The interest rates on the Series 2007B certificates range from 3.50% to 4.125%. The coverage on the 2007B issue is 125% of the pledged revenues, which consist of half-cent sales tax revenues, franchise fees, local communication services tax, occupational license taxes, the guaranteed entitlement portion of state revenue sharing funds, mobile home licenses and court fines and forfeitures. The defeasance of the resulted in a \$25,219 loss for the 1995 certificates, which is being deferred and amortized over the life of the issue on the entity-wide basis. The defeasance resulted in the following:

Annual Average Savings	\$	33,981
Aggregate Future Value Savings		509,722
Present Value Savings *		369,425

* Discounted using average interest cost of 4.57%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Conduit Issue

In January, 1994, \$3,500,000 Student Housing Revenue Bonds were issued. The proceeds of the bonds are being used by the Central Florida Community 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 therefrom, subsequent to the payment of all debt service requirements, belong exclusively to the Foundation. The outstanding balance at September 30, 2008 is \$1,455,000.

NOTE 7 - PRIOR YEAR DEFEASANCE OF DEBT

The City has 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, 2008, \$36,205,000 of bonds outstanding are considered defeased, as follows:

Governmental Activities	\$ -
Business-Type Activities:	
Water and Sewer:	
Water and Sewer Revenue Bonds, Series 2001	\$ <u>36,205,000</u>
Total	\$ <u>36,205,000</u>

NOTE 8 – FUND DEFICITS

At September 30, 2008 there were no funds with deficits in total net assets.

NOTE 9 – RISK MANAGEMENT

The City has established a self-insurance fund (an internal service fund) to account for the City's self-insured programs. This fund is used to account for the City's workers' compensation, general liability, automobile liability, disability income replacement, 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 \$100,000 retention per claimant and \$200,000 retention per occurrence with limits of \$1,000,000. The City has workers' compensation insurance with a \$250,000 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. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2008.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

All departments of the City participate in the program. Payments are made by various funds to the Self Insurance Fund based on past experience of the amounts needed to pay current year claims. For the year ended September 30, 2008 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$ 4,392,924 reported in the Fund at September 30, 2008 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
2005-2006	\$ 4,278,224	\$ 2,924,939	\$ 2,515,443	\$ 4,687,720
2006-2007	4,687,720	2,323,046	2,432,959	4,577,807
2007-2008	4,577,807	2,388,513	2,573,396	4,392,924

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

Economic Improvement Incentives - The City has designated a portion of the savings resulting from the decision to purchase power through the Florida Municipal Power Agency to be set aside for economic improvement incentives. The funds are utilized to encourage local businesses to remain in Ocala and to attract existing businesses to relocate to Ocala to create new employment opportunities and, thereby, increasing City revenues through electric utility usage and an expanded tax base. Economic incentive payments amounted to \$395,271 for the year ended September 30, 2008.

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, 2008, in the respective funds are as follows:

General Fund	\$ 929,984
Electric System Revenue Fund	14,328,697
Water and Sewer Fund	11,603,080
Sanitation Fund	24,250
Municipal Golf Course Fund	29,751
Ocala International Airport Fund	2,489,681
Communications Fund	67,264
SunTran Fund	29,600
Nonmajor Governmental Funds	6,096,806
Internal Service Funds	1,425,385
Total	<u>\$ 37,024,498</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Purchased Power Contract - The City presently purchases power exclusively from Florida Municipal Power Agency (FMPA) through the 230 kv State-wide bulk power system. Additionally, since 1977, the City has become the owner of an undivided 1.333% or 11 MW share of the 825 MW Crystal River Nuclear Plant No. 3 (CR-3).

The City has an All Requirements Power Supply Project Contract ("Requirements Contract") 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 CR-3. The Requirements Contract expires in 2025, but automatically extends for additional five-year terms unless either party notifies the other of its decision not to extend the Requirements Contract. The City pays for electric power under the Requirements Contract at the rates set forth in the applicable rate schedule of FMPA, which FMPA may revise from time to time. The power supply contract provides the option for the City to leave the Agency 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.

NOTE 11 – 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 189 retirees participating in the plan. Premiums for insurances other than health insurance are fully paid by the retiree.

In preparation for implementing the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" in fiscal year 2008, the City engaged an actuarial firm to determine the estimated obligation associated with post-employment health insurance benefits as of October 1, 2006 as well as the annual required contribution (ARC) for funding this obligation. Based on this report, using the current unfunded plan and assuming an average return of 5.0%, the unfunded actuarial accrued liability as of October 1, 2006, was determined to be \$13,805,590. The initial estimate of the expected net OPEB obligation for the City as of September 30, 2007, was recorded at September 30, 2008 for the amount of \$415,800.

Plan Description.

Effective for the 2007-2008 fiscal year, the City implemented GASB Statement No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, for certain post employment health care and life insurance benefits provided by the city. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$13,805,590 at October 1, 2007, the date of transition, amortized over 30 years. Accordingly, for financial reporting purposes, the liability of \$415,800 is reported for the post-employment healthcare benefit liability at the date of transition.

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 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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

above. 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.

Funding Policy.

For the Other Postemployment Benefits Plan, contributions requirements of the City are established and may be amended through action from the City Council. Currently the City's OPEB Benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. There is no separate Trust Fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plan. Therefore, ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in very short-term fixed income instruments according to its current investment policy. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on such short-term fixed income instruments. The City selected an interest discount rate of 4% for this purpose.

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

Annual required contribution (ARC)	\$1,040,851
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>(0)</u>
Annual OPEB cost (expense)	1,040,851
Contributions made	<u>(625,051)</u>
Increase in net OPEB obligation	415,800
Net OPEB obligation—beginning of year	<u>0</u>
Net OPEB obligation—end of year	<u>\$415,800</u>

Funded Status and Funding Progress.

As of October 1, 2006, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$13,805,590, and the actuarial value of assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,805,590. The covered payroll (annual payroll of active employees covered by the plan) was \$31,347,437, and the ratio of the UAAL to the covered payroll was 0.51%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions.

In any long-term Actuarial Valuation, certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. These Actuarial Assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided and the contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual

OPEB cost. The actuarial assumptions also include a payroll growth rate of 4%, and an annual healthcare cost trend rate of 10% initially, reduced annually to an ultimate rate of 5% after ten years. The remaining amortization period at September 30, 2008, was 29 years. The results presented as of the Actuarial Valuation date have been derived using the Individual Entry Age Actuarial Cost Method with an amortization of the Unfunded Actuarial Accrued Liability as a level percent of expected payroll. This is the most common such method used for government Pension Valuations (and likely so for OPEB valuations) and spreads the cost evenly as a percent of pay throughout the collective careers of those in the covered workforce. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 20X8 are as follows:

Valuation Date	(a) Actuarial Value of Assets (AVA)	(b) Entry Age Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded Actuarial Liability (UAAL)	((a)/(b)) Funded Ratio	(c) Annual Covered Payroll	((b)-(a)/(c)) UAAL as Percentage of Covered Payroll
09/30/2007	\$0.00	\$13,805,590	\$13,805,590	0.00%	\$39,788,441	34.7%

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2007	\$1,040,851	\$625,051	60.05%	\$415,800

NOTE 12 – SUBSEQUENT EVENTS

Emergency Medical Services Alliance (EMSA)

On October 1, 2008 the Emergency Medical Services Alliance (EMSA) partnership was terminated. EMSA was in an initial five year partnership agreement between Marion County (71% interest), the City of Ocala (29% interest) and the two local hospitals (Ocala Regional and Marion County), each to make capped contributions to cover operating costs. Subsequent dissolution of EMSA resulted in the distribution to the City of Ocala of \$1.2 million in assets and inventory items as well as \$850,370.42 in cash, which included a workers compensation earmark of \$238,380.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

NOTE 12 – SUBSEQUENT EVENTS (CONTINUED)

Ocala Electric Utility Customer Relief

In October 2008 The City Council approved a City Manager recommendation to provide reductions to the customers of the City of Ocala Utilities due to economic hardship of the local economy. The result of this action reduced the BPCA rate to customers by .0011 per kWh or \$1.10 per 1,000, an effective decrease of 0.78%, resulting in a total reduction of approximately \$1,500,000. In addition to the BPCA reduction customers were given a one time credit of \$50.00, based on 'Average Residential Usage' of 1,175 kWh per month. Lastly, there was factored into the relief package a rebate of the Utility Tax collected on the BPCA that was reduced in the amount of \$771,800, or \$.0064 per kWh. The customer relief package was funded by an offsetting reduction to the Electric Fund expenses in the amount of \$5,321,606 in fiscal year 2009.

CITY OF OCALA, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Budget</u>		
Revenues:				
Property taxes	\$ 21,044,619	21,044,619	20,773,893.05	(270,726)
Utility service tax	12,190,000	12,132,000	12,468,590.07	336,590
Other taxes	85,000	85,000	1,111,427.38	1,026,427
State revenue sharing	1,802,372	1,802,372	1,663,173.55	(139,198)
Other intergovernmental revenues	6,422,603	7,124,989	5,796,442.81	(1,328,546)
Licenses and permits	2,237,200	2,237,200	1,869,393.30	(367,807)
Fines and forfeitures	429,408	443,992	445,418.68	1,427
Charges for services	11,107,434	11,035,434	10,680,826.24	(354,608)
Investment income	974,000	974,000	1,051,511.37	77,511
Gifts	140,528	202,331	424,628.21	222,297
Other	1,690,565	4,788,844	1,741,754.96	(3,047,089)
Total revenues	<u>58,123,729</u>	<u>61,870,781</u>	<u>58,027,060</u>	<u>(3,843,722)</u>
Expenditures:				
Current:				
General government and administration	8,049,933	15,882,371	14,011,284.15	1,871,087
Public safety	39,288,717	36,305,437	36,498,069.06	(192,632)
Public works	6,430,025	6,878,912	6,343,745.47	535,167
Culture and recreation	5,346,185	5,391,579	5,079,840.79	311,738
Housing rehabilitation	1,352,380	1,223,644	702,229.68	521,414
Human Services	214,086	202,966	164,527.96	38,438
Physical Environment	136,984	157,843	81,206.82	76,636
Transportation	350,854	711,368	545,969.59	165,398
Capital outlay	964,472	4,693,080	2,907,257	1,785,823
Intergovernmental				-
Debt service:				
Principal payments	9,814	1,176,592	-	1,176,592
Interest and paying agents' fees	5,794	6,009	11,458	(5,449)
Total expenditures	<u>62,149,244</u>	<u>72,629,801</u>	<u>66,345,588</u>	<u>6,284,213</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,025,515)</u>	<u>(10,759,020)</u>	<u>(8,318,529)</u>	<u>2,440,491</u>
Other Financing Sources (Uses):				
Transfers in	13,027,456	15,889,580	14,620,752	(1,268,828)
Transfers out	<u>(3,185,288)</u>	<u>(5,181,593)</u>	<u>(5,177,252)</u>	<u>4,341</u>
Total other financing sources (uses)	<u>9,842,168</u>	<u>10,707,987</u>	<u>9,443,500</u>	<u>(1,264,487)</u>
Net change in fund balances	5,816,653	(51,033)	1,124,971	1,176,004
Fund Balances, beginning of year	<u>13,197,145</u>	<u>7,787,596</u>	<u>25,945,812</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 19,013,798</u>	<u>\$ 7,736,563</u>	<u>\$ 27,070,783</u>	<u>\$ 1,176,004</u>

See accompanying notes to financial statements.

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

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
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%
2003	52,181,215	62,420,895	10,239,680	83.60%	26,845,342	38.14%
2002	51,050,337	60,715,570	9,665,233	84.08%	25,712,036	37.59%
2001	49,715,165	58,555,697	8,840,532	84.90%	24,305,928	36.37%

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

Police Officers' Plan:

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
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%
2003	32,838,390	32,838,390	-	100.00%	7,298,837	-
2002	31,939,047	31,939,047	-	100.00%	6,993,805	-
2001	31,152,402	31,152,402	-	100.00%	6,625,498	-

* During fiscal year 2004 the actuarial cost method was changed from Frozen Entry Age to Entry Age Normal in order to produce more stable and predictable contribution amounts. The prior actuarial cost method does not have a defined AAL after the initial year. The AAL was created for these years by adding the UAAL (which is defined under the method) to the actuarial value of assets.

(Continued)

CITY OF OCALA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS

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
2008	\$ 22,711,315	\$ 37,573,342	\$ 14,862,027	60.45%	\$ 7,134,279	208.32%
2007	28,278,728	33,034,201	4,755,473	85.60%	6,100,211	77.96%
2006	24,642,408	31,050,644	6,408,236	79.36%	5,744,369	111.56%
2005	22,954,967	29,134,148	6,179,181	78.79%	5,515,009	112.04%
2004	20,590,179	26,907,346	6,317,167	76.52%	5,198,027	121.53%
2003	19,325,113	27,459,330	8,134,217	70.38%	4,981,506	163.29%
2002	17,122,893	24,825,695	7,702,802	68.97%	4,632,402	166.28%
2001	18,331,226	23,293,986	4,962,760	78.70%	4,287,493	115.75%

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

**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>
2008	\$5,213,030	5,213,030	\$ 12,133,628 (1)	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 (2)	100.00%
2004	3,402,463	3,402,463	3,522,203	103.52%
2003	2,604,418	2,604,418	2,604,418	100.00%
2002	2,456,998	2,456,998	2,456,998	100.00%
2001	1,790,087	1,790,087	1,790,087	100.00%

(1) Includes 251,452 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.

(2) Includes 46,544 from the Funding Standard Account Credit Balance.

Firefighters' 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>
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%
2003	1,063,378	804,001	804,001	259,377	100.00%
2002	911,985	652,608	652,608	259,377	100.00%
2001	815,204	555,827	555,827	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.

(Continued)

CITY OF OCALA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES - CONTINUED

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>
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%
2003	1,006,783	576,290	576,290	430,493	100.00%
2002	1,125,549	683,102	683,102	442,447	100.00%
2001	1,020,584	617,506	617,506	403,078	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**

Other Post Employment Benefits

SCHEDULE OF FUNDING PROGRESS

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
2007	\$0	\$13,805,590	13,805,590	0.00%	\$39,788,441	34.70%

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

Fiscal Year	Annual Required Contribution	Annual Required Contribution (City)	Actual Contribution (City)	Percentage Contributed	Net OPEB Contribution
2007	\$ 1,040,851	1,040,851	\$ 625,051	60.05%	415,800

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

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:

Parking/Parks Enforcement Fund - This fund accounts for the proceeds from the City's parking system and for the enforcement of the City's parks ordinance for the implementation of fines.

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).

Community Redevelopment Trust Fund - The Community Redevelopment Trust Fund is used to account for receipts and transfers of the tax increment fees collected for improving and redeveloping the downtown area.

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:

1995 Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Revenue Certificates, Series 1995.

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.

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.

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2008**

DEBT SERVICE FUNDS (Continued):

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.

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 Optional Gas Tax Construction Fund - This fund is used to account for resources earmarked for construction of and improvements to several roadways funded by the new money portion of the Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002.

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, 2008**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and Investments	\$ -	\$ 4,214,546	\$ 11,743,179	\$ 15,957,725
Equity In Pooled Cash Fund	12,967,047	-	5,012,377	17,979,424
Receivables (net)	92,522	-	128,518	221,040
Due From Other Funds	217,696	-	-	217,696
Due From Other Governments	442,490	-	-	442,490
Other Assets	9,296	-	-	9,296
Total Assets	<u>13,729,051</u>	<u>4,214,546</u>	<u>16,884,074</u>	<u>34,827,671</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	293,585	-	377,586	671,171
Unearned Revenue	1,825,422	-	-	1,825,422
Total Liabilities	<u>2,119,007</u>	<u>-</u>	<u>377,586</u>	<u>2,496,593</u>
Fund Balances:				
Reserved For:				
Debt Service	-	4,214,546	-	4,214,546
Transportation	5,158,209	-	-	5,158,209
District Improvements	1,780,254	-	-	1,780,254
Capital Projects	-	-	16,506,488	16,506,488
Total Reserved Fund Balances	<u>6,938,463</u>	<u>4,214,546</u>	<u>16,506,488</u>	<u>27,659,497</u>
Unreserved	4,671,581	-	-	4,671,581
Total Fund Balances	<u>11,610,044</u>	<u>4,214,546</u>	<u>16,506,488</u>	<u>32,331,078</u>
Total Liabilities and Fund Balances	<u>\$ 13,729,051</u>	<u>\$ 4,214,546</u>	<u>\$ 16,884,074</u>	<u>\$ 34,827,671</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property Taxes	\$ 329,070	\$ -	\$ -	\$ 329,070
Other Intergovernmental Revenues	6,252,916	-	-	6,252,916
Parking Meters and Facilities	55,009	-	-	55,009
Fines and Forfeitures	15,597	-	-	15,597
Charges For Services	4,772,761	-	-	4,772,761
Investment Income	331,991	67,169	642,433	1,041,593
Gifts	122,416	-	-	122,416
Other	101,896	-	38	101,934
Total Revenues	<u>11,981,656</u>	<u>67,169</u>	<u>642,471</u>	<u>12,691,296</u>
Expenditures				
Current:				
General Government	38,616	60,973	243,785	343,374
Public Works	3,338,308	-	13,135	3,351,443
Culture and Recreation	77,297	-	-	77,297
Housing and urban development	481,853	-	-	481,853
Capital Outlay	2,282,605	-	5,361,478	7,644,083
Debt Service:				
Principal Payments	-	3,020,000	-	3,020,000
Interest and Fees	-	1,883,293	-	1,883,293
Total Expenditures	<u>6,218,679</u>	<u>4,964,266</u>	<u>5,618,398</u>	<u>16,801,343</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>5,762,977</u>	<u>(4,897,097)</u>	<u>(4,975,927)</u>	<u>(4,110,047)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	-	16,417,201	16,417,201
Proceeds from refunding bonds	-	4,290,000	-	4,290,000
Bond premium (discount)	-	(61,630)	(316,966)	(378,596)
Payment to refunded bonds escrow agent	-	(4,195,219)	-	(4,195,219)
Transfers In	420,449	5,289,584	-	5,710,033
Transfers Out	(2,660,854)	(64,492)	(2,290,064)	(5,015,410)
Total Other Financing Sources (Uses)	<u>(2,240,405)</u>	<u>5,258,243</u>	<u>13,810,171</u>	<u>16,828,009</u>
Net Change In Fund Balance	<u>3,522,572</u>	<u>361,146</u>	<u>8,834,244</u>	<u>12,717,962</u>
Fund Balances-Beginning	<u>8,087,472</u>	<u>3,853,400</u>	<u>7,672,244</u>	<u>19,613,116</u>
Fund Balances-Ending	<u>\$ 11,610,044</u>	<u>\$ 4,214,546</u>	<u>\$ 16,506,488</u>	<u>\$ 32,331,078</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2008**

	<u>Parking/ Parks Enforcement</u>	<u>Downtown Development</u>
Assets		
Equity in pooled cash and investment fund	\$ 85,950	\$ 160,371
Accrued interest receivable	620	1,192
Accounts and notes receivable	-	-
Due from other funds	-	-
Due from other governments	-	541
Other current assets	-	-
	<hr/>	<hr/>
Total Assets	<u>\$ 86,570</u>	<u>\$ 162,104</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 3,841	\$ 123
Unearned revenue	-	-
Total liabilities	<hr/> <u>3,841</u>	<hr/> <u>123</u>
Fund Balance:		
Reserved for transportation	-	-
Reserved for district improvements	-	161,981
Total reserved fund balance	<hr/> <u>-</u>	<hr/> <u>161,981</u>
Unreserved fund balance	82,729	-
Total fund balance	<hr/> <u>82,729</u>	<hr/> <u>161,981</u>
Total Liabilities and Fund Balances	<u>\$ 86,570</u>	<u>\$ 162,104</u>

<u>Local Gasoline Tax</u>	<u>Stormwater Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Community Redevelopment Trust</u>	<u>Total</u>
\$ 6,355,653	\$ 4,448,452	\$ 308,797	\$ 1,607,824	\$ 12,967,047
44,286	28,478	2,715	11,674	88,965
-	-	3,557	-	3,557
-	217,696	-	-	217,696
441,949	-	-	-	442,490
-	9,296	-	-	9,296
<u>\$ 6,841,888</u>	<u>\$ 4,703,922</u>	<u>\$ 315,069</u>	<u>\$ 1,619,498</u>	<u>\$ 13,729,051</u>

\$ 122,119	\$ 115,070	\$ 51,207	\$ 1,225	\$ 293,585
1,561,560	-	263,862	-	1,825,422
<u>1,683,679</u>	<u>115,070</u>	<u>315,069</u>	<u>1,225</u>	<u>2,119,007</u>

5,158,209	-	-	-	5,158,209
-	-	-	1,618,273	1,780,254
<u>5,158,209</u>	<u>-</u>	<u>-</u>	<u>1,618,273</u>	<u>6,938,463</u>
-	4,588,852	-	-	4,671,581
<u>5,158,209</u>	<u>4,588,852</u>	<u>-</u>	<u>1,618,273</u>	<u>11,610,044</u>
<u>\$ 6,841,888</u>	<u>\$ 4,703,922</u>	<u>\$ 315,069</u>	<u>\$ 1,619,498</u>	<u>\$ 13,729,051</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, 2008

	Parking/ Parks Enforcement	Downtown Development
Revenues:		
Property taxes	\$ -	\$ 66,908
Other intergovernmental revenues	-	-
Parking meters and facilities	55,009	-
Fines and forfeitures	15,597	-
Charges for services	-	-
Investment income	2,971	4,396
Gifts	-	-
Other	5	810
Total revenues	73,582	72,114
Expenditures:		
Current:		
General government and administration	-	13,168
Public works	-	-
Culture and recreation	77,297	-
Housing and urban development	-	-
Capital outlay	-	-
Total expenditures	77,297	13,168
Excess (Deficiency) of Revenues Over Expenditures	(3,715)	58,946
Other Financing Sources (Uses):		
Transfers from other funds	-	-
Transfers to other funds	-	(13,000)
Total other financing sources (uses)	-	(13,000)
Net change in Fund Balances	(3,715)	45,946
Fund Balances at Beginning of Year	86,444	116,035
Fund Balances at End of Year	\$ 82,729	\$ 161,981

Local Gasoline Tax	Stormwater Utility	SHIP Local Housing Assistance	Community Redevelopment Trust	Total
\$ -	\$ -	\$ -	\$ 262,162	\$ 329,070
5,454,571	334,147	464,198	-	6,252,916
-	-	-	-	55,009
-	-	-	-	15,597
-	4,772,761	-	-	4,772,761
173,145	87,600	14,098	49,781	331,991
95,829	26,587	-	-	122,416
97,524	-	3,557	-	101,896
<u>5,821,069</u>	<u>5,221,095</u>	<u>481,853</u>	<u>311,943</u>	<u>11,981,656</u>
-	-	-	25,448	38,616
517,352	2,820,956	-	-	3,338,308
-	-	-	-	77,297
-	-	481,853	-	481,853
1,572,126	639,250	-	71,229	2,282,605
<u>2,089,478</u>	<u>3,460,206</u>	<u>481,853</u>	<u>96,677</u>	<u>6,218,679</u>
<u>3,731,591</u>	<u>1,760,889</u>	<u>-</u>	<u>215,266</u>	<u>5,762,977</u>
28,126	44,147	-	348,176	420,449
<u>(2,437,447)</u>	<u>(30,000)</u>	<u>-</u>	<u>(180,407)</u>	<u>(2,660,854)</u>
<u>(2,409,321)</u>	<u>14,147</u>	<u>-</u>	<u>167,769</u>	<u>(2,240,405)</u>
1,322,270	1,775,036	-	383,035	3,522,572
<u>3,835,939</u>	<u>2,813,816</u>	<u>-</u>	<u>1,235,238</u>	<u>8,087,472</u>
<u>\$ 5,158,209</u>	<u>\$ 4,588,852</u>	<u>\$ -</u>	<u>\$ 1,618,273</u>	<u>\$ 11,610,044</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PARKING/PARKS ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Parking meters and facilities	\$ 55,009	\$ 63,650	\$ (8,641)
Fines and forfeitures	15,597	12,050	3,547
Investment income	2,971	3,250	(279)
Other	5	-	5
Total revenues	<u>73,582</u>	<u>78,950</u>	<u>(5,368)</u>
Expenditures:			
Current - Culture and recreation	77,297	81,357	4,060
Capital outlay	-	38,620	38,620
Total expenditures	<u>77,297</u>	<u>119,977</u>	<u>42,680</u>
Net Change in Fund Balance	(3,715)	(41,027)	37,312
Fund Balance:			
Beginning of year	<u>86,444</u>	<u>86,444</u>	<u>-</u>
End of year	<u>\$ 82,729</u>	<u>\$ 45,417</u>	<u>\$ 37,312</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 66,908	\$ 66,000	\$ 908
Investment income	4,396	3,000	
Other	810	-	810
Total revenues	<u>72,114</u>	<u>69,000</u>	<u>1,718</u>
Expenditures:			
Current - General government and administration	13,168	33,213	20,045
Capital outlay	-	27,604	27,604
Total expenditures	<u>13,168</u>	<u>60,817</u>	<u>47,649</u>
Excess of Revenues Over Expenditures	<u>58,946</u>	<u>8,183</u>	<u>49,367</u>
Other Financing Sources (Uses):			
Transfers to other funds	(13,000)	(13,000)	-
Total other financing sources (uses)	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
Net Change in Fund Balance	45,946	(4,817)	49,367
Fund Balance:			
Beginning of year	<u>116,035</u>	<u>116,035</u>	<u>-</u>
End of year	<u>\$ 161,981</u>	<u>\$ 111,218</u>	<u>\$ 49,367</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LOCAL GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other intergovernmental revenues	\$ 5,454,571	\$ 5,299,000	\$ 155,571
Investment income	173,145	300,000	(126,855)
Gifts	95,829	63,904	31,925
Other	97,524	-	97,524
Total revenues	<u>5,821,069</u>	<u>5,662,904</u>	<u>158,165</u>
Expenditures:			
Current - Public works	517,352	-	(517,352)
Capital outlay	1,572,126	-	(1,572,126)
Total expenditures	<u>2,089,478</u>	<u>-</u>	<u>(2,089,478)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,731,591</u>	<u>5,662,904</u>	<u>(1,931,313)</u>
Other Financing Sources (Uses):			
Transfers from other funds	28,126	34,566	(6,440)
Transfers to other funds	(2,437,447)	(2,437,447)	-
Total other financing sources (uses)	<u>(2,409,321)</u>	<u>(2,402,881)</u>	<u>(6,440)</u>
Net Change in Fund Balance	1,322,270	3,260,023	(1,937,753)
Fund Balance at Beginning of Year	<u>3,835,939</u>	<u>3,835,939</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 5,158,209</u>	<u>\$ 7,095,962</u>	<u>\$ (1,937,753)</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other intergovernmental revenues	\$ 334,147	\$ 502,859	\$ (168,712)
Charges for services	4,772,761	4,604,000	168,761
Investment income	87,600	90,000	(2,400)
Gifts	26,587	26,587	-
Total revenues	<u>5,221,095</u>	<u>5,223,446</u>	<u>(2,351)</u>
Expenditures:			
Current - Public works	2,820,956	3,707,206	886,250
Capital outlay	639,250	4,376,421	3,737,171
Total expenditures	<u>3,460,206</u>	<u>8,083,627</u>	<u>4,623,421</u>
Excess (Deficiency) of Revenues Over Expenditures	1,760,889	(2,860,181)	4,621,070
Other Financing (Uses):			
Transfers from other funds	44,147	44,147	-
Transfers to other funds	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>14,147</u>	<u>14,147</u>	<u>-</u>
Net Change in Fund Balance	1,775,036	(2,846,034)	4,621,070
Fund Balance at Beginning of Year	<u>2,813,816</u>	<u>2,813,816</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,588,852</u>	<u>\$ (32,218)</u>	<u>\$ 4,621,070</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SHIP LOCAL HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other intergovernmental revenues	\$ 464,198	\$ 1,069,891	\$ (605,693)
Investment income	14,098	-	14,098
Other	3,557	-	3,557
Total revenues	<u>481,853</u>	<u>1,069,891</u>	<u>(588,038)</u>
Expenditures:			
Current - Housing and urban development	481,853	1,069,891	588,038
Total expenditures	<u>481,853</u>	<u>1,069,891</u>	<u>588,038</u>
Net Change in Fund Balance	-	-	-
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 262,162	\$ 228,733	\$ 33,429
Investment income	49,781	25,000	24,781
Total revenues	<u>311,943</u>	<u>253,733</u>	<u>58,210</u>
Expenditures:			
Current:			
General government and administrative	25,448	258,481	233,033
Capital outlay	71,229	168,420	97,191
Total expenditures	<u>96,677</u>	<u>426,901</u>	<u>233,033</u>
Excess of Revenues Over Expenditures	215,266	(173,168)	291,243
Other Financing Sources (Uses) :			
Transfers from other funds	348,176	277,653	70,523
Transfers to other funds	(180,407)	180,407	(360,814)
Total other financing sources (uses)	<u>167,769</u>	<u>458,060</u>	<u>(290,291)</u>
Net Change in Fund Balance	383,035	284,892	952
Fund Balance at Beginning of Year	<u>1,235,238</u>	<u>1,235,238</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,618,273</u>	<u>\$ 1,520,130</u>	<u>\$ 952</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
 SEPTEMBER 30, 2008**

	<u>1995 Improvement Certificates</u>	<u>2002 Improvement Certificates</u>	<u>2003 Improvement Certificates</u>
Assets			
Restricted cash and investments	\$ -	\$ 823,396	\$ 946,907
Total Restricted Assets	<u>\$ -</u>	<u>\$ 823,396</u>	<u>\$ 946,907</u>
Fund Balances			
Fund Balances:			
Reserved for debt service	\$ -	\$ 823,396	\$ 946,907
Total Fund Balances	<u>\$ -</u>	<u>\$ 823,396</u>	<u>\$ 946,907</u>

<u>2007A Improvement Certificates</u>	<u>2007B Improvement Certificates</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
\$ 350,103	\$ 205,975	\$ 1,888,165	\$ 4,214,546
<u>\$ 350,103</u>	<u>\$ 205,975</u>	<u>\$ 1,888,165</u>	<u>\$ 4,214,546</u>
\$ 350,103	\$ 205,975	\$ 1,888,165	\$ 4,214,546
<u>\$ 350,103</u>	<u>\$ 205,975</u>	<u>\$ 1,888,165</u>	<u>\$ 4,214,546</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, 2008

	<u>1995</u> <u>Improvement</u> <u>Certificates</u>	<u>2002</u> <u>Improvement</u> <u>Certificates</u>	<u>2003</u> <u>Improvement</u> <u>Certificates</u>	<u>l</u>
Revenues:				
Investment income	\$ 197	\$ 14,327	\$ 17,072	\$
Expenditures:				
Current:				
General government and administration	60,973	-	-	
Debt Service:				
Principal payments	110,000	585,000	630,000	
Interest and paying agents' fees	114,712	454,580	621,115	
Total expenditures	<u>285,685</u>	<u>1,039,580</u>	<u>1,251,115</u>	<u>---</u>
Deficiency of Revenues Over Expenditures	<u>(285,488)</u>	<u>(1,025,253)</u>	<u>(1,234,043)</u>	<u>---</u>
Other Financing Sources (Uses):				
Proceeds from refunding bonds	4,290,000	-	-	
Bond premium (discount)	(61,630)	-	-	
Payment to refunded bonds escrow agent	(4,195,219)	-	-	
Transfers from other funds	28,170	1,046,792	1,253,815	
Transfers to other funds	(45)	(13,852)	(16,072)	
Total other financing sources (uses)	<u>61,276</u>	<u>1,032,940</u>	<u>1,237,743</u>	<u>---</u>
Net Change in Fund Balances	(224,212)	7,687	3,700	
Fund Balances at Beginning of Year	<u>224,212</u>	<u>815,709</u>	<u>943,207</u>	<u>---</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 823,396</u>	<u>\$ 946,907</u>	<u>\$</u>

<u>2007A Improvement Certificates</u>	<u>2007B Improvement Certificates</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
<u>6,897</u>	<u>\$ -</u>	<u>\$ 28,676</u>	<u>\$ 67,169</u>
-	-	-	60,973
-	-	1,695,000	3,020,000
<u>292,253</u>	<u>71,646</u>	<u>328,987</u>	<u>1,883,293</u>
<u>292,253</u>	<u>71,646</u>	<u>2,023,987</u>	<u>4,964,266</u>
<u>(285,356)</u>	<u>(71,646)</u>	<u>(1,995,311)</u>	<u>(4,897,097)</u>
-	-	-	4,290,000
-	-	-	(61,630)
-	-	-	(4,195,219)
<u>641,856</u>	<u>277,621</u>	<u>2,041,330</u>	<u>5,289,584</u>
<u>(6,397)</u>	<u>-</u>	<u>(28,126)</u>	<u>(64,492)</u>
<u>635,459</u>	<u>277,621</u>	<u>2,013,204</u>	<u>5,258,243</u>
<u>350,103</u>	<u>205,975</u>	<u>17,893</u>	<u>361,146</u>
<u>-</u>	<u>-</u>	<u>1,870,272</u>	<u>3,853,400</u>
<u>350,103</u>	<u>\$ 205,975</u>	<u>\$ 1,888,165</u>	<u>\$ 4,214,546</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
1995 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 197	\$ 4,030	\$ (3,833)
Total revenues	<u>197</u>	<u>4,030</u>	<u>(3,833)</u>
Expenditures:			
Current:			
General government and administration	60,973	61,320	347
Debt Service:			
Principal payments	110,000	110,000	-
Interest and paying agents' fees	114,712	114,712	-
Total expenditures	<u>285,685</u>	<u>286,032</u>	<u>347</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(285,488)</u>	<u>(282,002)</u>	<u>(3,486)</u>
Other Financing Sources (Uses):			
Proceeds from refunding bonds	4,290,000	4,290,000	-
Bond premium (discount)	(61,630)	(61,630)	-
Payment to refunded bonds escrow agent	(4,195,219)	(4,195,219)	-
Transfers from other funds	28,170	28,170	-
Transfers to other funds	(45)	(3,531)	3,486
Total other financing sources (uses)	<u>61,276</u>	<u>57,790</u>	<u>3,486</u>
Net Change in Fund Balance	(224,212)	(224,212)	-
Fund Balance at Beginning of Year	<u>224,212</u>	<u>224,212</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 14,327	\$ 14,950	\$ (623)
Total revenues	<u>14,327</u>	<u>14,950</u>	<u>(623)</u>
Expenditures:			
Debt Service:			
Principal payments	585,000	585,000	-
Interest and paying agents' fees	454,580	454,580	-
Total expenditures	<u>1,039,580</u>	<u>1,039,580</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,025,253)</u>	<u>(1,024,630)</u>	<u>(623)</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,046,792	1,046,792	-
Transfers to other funds	(13,852)	(14,475)	623
Total other financing sources (uses)	<u>1,032,940</u>	<u>1,032,317</u>	<u>623</u>
Net Change in Fund Balance	7,687	7,687	-
Fund Balance at Beginning of Year	<u>815,709</u>	<u>815,709</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 823,396</u>	<u>\$ 823,396</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, 2008

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 17,072	\$ 17,111	\$ (39)
Total revenues	<u>17,072</u>	<u>17,111</u>	<u>(39)</u>
Expenditures:			
Debt Service:			
Principal payments	630,000	630,000	-
Interest and paying agents' fees	621,115	621,215	100
Total expenditures	<u>1,251,115</u>	<u>1,251,215</u>	<u>100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,234,043)</u>	<u>(1,234,104)</u>	<u>61</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,253,815	1,253,815	-
Transfers to other funds	(16,072)	(16,011)	(61)
Total other financing sources (uses)	<u>1,237,743</u>	<u>1,237,804</u>	<u>(61)</u>
Net Change in Fund Balance	3,700	3,700	-
Fund Balance at Beginning of Year	<u>943,207</u>	<u>943,207</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 946,907</u>	<u>\$ 946,907</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 6,897	\$ 5,000	\$ 1,897
Total revenues	<u>6,897</u>	<u>5,000</u>	<u>1,897</u>
Expenditures:			
Debt Service:			
Interest and paying agents' fees	292,253	292,253	-
Total expenditures	<u>292,253</u>	<u>292,253</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(285,356)</u>	<u>(287,253)</u>	<u>1,897</u>
Other Financing Sources (Uses):			
Transfers from other funds	641,856	641,856	-
Transfers to other funds	(6,397)	(4,500)	(1,897)
Total other financing sources (uses)	<u>635,459</u>	<u>637,356</u>	<u>(1,897)</u>
Net Change in Fund Balance	350,103	350,103	-
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 350,103</u>	<u>\$ 350,103</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007B IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	\$ 3,500	\$ (3,500)
Total revenues	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
Expenditures:			
Debt Service:			
Interest and paying agents' fees	71,646	72,146	500
Total expenditures	<u>71,646</u>	<u>72,146</u>	<u>500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(71,646)</u>	<u>(68,646)</u>	<u>(3,000)</u>
Other Financing Sources (Uses):			
Transfers from other funds	277,621	277,621	-
Transfers to other funds	-	(3,000)	3,000
Total other financing sources (uses)	<u>277,621</u>	<u>274,621</u>	<u>3,000</u>
Net Change in Fund Balance	205,975	205,975	-
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 205,975</u>	<u>\$ 205,975</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, 2008

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 28,676	\$ 35,116	\$ (6,440)
Total revenues	<u>28,676</u>	<u>35,116</u>	<u>(6,440)</u>
Expenditures:			
Debt Service:			
Principal payments	1,695,000	1,695,000	-
Interest and paying agents' fees	328,987	343,452	14,465
Total expenditures	<u>2,023,987</u>	<u>2,038,452</u>	<u>14,465</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,995,311)</u>	<u>(2,003,336)</u>	<u>8,025</u>
Other Financing Sources (Uses):			
Transfers from other funds	2,041,330	2,070,262	(28,932)
Transfers to other funds	(28,126)	(34,566)	6,440
Total other financing sources (uses)	<u>2,013,204</u>	<u>2,035,696</u>	<u>(22,492)</u>
Net Change in Fund Balance	17,893	32,360	(14,467)
Fund Balance at Beginning of Year	<u>1,870,272</u>	<u>1,870,272</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,888,165</u>	<u>\$ 1,902,632</u>	<u>\$ (14,467)</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2008**

Assets	2002 Optional Gas Tax Construction	2002 Capital Improvement	2007A Capital Improvement	Total
Cash and investments	\$ -	\$ -	\$ 11,743,179	\$ 11,743,179
Equity in pooled cash and investment fund	625,885	2,887,118	1,499,374	5,012,377
Accrued interest receivable	7,130	24,431	96,957	128,518
Total Assets	\$ 633,015	\$ 2,911,549	\$ 13,339,510	\$ 16,884,074
 Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable	\$ 129,594	\$ 29,566	\$ 218,426	\$ 377,586
Total liabilities	129,594	29,566	218,426	377,586
Fund Balances:				
Reserved for capital projects	503,421	2,881,983	13,121,084	16,506,488
Total fund balance	503,421	2,881,983	13,121,084	16,506,488
Total Liabilities and Fund Balances	\$ 633,015	\$ 2,911,549	\$ 13,339,510	\$ 16,884,074

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, 2008

	<u>2002 Optional Gas Tax Construction</u>	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
Revenues:				
Investment income	\$ 104,241	\$ 132,193	\$ 405,999	\$ 642,433
Other	-	38	-	38
Total revenues	<u>104,241</u>	<u>132,231</u>	<u>405,999</u>	<u>642,471</u>
Expenditures:				
Current:				
General government	-	-	243,785	243,785
Public works	2,436	10,623	76	13,135
Capital outlay	3,131,700	1,378,553	851,225	5,361,478
Total expenditures	<u>3,134,136</u>	<u>1,389,176</u>	<u>1,095,086</u>	<u>5,618,398</u>
(Deficiency) of Revenues Over Expenditures	<u>(3,029,895)</u>	<u>(1,256,945)</u>	<u>(689,087)</u>	<u>(4,975,927)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	-	16,417,201	16,417,201
Bond premium (discount)	-	-	(316,966)	(316,966)
Transfers to other funds	-	-	(2,290,064)	(2,290,064)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>13,810,171</u>	<u>13,810,171</u>
Net Change in Fund Balances	(3,029,895)	(1,256,945)	13,121,084	8,834,244
Fund Balances at Beginning of Year	<u>3,533,316</u>	<u>4,138,928</u>	<u>-</u>	<u>7,672,244</u>
Fund Balances at End of Year	<u>\$ 503,421</u>	<u>\$ 2,881,983</u>	<u>\$ 13,121,084</u>	<u>\$ 16,506,488</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 OPTIONAL GAS TAX CONSTRUCTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 104,241	\$ 100,000	\$ 4,241
Total revenues	<u>104,241</u>	<u>100,000</u>	<u>4,241</u>
Expenditures:			
Current - Public works	2,436	2,436	-
Capital outlay	3,131,700	3,535,862	404,162
Total expenditures	<u>3,134,136</u>	<u>3,538,298</u>	<u>404,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,029,895)</u>	<u>(3,438,298)</u>	<u>408,403</u>
Net Change in Fund Balance	(3,029,895)	(3,438,298)	408,403
Fund Balance at Beginning of Year	<u>3,533,316</u>	<u>3,533,316</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 503,421</u>	<u>\$ 95,018</u>	<u>\$ 408,403</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 132,193	\$ 300,000	\$ (167,807)
Other	38	-	38
Total revenues	<u>132,231</u>	<u>300,000</u>	<u>(167,769)</u>
Expenditures:			
Current:			
Public works	10,623	64,483	53,860
Capital outlay	1,378,553	2,365,584	987,031
Total expenditures	<u>1,389,176</u>	<u>2,430,067</u>	<u>1,040,891</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,256,945)</u>	<u>(2,130,067)</u>	<u>873,122</u>
Net Change in Fund Balance	(1,256,945)	(2,130,067)	873,122
Fund Balance at Beginning of Year	<u>4,138,928</u>	<u>4,138,928</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 2,881,983</u></u>	<u><u>\$ 2,008,861</u></u>	<u><u>\$ 873,122</u></u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 405,999	\$ -	\$ 405,999
Total revenues	<u>405,999</u>	<u>-</u>	<u>405,999</u>
Expenditures:			
Current:			
General government	243,785	253,034	9,249
Public works	76	76	-
Capital outlay	851,225	4,350,934	3,499,709
Total expenditures	<u>1,095,086</u>	<u>4,604,044</u>	<u>3,508,958</u>
Excess (Deficiency) of Revenues Over Expenditures	(689,087)	(4,604,044)	3,914,957
Other Financing Sources (Uses):			
Debt proceeds	16,417,201	15,870,000	547,201
Bond premium (discount)	(316,966)	(316,966)	-
Transfers to other funds	(2,290,064)	(6,484,456)	4,194,392
Total other financing sources (uses)	<u>13,810,171</u>	<u>9,068,578</u>	<u>4,741,593</u>
Net Change in Fund Balance	13,121,084	4,464,534	8,656,550
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 13,121,084</u>	<u>\$ 4,464,534</u>	<u>\$ 8,656,550</u>

**CITY OF OCALA, FLORIDA
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2008**

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:

Internal Service Fund - This fund accounts for the operation of the management information system, central services, facilities maintenance, clinic and purchasing and warehousing departments.

Fleet Management Fund - This fund accounts for the operation of the fleet management department, which is responsible for replacing, specifying, acquiring, maintaining and disposing of approximately 930 units of gas driven equipment.

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, 2008**

Assets	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Current Assets:				
Cash and investments	\$ 150	\$ 300	\$ 150	\$ 600
Equity in pooled cash and investment fund	2,233,984	10,887,463	11,062,297	24,183,744
Accrued interest receivable	12,819	72,212	72,752	157,783
Accounts receivable	505	30,774	50,751	82,030
Inventories	40,627	319,855	-	360,482
Due from other governments	-	-	-	-
Other current assets	498	-	187,663	188,161
Total current assets	<u>2,288,583</u>	<u>11,310,604</u>	<u>11,373,613</u>	<u>24,972,800</u>
Capital Assets, Net	<u>4,719,290</u>	<u>9,630,961</u>	<u>18,311</u>	<u>14,368,562</u>
Total Assets	<u>\$ 7,007,873</u>	<u>\$ 20,941,565</u>	<u>\$ 11,391,924</u>	<u>\$ 39,341,362</u>
Liabilities				
Current Liabilities:				
Accounts payable	\$ 690,468	\$ 858,260	\$ 157,765	\$ 1,706,493
Claims payable	-	-	4,392,924	4,392,924
Compensated absences payable	127,839	80,889	-	208,728
Deferred revenue	-	-	-	-
Total current liabilities	<u>818,307</u>	<u>939,149</u>	<u>4,550,689</u>	<u>6,308,145</u>
Noncurrent Liabilities:				
Interfund loans payable after one year	-	-	-	-
Compensated absences payable	151,411	102,638	-	254,049
OPEB obligation payable	23,768	12,229	-	35,997
Total noncurrent liabilities	<u>175,179</u>	<u>114,867</u>	<u>-</u>	<u>290,046</u>
Total Liabilities	<u>993,486</u>	<u>1,054,016</u>	<u>4,550,689</u>	<u>6,598,191</u>
Net Assets				
Invested in capital assets	4,719,290	9,630,961	18,311	14,368,562
Unrestricted	<u>1,295,097</u>	<u>10,256,588</u>	<u>6,822,924</u>	<u>18,374,609</u>
Total Net Assets	<u>\$ 6,014,387</u>	<u>\$ 19,887,549</u>	<u>\$ 6,841,235</u>	<u>\$ 32,743,171</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, 2008

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:				
Fees and rentals	\$ 6,432,160	\$ 6,299,049	\$ 865,776	\$ 13,596,985
City insurance contributions	-	-	12,568,369	12,568,369
Employee insurance contributions	-	-	2,978,170	2,978,170
Other	886	342,846	247,001	590,733
Total operating revenues	<u>6,433,046</u>	<u>6,641,895</u>	<u>16,659,316</u>	<u>29,734,257</u>
Operating Expenses:				
Fleet management	-	4,241,196	-	4,241,196
Purchasing and warehousing	1,043,695	-	-	1,043,695
Information technology and central services	2,755,810	-	-	2,755,810
Facilities maintenance	2,256,049	-	-	2,256,049
Insurance, administration and other	-	-	12,822,903	12,822,903
Depreciation	510,943	1,753,343	551	2,264,837
Other	1,994,660	167,468	-	2,162,128
Total operating expenses	<u>8,561,157</u>	<u>6,162,007</u>	<u>12,823,454</u>	<u>27,546,618</u>
Operating Income (Loss)	<u>(2,128,111)</u>	<u>479,888</u>	<u>3,835,862</u>	<u>2,187,639</u>
Non-Operating Revenues (Expenses):				
Investment income	45,647	297,647	210,293	553,587
Other non-operating revenue (expense)	-	-	-	-
Total non-operating revenues (expenses)	<u>45,647</u>	<u>297,647</u>	<u>210,293</u>	<u>553,587</u>
Income (Loss) Before Operating Transfers	<u>(2,082,464)</u>	<u>777,535</u>	<u>4,046,155</u>	<u>2,741,226</u>
Transfers:				
From other funds	485,302	579,234	53,791	1,118,327
To other funds	(6,306)	-	-	(6,306)
Total operating transfers	<u>478,996</u>	<u>579,234</u>	<u>53,791</u>	<u>1,112,021</u>
Change in Net Assets	(1,603,468)	1,356,769	4,099,946	3,853,247
Total Net Assets, beginning of year	<u>7,617,855</u>	<u>18,530,780</u>	<u>2,741,289</u>	<u>28,889,924</u>
Total Net Assets, end of year	<u>\$ 6,014,387</u>	<u>\$ 19,887,549</u>	<u>\$ 6,841,235</u>	<u>\$ 32,743,171</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from employees	\$ -	\$ -	\$ 3,022,388	\$ 3,022,388
Cash paid to suppliers for goods and services	(2,302,558)	(1,266,740)	(9,778,351)	(13,347,649)
Cash paid to employees for services	(3,788,285)	(2,331,599)	(614,911)	(6,734,795)
Cash received from other funds	6,433,188	6,628,193	13,681,146	26,742,527
Cash paid for insurance claims	-	-	(2,573,396)	(2,573,396)
Net cash provided by operating activities	<u>342,345</u>	<u>3,029,854</u>	<u>3,736,876</u>	<u>7,109,075</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	485,302	579,234	53,791	1,118,327
Transfers out	(6,306)	-	-	(6,306)
Net cash used in non-capital financing activities	<u>478,996</u>	<u>579,234</u>	<u>53,791</u>	<u>1,112,021</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from sale of capital assets	-	287,651	-	287,651
Acquisition and construction of capital assets	(57,242)	(1,870,086)	(14,500)	(1,941,828)
Net cash used in capital and related financing activities	<u>(57,242)</u>	<u>(1,582,435)</u>	<u>(14,500)</u>	<u>(1,654,177)</u>
Cash Flows from Investing Activities:				
Investment income	43,131	290,528	188,428	522,087
Net cash provided by investing activities	<u>43,131</u>	<u>290,528</u>	<u>188,428</u>	<u>522,087</u>
Net Increase in Cash and Cash Equivalents	807,230	2,317,181	3,964,595	7,089,006
Cash and Cash Equivalents, beginning of year	<u>1,426,904</u>	<u>8,570,582</u>	<u>7,097,852</u>	<u>17,095,338</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,234,134</u>	<u>\$ 10,887,763</u>	<u>\$ 11,062,447</u>	<u>\$ 24,184,344</u>

(Continued)

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Internal Service</u>	<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)	\$ (2,128,111)	\$ 479,888	\$ 3,835,862	\$ 2,187,639
Adjustment to reconcile operating income to cash flows provided by operating activities:				
Depreciation	510,943	1,753,343	551	2,264,837
Loss (gain) on capital asset disposal	1,330,979	(11,582)	7,335	1,326,732
(Increase) decrease in assets:				
Accounts and notes receivable	142	(13,702)	44,218	30,658
Inventories	(672)	(16,431)	-	(17,103)
Other current assets	(12)	-	-	(12)
Increase (decrease) in liabilities:				
Accounts payable	566,870	790,894	33,793	1,391,557
Compensated absences payable	38,438	35,215	-	73,653
OPEB obligation payable	23,768	12,229	-	35,997
Claims payable	-	-	(184,883)	(184,883)
Net Cash Provided by Operating Activities	<u>\$ 342,345</u>	<u>\$ 3,029,854</u>	<u>\$ 3,736,876</u>	<u>\$ 7,109,075</u>

**CITY OF OCALA, FLORIDA
STATISTICAL SECTION
Description of Schedules**

This part of the City of Ocala, Florida’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	114-122
Revenue Capacity These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	123-127
Debt Capacity 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.	128-133
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	134-135
Operating Information 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.	136-141

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, FLORIDA
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 117,351,235	\$ 115,459,984	\$ 116,181,216
Restricted	33,087,299	33,214,401	28,958,142
Unrestricted	21,654,548	19,230,746	25,722,561
Total governmental activities net assets	<u>\$ 172,093,082</u>	<u>\$ 167,905,131</u>	<u>\$ 170,861,919</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 173,278,919	\$ 183,076,286	\$ 183,993,059
Restricted	23,935,720	25,453,335	27,815,830
Unrestricted	62,441,077	55,195,063	57,968,143
Total business-type activities net assets	<u>\$ 259,655,716</u>	<u>\$ 263,724,684</u>	<u>\$ 269,777,032</u>
Primary government			
Invested in capital assets, net of related debt	\$ 290,630,154	\$ 298,536,270	\$ 300,174,275
Restricted	57,023,019	58,667,736	56,773,972
Unrestricted	84,095,625	74,425,809	83,690,704
Total primary government net assets	<u>\$ 431,748,798</u>	<u>\$ 431,629,815</u>	<u>\$ 440,638,951</u>

<u>2006</u>		<u>2007</u>		<u>2008</u>
124,147,138	\$	141,390,721	\$	128,759,607
24,466,026		15,879,457		26,539,950
29,311,300		39,241,861		54,148,084
<u>177,924,464</u>	\$	<u>196,512,039</u>	\$	<u>209,447,641</u>
196,090,833	\$	223,036,346	\$	232,698,752
10,240,786		27,844,378		28,358,718
84,619,342		68,682,510		66,983,643
<u>290,950,961</u>	\$	<u>319,563,234</u>	\$	<u>328,041,113</u>
320,237,971	\$	364,427,067	\$	361,458,359
34,706,812		43,723,835		54,898,668
113,930,642		107,924,371		121,131,727
<u>468,875,425</u>	\$	<u>516,075,273</u>	\$	<u>537,488,754</u>

CITY OF OCALA, FLORIDA
CHANGES IN NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses						
Governmental activities:						
General government	\$ 6,535,061	\$ 6,970,877	\$ 8,604,212	\$ 8,341,978	\$ 9,042,965	\$ 7,347,987
Public safety	27,155,122	28,723,206	33,862,494	31,980,509	33,789,230	37,270,168
Public Works	16,410,122	15,846,226	11,248,691	19,064,719	19,294,535	15,599,695
Culture and recreation	4,804,900	4,667,252	5,486,761	5,204,487	5,290,190	5,290,461
Housing and Urban Development	272,948	304,668	345,869	986,103	1,018,874	1,199,010
Non-Departmental	220,218	401,875	209,889	-	-	-
Human Services	-	-	-	167,746	175,581	181,926
Physical Environment	-	-	-	104,095	78,778	120,691
Transportation	-	-	-	636,705	595,319	519,577
Other	1,219,184	2,634,403	2,384,523	-	-	-
Interest on long-term debt	2,044,103	1,941,182	1,901,587	1,813,808	1,787,386	2,238,101
Total governmental activities expenses	<u>58,661,658</u>	<u>61,489,689</u>	<u>64,044,026</u>	<u>68,300,150</u>	<u>71,072,858</u>	<u>69,767,616</u>
Business-type activities:						
Electric	98,558,024	112,445,761	121,062,884	147,557,401	143,298,835	166,633,502
Water and Sewer	15,794,442	17,609,196	19,762,319	20,982,952	21,899,008	26,199,859
Sanitation	8,257,920	9,080,734	10,296,688	9,223,907	10,207,833	11,249,757
Municipal Golf Courses	2,580,330	2,665,999	2,885,062	2,815,080	2,956,984	3,201,620
Municipal Trailer Park	111,198	96,477	95,003	105,446	108,164	185,069
International Airport	1,491,629	1,491,874	1,273,234	1,191,134	1,315,256	1,276,023
Emergency Training Facility	-	-	-	-	-	-
Audlt Athletic Complex	166,947	171,140	185,716	202,062	213,599	249,338
Communications	799,468	854,242	897,376	928,304	1,160,423	1,290,286
Suntran	1,521,482	1,639,368	1,779,496	1,887,826	2,076,317	2,385,529
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>	<u>183,236,419</u>	<u>212,670,983</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>	<u>\$ 254,309,277</u>	<u>\$ 282,438,599</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 2,267,238	\$ 3,580,601	\$ 5,149,670	\$ 5,560,008	\$ 5,769,933	\$ 4,786,682
Public safety	207,756	621,434	649,697	683,644	5,395,245	7,776,470
Public Works	2,259,990	2,359,217	2,975,108	4,483,574	4,617,381	5,105,758
Culture and recreation	494,131	634,608	697,530	731,896	847,408	708,726
Housing and Urban Development	-	-	-	264,817	216,853	89,845
Non-departmental	766,520	-	-	-	-	-
Human Services	-	-	-	-	-	83,612
Physical Environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Other	103,308	152,770	263,097	-	-	-
Operating grants and contributions	3,925,625	8,972,211	8,301,964	9,966,243	8,171,315	8,932,926
Capital grants and contributions	142,214	29,045	2,969,336	3,818,508	10,393,761	350,420
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>	<u>\$ 35,411,896</u>	<u>\$ 27,834,439</u>
Business-type activities:						
Charges for services:						
Electric	\$ 108,189,382	\$ 119,620,424	\$ 131,457,291	\$ 162,504,999	\$ 151,504,058	\$ 176,235,678
Water and Sewer	16,815,935	19,794,329	22,036,751	24,875,305	26,282,949	29,897,392
Sanitation	7,621,201	8,822,329	9,327,646	10,066,654	10,704,172	10,722,931
Municipal Golf Courses	2,053,098	2,330,548	2,124,820	2,394,301	2,069,934	1,988,105
Municipal Trailer Park	104,922	106,001	111,097	111,062	122,667	119,587
International Airport	532,134	675,459	609,983	597,170	846,820	793,948
Emergency Training Facility	-	-	-	-	-	-
Audlt Athletic Complex	95,737	103,295	132,710	134,301	162,187	155,461
Communications	1,317,298	1,445,890	1,279,230	1,255,884	1,758,988	1,861,780
Suntran	152,254	174,380	192,818	207,268	274,241	258,529
Operating grants and contributions	895,435	4,345,717	3,835,344	1,282,929	1,344,736	672,437
Capital grants and contributions	5,115,107	3,173,740	6,851,151	13,222,924	14,001,918	4,931,655
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>	<u>209,072,670</u>	<u>227,637,503</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>	<u>\$ 244,484,566</u>	<u>\$ 255,471,942</u>

(Continued)

CITY OF OCALA, FLORIDA
CHANGES IN NET ASSETS BY COMPONENT - CONTINUED
LAST SIX ISCAL YEARS
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (expense)/revenue						
Governmental activities	\$ (48,494,876)	\$ (45,139,803)	\$ (43,037,624)	\$ (42,791,460)	\$ (35,660,962)	\$ (41,933,177)
Business-type activities	13,611,063	14,537,321	19,721,063	31,758,685	25,836,251	14,966,520
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>	<u>\$ (9,824,711)</u>	<u>\$ (26,966,657)</u>
General Revenues and Other Changes in						
Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 13,237,448	\$ 14,009,302	\$ 16,353,798	\$ 17,838,831	\$ 21,147,093	\$ 21,102,963
Utility service tax	8,972,010	9,329,469	10,493,622	10,492,840	11,613,177	12,468,590
Other taxes	3,829,885	631,744	637,006	776,335	1,723,911	1,111,427
Unrestricted revenues	3,951,729	4,392,031	4,881,721	5,162,216	4,898,299	4,897,376
Investment income	1,816,455	864,869	1,250,902	2,843,963	3,834,054	2,646,691
Miscellaneous	809,728	48,350	41,595	103,094	197,315	1,391,588
Transfers	11,461,890	11,766,087	12,335,768	12,636,726	10,834,688	11,250,144
Total governmental activities	<u>44,079,145</u>	<u>41,041,852</u>	<u>45,994,412</u>	<u>49,854,005</u>	<u>54,248,537</u>	<u>54,868,779</u>
Business-type activities:						
Investment earnings	3,499,201	1,297,764	1,980,750	4,535,902	6,025,971	4,761,503
Transfers	(11,461,890)	(11,766,087)	(12,335,768)	(12,636,726)	(10,834,688)	(11,250,144)
Total business-type activities	<u>(7,962,689)</u>	<u>(10,468,323)</u>	<u>(10,355,018)</u>	<u>(8,100,824)</u>	<u>(4,808,717)</u>	<u>(6,488,641)</u>
Total primary government	<u>\$ 36,116,456</u>	<u>\$ 30,573,529</u>	<u>\$ 35,639,394</u>	<u>\$ 41,753,181</u>	<u>\$ 49,439,820</u>	<u>\$ 48,380,138</u>
Change in Net Assets						
Governmental activities	\$ (4,375,883)	\$ (4,097,951)	\$ 2,956,788	\$ 7,062,545	\$ 18,587,575	\$ 12,935,602
Business-type activities	5,648,374	4,068,968	9,366,045	23,657,861	21,027,534	8,477,879
Total primary government	<u>\$ 1,272,491</u>	<u>\$ (28,983)</u>	<u>\$ 12,322,833</u>	<u>\$ 30,720,406</u>	<u>\$ 39,615,109</u>	<u>\$ 21,413,481</u>

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund					
Reserved	\$ 5,892,301	\$ 5,887,145	\$ 7,364,164	\$ -	\$ -
Unreserved	<u>4,609,373</u>	<u>3,193,606</u>	<u>6,036,617</u>	<u>13,926,923</u>	<u>11,229,820</u>
Total general fund	<u><u>10,501,674</u></u>	<u><u>9,080,751</u></u>	<u><u>13,400,781</u></u>	<u><u>13,926,923</u></u>	<u><u>11,229,820</u></u>
All other governmental funds					
Reserved	\$ 19,974,575	\$ 18,329,407	\$ 16,767,212	\$ 38,107,152	\$ 33,847,369
Unreserved, reported in:					
Special revenue funds	(1,798)	(22,571)	-	-	2,789,057
Capital projects funds	(1,023,359)	(409,493)	-	-	-
Debt service funds	-	-	-	-	-
Total all other governmental funds	<u><u>\$ 18,949,418</u></u>	<u><u>\$ 17,897,343</u></u>	<u><u>\$ 16,767,212</u></u>	<u><u>\$ 38,107,152</u></u>	<u><u>\$ 36,636,426</u></u>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ -	\$ -	\$ -	\$ -	\$ -
10,735,291	16,209,931	19,728,353	25,945,812	27,070,783
<u>10,735,291</u>	<u>16,209,931</u>	<u>19,728,353</u>	<u>25,945,812</u>	<u>27,070,783</u>
\$ 34,151,577	\$ 29,861,294	\$ 25,336,025	\$ 16,712,856	\$ 27,659,497
2,427,464	3,154,023	3,369,290	2,900,260	4,671,581
-	-	-	-	-
-	-	-	-	-
<u>\$ 36,579,041</u>	<u>\$ 33,015,317</u>	<u>\$ 28,705,315</u>	<u>\$ 19,613,116</u>	<u>\$ 32,331,078</u>

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues:				
Property Taxes	\$ 9,102,961	\$ 9,511,892	\$ 11,548,592	\$ 12,436,199
Utility Service Taxes	5,102,382	5,306,148	7,551,057	9,826,251
Other Taxes	1,812,423	2,054,924	979,605	395,596
State Revenue Sharing	951,105	1,099,208	1,355,904	1,391,703
Other Intergovernmental Revenue	12,502,926	11,173,279	9,680,466	11,974,015
Parking Meters and Facilities	67,095	71,952	62,136	62,673
Licenses and Permits	1,054,871	1,096,018	1,589,534	1,055,928
Fines and Forfeitures	464,268	381,070	391,965	403,763
Charges for Services	3,195,874	3,750,323	4,052,998	4,031,885
Investment Income	2,426,941	1,849,203	2,853,006	1,777,529
Gifts	139,493	748,745	75,518	165,404
Other	1,682,880	380,537	478,206	670,325
Total revenues	<u>\$ 38,503,219</u>	<u>\$ 37,423,299</u>	<u>\$ 40,618,987</u>	<u>\$ 44,191,271</u>
Expenditures:				
General Government	5,354,217	5,556,404	5,207,855	5,722,144
Public Safety	18,961,304	19,726,671	21,692,812	23,546,305
Public Works	6,267,840	5,825,701	5,940,593	8,724,153
Culture and Recreation	4,911,858	3,341,906	3,650,228	3,922,136
Housing and Urban Development	326,835	311,058	247,636	336,440
Nondepartmental	196,129	734,864	316,333	782,596
Human Services	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Other	2,070,469	1,143,692	930,618	1,141,043
Capital Outlay	10,943,294	10,089,853	7,300,165	8,462,353
Debt service				
Principal Retirement	690,000	1,245,000	1,295,000	3,385,000
Interest and fees	1,779,619	1,737,635	1,684,339	1,779,672
Total expenditures	<u>\$ 51,501,565</u>	<u>\$ 49,712,784</u>	<u>\$ 48,265,579</u>	<u>\$ 57,801,842</u>
Excess of revenues over (under) expenditures	<u>\$ (12,998,346)</u>	<u>\$ (12,289,485)</u>	<u>\$ (7,646,592)</u>	<u>\$ (13,610,571)</u>
Other financing sources (uses):				
Transfers in	17,149,083	15,096,996	14,930,614	14,281,477
Transfers out	(5,097,944)	(5,191,362)	(4,552,992)	(4,218,807)
Bond Proceeds	-	-	-	31,905,000
Bond Premium (Discount)	-	-	-	(68,812)
Payment to Refunded Bonds Escrow Agent	-	-	-	(6,422,315)
Total other financing sources (uses)	<u>\$ 12,051,139</u>	<u>\$ 9,905,634</u>	<u>\$ 10,377,622</u>	<u>\$ 35,476,543</u>
Net change in fund balances	<u>\$ (947,207)</u>	<u>\$ (2,383,851)</u>	<u>\$ 2,731,030</u>	<u>\$ 21,865,972</u>
Debt service as a percentage of noncapital expenditures	6.09%	7.53%	7.27%	10.47%

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	13,237,448	\$ 14,009,302	\$ 16,353,798	\$ 17,838,831	\$ 21,147,093	\$ 21,102,963
	8,972,010	9,329,469	10,493,622	10,492,840	11,613,177	12,468,590
	629,497	709,786	725,928	860,958	1,799,011	1,111,427
	1,384,895	1,443,396	1,654,026	1,676,397	1,694,938	4,897,376
	9,567,844	11,210,086	12,697,561	12,325,003	9,771,807	9,267,258
	65,374	66,572	58,644	48,528	38,358	55,009
	1,418,871	1,483,910	2,292,970	2,679,396	2,223,801	1,869,393
	396,124	489,143	501,990	491,365	666,486	461,016
	4,160,492	4,652,492	6,303,068	8,052,521	13,213,581	15,453,587
	1,362,613	709,560	1,078,883	2,318,243	3,023,206	2,093,104
	267,216	594,917	1,722,328	1,490,884	3,157,632	547,044
	867,811	771,709	610,209	869,263	931,583	1,391,588
\$	<u>42,330,195</u>	<u>\$ 45,470,342</u>	<u>\$ 54,493,027</u>	<u>\$ 59,144,229</u>	<u>\$ 69,280,673</u>	<u>\$ 70,718,355</u>

	6,244,743	6,757,264	7,643,894	8,173,331	9,373,452	14,354,658
	25,564,889	27,269,177	29,092,600	30,795,940	33,840,516	36,498,069
	8,656,179	8,329,248	10,773,519	12,265,628	13,681,476	9,695,188
	4,477,221	4,226,419	4,676,951	5,030,888	5,301,517	5,157,138
	272,948	304,668	345,869	930,969	950,547	1,184,083
	381,999	197,618	280,100	-	-	-
	-	-	-	167,714	175,714	164,528
	-	-	-	103,973	79,288	81,207
	-	-	-	628,972	627,682	545,969
	1,125,952	2,571,480	2,269,915	-	-	-
	8,677,677	4,285,205	6,314,599	9,815,155	14,257,745	10,551,340
	975,000	2,145,000	2,805,000	2,875,000	2,940,000	3,020,000
	1,815,966	1,708,561	1,878,165	1,791,259	1,768,469	1,894,751
\$	<u>58,192,574</u>	<u>\$ 57,794,640</u>	<u>\$ 66,080,612</u>	<u>\$ 72,578,829</u>	<u>\$ 82,996,406</u>	<u>\$ 83,146,931</u>

\$ (15,862,379) \$ (12,324,298) \$ (11,587,585) \$ (13,434,600) \$ (13,715,733) \$ (12,428,576)

	16,039,513	16,407,407	17,159,554	17,557,172	17,940,728	20,330,785
	(4,574,880)	(4,635,023)	(4,946,543)	(4,914,152)	(7,099,735)	(10,192,662)
	15,310,000	-	-	-	-	20,707,201
	1,519,140	-	-	-	-	(378,596)
	<u>(16,599,223)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,195,219)</u>
\$	11,694,550	\$ 11,772,384	\$ 12,213,011	\$ 12,643,020	\$ 10,840,993	\$ 26,271,509
\$	<u>(4,167,829)</u>	<u>(551,914)</u>	<u>625,426</u>	<u>(791,580)</u>	<u>(2,874,740)</u>	<u>13,842,933</u>

5.64%

7.20%

7.84%

7.43%

6.85%

6.77%

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

Fiscal Year Ended September 30 ⁽²⁾	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property
1999	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
2000	N/A	N/A	N/A	N/A	N/A
2001	1,002,881,221	554,775,200	240,637,509	44,759,044	152,242,470
2002	1,080,786,799	608,607,269	264,571,374	45,940,434	168,227,107
2003	1,129,907,482	692,991,158	267,533,523	49,173,429	173,067,650
2004	1,207,542,156	746,568,489	275,988,760	48,687,495	195,651,980
2005	1,369,536,668	824,450,460	303,736,680	62,359,418	206,861,715
2006	1,600,222,052	890,444,399	326,588,278	73,141,502	228,418,327
2007	2,167,036,569	1,067,577,070	398,331,679	105,585,327	271,471,369
2008	2,949,994,448	1,253,672,907	482,610,648	93,641,860	307,406,690

Source: Marion County, Florida, Property Appraiser

Note: ⁽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.

Information from Marion County Property Appraiser is not available prior to 2001.

Governmental Property	Vacant Land/Other	Total Real Estate Property	Tangible Personal Property	Tax Exempt	Total Assessed Value	Total Direct Tax Rate ⁽¹⁾
N/A	\$ 1,359,562	\$ 1,441,038,800	\$ 330,647,658	\$ N/A	\$ 1,771,686,458	\$ 5.286
N/A	1,464,532	1,511,339,709	341,743,121	N/A	1,853,082,830	5.286
244,893,761	92,487,014	2,332,676,219	389,913,381	696,288,861	2,026,300,739	5.851
265,585,747	96,770,267	2,530,488,997	414,813,020	750,452,751	2,194,849,266	5.796
268,352,723	92,510,709	2,673,536,674	466,009,209	788,276,604	2,351,269,279	5.797
284,723,737	102,363,486	2,861,526,103	494,690,903	834,305,524	2,521,911,482	5.687
304,364,777	123,879,204	3,195,188,922	496,528,576	902,518,740	2,789,198,758	5.936
372,272,984	130,566,644	3,621,654,186	508,697,524	1,064,029,778	3,066,321,932	5.934
434,025,442	173,483,303	4,617,510,759	547,189,434	1,402,552,458	3,762,147,735	5.676
481,497,048	268,788,561	5,837,612,162	614,223,942	1,739,792,892	4,712,043,212	4.529

**CITY OF OCALA, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

MILLAGE RATES

<u>Fiscal Year</u> ⁽¹⁾	<u>City</u>	<u>County</u>	<u>School</u>	<u>Water Mgmt Districts</u>	<u>Total</u>
1999	5.27	6.15	10.62	0.48	22.52
2000	5.27	6.15	9.83	0.48	21.73
2001	5.84	6.18	9.66	0.47	22.15
2002	5.78	6.06	9.50	0.46	21.80
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

Source: Marion County, Florida, Property Appraiser.

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

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

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

Taxpayer	2008			1999		
	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value
Sprint-Florida, Inc.	\$ 72,471,128	1	1.54%	\$ 42,714,039	1	2.41%
K-Mart Corporation	60,715,681	2	1.29%	39,520,382	2	2.23%
Marion Community Hospital	52,887,649	3	1.12%	28,040,164	3	1.58%
Carlton Arms of Ocala	37,421,736	4	0.79%	-	-	-
Paddock Mall Associates	35,754,395	5	0.76%	26,447,295	4	1.49%
Closetmaid Corporation	32,467,491	6	0.69%	-	-	-
Wal-Mart	30,801,459	7	0.65%	17,607,161	5	0.99%
Ocala Tarragon LLC	21,234,447	8	0.45%	11,498,517	7	-
Highlands Apartments LLC	20,938,424	9	0.44%	-	-	-
Cheney Brothers Inc.	20,390,222	10	0.43%	-	-	-
Paddock Park Apartments	-	-	-	14,240,309	6	0.80%
LC Realty (Lowe's)	-	-	-	8,458,982	8	0.48%
Kimco of Ocala (Shady Oaks)	-	-	-	7,821,716	9	0.44%
Wal-Mart Stores, Inc.	-	-	-	7,067,593	10	0.40%
Total	<u>385,082,632</u>		<u>8.17%</u>	<u>203,416,158</u>		<u>10.83%</u>

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

Excludes property tax levies of the Downtown Development Districts.

Total Assessed Value	<u>\$ 4,712,043,212</u>	<u>100.00%</u>	<u>\$ 1,771,686,458</u>	<u>100.00%</u>
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**CITY OF OCALA, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30	Taxes Levied For Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	\$ 9,385,714	\$ 8,755,381	93.28%	\$ 305,775	\$ 9,061,156	96.54%
2000	9,821,569	9,172,117	93.39%	296,848	9,468,965	96.41%
2001	11,884,723	11,133,462	93.68%	370,921	11,504,383	96.80%
2002	12,761,905	11,927,359	93.46%	346,568	12,273,927	96.18%
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	20,609,343	96.43%	231,458	20,840,801	97.51%

Source: Marion County, Florida, Property Appraiser and City of Ocala Finance & Administrative Services Department.

Note: Property in the City of Ocala is reassessed each year by the Marion County Property Appraiser.
Actual tax collections received in each fiscal year are from the prior year's tax levy.

Excludes property tax levies of the Downtown Development Commission.

CITY OF OCALA, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita	
	Capital Improvement Certificates	Optional Gas Tax Bonds	Total	Electric System Revenue Bonds	Utility Systems Revenue Bonds	Water and Sewer Revenue Bonds				
1999	\$ 23,365	\$ 10,525	\$ 33,890	\$ -	\$ 53,720	\$ 16,380	\$ 70,100	103,990	10.58%	\$ 2,281
2000	22,845	9,800	32,645	-	52,195	15,960	68,155	100,800	9.69%	2,194
2001	22,305	9,045	31,350	10,520	-	91,605	102,125	133,475	12.41%	2,884
2002	36,085	17,565	53,650	10,520	-	91,145	101,665	155,315	14.44%	3,337
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	15.11%	4,147

**CITY OF OCALA, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Per Capita
1999	\$ -	-	\$ -	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-
2008	-	-	-	-

The City of Ocala did not have any general obligation debt outstanding during the fiscal years ended September 30, 1999 - 2008

CITY OF OCALA, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT ⁽¹⁾
September 30, 2008

<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	<u>\$ 6,140,000</u>		
Limited Ad Valorem Refunding Tax Bonds, Series 2003	<u>1,795,000</u>		
	<u>7,935,000</u>	21.09%	\$ 1,673,129
Total Overlapping Debt	<u><u>\$ 7,935,000</u></u>		<u><u>\$ 1,673,129</u></u>

1 The City of Ocala did not have any general obligation debt outstanding during the fiscal year ended September 30, 2008.

2 Represents the fraction of assessed valuation of taxable property in the City of Ocala over the assessed valuation of taxable property in the governmental unit.

**CITY OF OCALA, FLORIDA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	1999	2000	2001	2002
Assessed Value (100% at market as of January 1, 2008)	\$ 1,771,686,458	\$ 1,853,082,830	\$ 2,026,300,739	\$ 2,194,839,266
Debt Limit: 20% of Assessed Value	\$ 354,337,292	\$ 370,616,566	\$ 405,260,148	\$ 438,967,853
Amount of General Obligation Debt Outstanding	-	-	-	-
Legal Debt Margin	\$ 354,337,292	\$ 370,616,566	\$ 405,260,148	\$ 438,967,853

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."

2003	2004	2005	2006	2007	2008
\$ 2,351,269,279	\$ 2,521,911,481	\$ 2,789,198,758	\$ 3,066,321,932	\$ 3,762,147,735	\$ 4,712,043,212
\$ 470,253,856	\$ 504,382,296	\$ 557,839,752	\$ 613,264,386	\$ 752,429,547	\$ 942,408,642
-	-	-	-	-	-
\$ 470,253,856	\$ 504,382,296	\$ 557,839,752	\$ 613,264,386	\$ 752,429,547	\$ 942,408,642

**CITY OF OCALA, FLORIDA
PLEGDED REVENUE COVERAGE**

LAST TEN FISCAL YEARS

	1999	2000	2001	2002
Capital Improvement Bonds and Certificates:				
Net revenue available for debt service	\$ 4,765,290	\$ 4,851,326	\$ 5,253,422	\$ 8,739,156
Debt Service payments:				
Principal	-	520,000	540,000	560,000
Interest	1,158,598	1,148,418	1,127,338	1,104,895
Total debt service payments	1,158,598	1,668,418	1,667,338	1,664,895
Coverage (times)	4.11	2.91	3.15	5.25
Optional Gas Tax Bonds:				
Net revenue available for debt service	\$ 2,416,976	\$ 2,440,994	\$ 2,515,737	\$ 2,625,636
Debt Service payments:				
Principal	690,000	725,000	755,000	800,000
Interest	612,476	578,395	541,018	500,565
Total debt service payments	1,302,476	1,303,395	1,296,018	1,300,565
Coverage (times)	1.86	1.87	1.94	2.02
Electric System Bonds:				
Gross revenues	\$ 88,417,416	\$ 93,486,781	\$ 105,600,113	\$ 108,305,778
Less: operating expenses	66,886,048	73,072,819	87,052,068	85,816,287
Net revenue available for debt service	21,531,368	20,413,962	18,548,045	22,528,190
Debt Service payments:				
Principal	1,740,000	-	-	-
Interest	60,030	-	-	243,571
Total debt service payments	1,800,030	-	-	243,571
Coverage (times)	11.96	-	-	92.49
Water & Sewer Bonds:				
Gross revenues	\$ 15,779,535	\$ 17,461,911	\$ 19,965,739	\$ 18,655,776
Less: operating expenses	6,611,637	6,501,641	7,139,181	7,519,919
Net revenue available for debt service	9,167,898	10,960,270	12,826,558	11,135,857
Debt Service payments:				
Principal	405,000	420,000	445,000	460,000
Interest	934,771	914,945	893,613	3,952,074
Total debt service payments	1,339,771	1,334,945	1,338,613	4,412,074
Coverage (times)	6.84	8.21	9.58	2.52
Utility System Bonds:				
Net revenue available for debt service	\$ 27,559,440	\$ 30,039,487	\$ 30,035,990	\$ -
Debt Service payments:				
Principal	2,805,000	1,525,000	1,610,000	-
Interest	3,422,435	3,304,000	3,214,610	-
Total debt service payments	6,227,435	4,829,000	4,824,610	-
Coverage (times)	4.43	6.22	6.23	-

Source: The City of Ocala Finance and Administrative Services Department

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	8,772,597	\$ 8,901,118	\$ 9,339,678	\$ 9,886,289	\$ 9,628,290	\$ 8,733,751
	585,000	620,000	1,265,000	1,265,000	1,290,000	1,325,000
	<u>1,376,757</u>	<u>1,243,263</u>	<u>1,388,006</u>	<u>1,360,422</u>	<u>1,331,339</u>	<u>1,580,000</u>
	1,961,757	1,863,263	2,653,006	2,625,422	2,621,339	2,905,000
	4.47	4.78	3.52	3.77	3.67	3.01
\$	2,725,114	\$ 2,840,647	\$ 2,957,912	\$ 3,113,220	\$ 3,180,946	\$ 2,892,928
	-	1,370,000	1,415,000	1,450,000	1,480,000	1,520,000
	<u>298,966</u>	<u>492,636</u>	<u>452,321</u>	<u>412,730</u>	<u>372,060</u>	<u>328,436</u>
	298,966	1,862,636	1,867,321	1,862,730	1,852,060	1,848,436
	9.12	1.53	1.58	1.67	1.72	1.57
\$	110,023,244	\$ 121,996,540	\$ 133,762,878	\$ 166,950,033	\$ 161,874,682	\$ 175,441,091
	<u>93,979,971</u>	<u>107,439,353</u>	<u>115,542,920</u>	<u>149,078,791</u>	<u>142,816,739</u>	<u>165,048,053</u>
	16,043,273	14,557,187	18,219,958	17,871,242	19,057,943	10,393,038
	1,940,000	2,035,000	2,105,000	-	-	-
	<u>331,406</u>	<u>264,387</u>	<u>164,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,271,406	2,299,387	2,269,699	-	-	-
	7.06	6.33	8.03	N/A	N/A	N/A
\$	18,201,604	\$ 20,435,447	\$ 22,873,163	\$ 26,448,948	\$ 28,628,527	\$ 27,064,562
	<u>8,701,898</u>	<u>9,115,971</u>	<u>9,875,460</u>	<u>10,814,429</u>	<u>11,487,524</u>	<u>21,261,005</u>
	9,499,706	11,319,476	12,997,703	15,634,519	17,141,003	5,803,557
	2,575,000	2,820,000	2,940,000	3,060,000	3,170,000	3,295,000
	<u>4,333,189</u>	<u>4,221,045</u>	<u>3,782,530</u>	<u>2,695,072</u>	<u>2,575,873</u>	<u>1,951,105</u>
	6,908,189	7,041,045	6,722,530	5,755,072	5,745,873	5,246,105
	1.38	1.61	1.93	2.72	2.98	1.11
\$	-	\$ -	\$ 22,225,432	\$ 27,750,689	\$ 30,453,073	\$ 16,361,687
	-	-	-	495,000	625,000	640,000
	<u>-</u>	<u>-</u>	<u>539,561</u>	<u>2,730,607</u>	<u>2,718,536</u>	<u>4,431,856</u>
	-	-	539,561	3,225,607	3,343,536	5,071,856
	-	-	41.19	8.60	9.11	3.23

**CITY OF OCALA, FLORIDA
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
1999	45,585	982,903,770	21,562	22,452	3.6%
2000	45,943	1,040,103,577	22,639	32,532	3.7%
2001	46,288	1,075,547,968	23,236	31,490	4.9%
2002	46,543	1,075,748,359	23,113	31,851	4.9%
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	1,623,879,828	29,817 ⁴	41,644 ⁴	8.6%

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, FLORIDA
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO**

<u>Employer</u>	<u>September 30, 2008</u>			<u>September 30, 1999</u>		
	Total Employees	Rank	Percent of Total City Employment	Total Employees	Rank	Percent of Total City Employment
Marion County School Board	6,000	1	4.68%	N/A	-	N/A
State of Florida	4,187	2	3.27%	N/A	-	N/A
Munroe Regional Medical Center	2,500	3	1.95%	N/A	-	N/A
Wal-Mart	2,456	4	1.92%	N/A	-	N/A
US Government	2,011	5	1.57%	N/A	-	N/A
Publix Supermarkets	1,467	6	1.14%	N/A	-	N/A
Marion County Board of Commissioners	1,400	7	1.09%	N/A	-	N/A
Ocala Regional Medical Center and West Marion Community Hospital	1,301	8	1.01%	N/A	-	N/A
City of Ocala	1,111	9	0.87%	N/A	-	N/A
AT&T	<u>1,000</u>	10	<u>0.78%</u>	<u>N/A</u>	-	<u>N/A</u>
Total	<u><u>23,433</u></u>		<u><u>18.28%</u></u>	<u><u>N/A</u></u>		<u><u>N/A</u></u>
Ocala MSA Labor Force			<u><u>128,220</u></u>			

Source: Florida Research and Economic Database - Ocala MSA Labor Market Statistics for September 2008

N/A - No known source for employment data for prior period exists.

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT
LAST TEN FISCAL YEARS**

	1999	2000	2001	2002
Legislative.....	6.00	6.00	6.00	6.00
Executive.....	35.75	32.75	25.50	24.50
Finance.....	15.00	18.00	19.00	21.00
Purchasing.....	16.00	16.00	13.00	13.00
Human Resources.....	10.75	8.75	5.75	6.75
Planning.....	11.00	11.00	10.00	10.00
Building.....	23.00	23.00	23.00	23.00
Police				
Officers.....	165.00	175.00	156.00	164.00
Civilians.....	68.25	70.25	88.50	88.00
Fire				
Firefighters and Officers.....	111.00	111.00	116.00	115.00
Civilians.....	10.00	10.00	5.00	5.00
Engineering.....	62.50	63.50	61.00	61.00
Recreation.....	79.00	79.00	66.25	72.50
Library.....	-	-	-	-
Public Works.....	142.00	142.00	141.00	141.00
Fleet.....	34.50	34.50	32.00	32.00
Airport.....	6.00	5.50	4.50	4.50
Golf.....	45.75	43.25	32.50	38.25
Water & Sewer.....	82.00	82.00	68.00	68.00
Telecommunications.....	12.00	12.00	5.00	5.00
Electric.....	163.75	164.25	166.75	167.75
Stormwater.....	7.00	7.00	7.00	7.00
Information & Technology.....	19.75	21.00	18.75	18.75
Community Programs.....	6.75	6.75	6.75	6.75
Total	1,132.75	1,142.50	1,077.25	1,098.75

Source: The City of Ocala Finance and Administrative Services Department

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

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
6.00	6.00	6.00	6.00	6.00	6.00
27.50	28.75	28.75	28.75	28.75	26.00
21.00	21.75	22.00	22.00	22.00	22.00
13.00	13.00	13.00	13.00	13.00	13.00
7.00	7.00	7.00	7.00	7.00	7.00
10.00	11.00	11.00	10.00	11.50	10.50
23.00	23.00	23.00	25.00	26.00	26.00
166.00	162.00	166.00	171.00	171.00	171.00
88.00	88.00	84.00	84.00	85.00	86.25
116.00	116.00	116.00	118.00	133.00	133.00
5.00	11.00	11.00	11.00	13.00	13.00
65.00	65.00	68.25	68.25	67.00	67.00
64.25	64.75	64.75	63.25	64.25	64.75
-	-	-	-	-	-
148.00	148.00	146.00	146.00	148.00	141.00
32.00	32.00	33.00	32.00	32.00	32.00
5.00	5.00	5.00	5.00	5.00	5.00
37.25	33.50	33.50	33.75	31.00	31.00
70.75	71.50	72.50	72.50	73.75	76.75
6.00	6.00	6.00	5.50	6.00	6.00
173.25	173.25	173.25	173.75	174.00	181.00
6.00	6.00	6.00	7.00	8.00	8.00
18.75	18.75	18.75	17.00	17.50	17.00
6.75	5.00	5.00	5.00	5.00	5.00
1,115.50	1,116.25	1,119.75	1,124.75	1,147.75	1,148.25

**CITY OF OCALA, FLORIDA
ANALYSIS OF SEWERAGE SYSTEM CAPITAL IMPROVEMENT FUND
ESTABLISHED FOR FLORIDA DEPARTMENT OF ENVIRONMENTAL
REGULATION GRANT #621080**

The City received grant number 621080 from the State of Florida Department of Environmental Regulation for a portion of the construction of Sewer Treatment Plant #1. One of the requirements of this grant is that the City provide for a sewerage system capital improvement account to accumulate the equivalent future value of the grant amount adjusted for inflationary cost increases upon completion of the grant-related project. In December 1985, the City adopted ordinance #1810, which addresses this subject in section 5. The amount to be accumulated by the City is \$6,020,462.40. Grant condition number 23 requires annual certification that the sewerage system capital improvement account is maintained in accordance with Section 17-501.610 of the Florida Administrative Code.

The construction of the grant-related project, Sewer Treatment Plant #1, was completed during fiscal year 1988. Since prepayments to the capital improvement fund are allowed, the City started making deposits in fiscal year 1986. During fiscal year 2000, \$1,500,000 was withdrawn from this fund for the Water Reclamation Facility #3 project, which is an expansion of the system. During fiscal year 2003, \$2,622,798 was withdrawn from this fund for repairs at Water Reclamation Facility #2 and for the sewer portion of various road construction projects.

The following schedule shows all activity in the sewerage system capital improvement fund since its inception:

Fiscal Year	Deposits (Withdrawals)	Investment Income	Balance September 30
1989	\$ 301,023.12	\$ 91,647.90	\$ 1,365,364.34
1990	301,023.12	125,170.01	1,791,557.47
1991	301,023.12	142,728.85	2,235,309.44
1992	301,023.12	111,185.27	2,647,517.83
1993	301,023.00	116,575.01	3,065,115.84
1994	301,023.00	133,077.65	3,499,216.49
1995	301,023.00	178,917.78	3,979,157.27
1996	301,023.00	232,147.37	4,512,327.64
1997	301,023.00	278,526.52	5,091,877.16
1998	301,023.00	412,080.84	5,804,981.00
1999	301,023.00	191,600.02	6,297,604.02
2000	(1,500,000.00)	350,778.24	5,148,382.26
2001	-	507,048.67	5,655,430.93
2002	-	272,019.10	5,927,450.03
2003	(2,622,798.00)	164,134.56	3,468,786.59
2004	-	45,532.41	3,514,319.00
2005	77,916.67	49,775.28	3,642,010.95
2006	(478,923.59)	134,037.06	3,297,124.42
2007	-	99,137.20	3,396,261.62
2008	-	106,577.37	3,502,838.99

**CITY OF OCALA, FLORIDA
SCHEDULE OF AIRPORT SUBSIDY CASH FLOW ANALYSIS
FOR PERIOD APRIL 1, 1998 THROUGH SEPTEMBER 30, 2008**

	<u>Balance 9/30/2007</u>	<u>FY 2008 Activity</u>	<u>Balance 9/30/2008</u>
Airport Probable Revenue:			
Sports Complex Lease	\$ 1,258,861	\$ 132,512	\$ 1,391,373
Water & Sewer Land Lease	57,575	9,888	67,463
Electric Facility Lease	300,767	80,711	381,478
Equipment Transfer	124,250	-	124,250
Total probable revenues	<u>1,741,453</u>	<u>223,111</u>	<u>1,964,564</u>
Airport Subsidy:			
General Fund	2,724,142	77,858	2,802,000
In-Kind Services	205,811	-	205,811
Grant Match	114,160	976,522	1,090,682
Capital Improvements	1,468,072	-	1,468,072
Debt Service	14,012	-	14,012
Reduced Allocated Costs	65,236	-	65,236
Other Contributions	109,500	-	109,500
Electric Fund	73,520	-	73,520
Total subsidy	<u>4,774,453</u>	<u>1,054,380</u>	<u>5,828,833</u>
Excess (Deficiency) of Subsidy Over Probable Revenues	<u>\$ 3,033,000</u>	<u>\$ 831,269</u>	<u>\$ 3,864,269</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, starting with the 2004 CAFR.

**CITY OF OCALA, FLORIDA
CAPITAL ASSETS AND OTHER STATISTICS BY FUNCTION**

LAST TEN FISCAL YEARS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Area of City (square miles)	38.80	39.10	39.10	39.42
Miles of Streets, Sidewalks and Bikepaths				
Streets - Paved	281.55	282.88	284.57	286.34
Streets - Unpaved	11.85	11.85	11.49	9.72
Sidewalks	73.13	73.18	73.18	61.56
Bikepaths	24.37	25.47	25.47	25.47
Miles of Sewers				
Storm	68.95	70.03	72.13	72.28
Sanitary	289.44	293.44	296.64	299.24
Force Main	64.49	68.30	69.40	71.80
Water Lines				
Number of Lift Stations	93	93	93	98
Building Permits: (includes plumbing, gas. (electric, water , heating & air conditioning)				
Permits Issued	4,891	4,987	5,047	5,059
Permit Value	\$ 105,980,693	\$ 135,503,811	\$ 245,631,630	\$ 92,061,764
New Construction - Units and Value:				
Commercial - Number of Units	102	76	73	101
Commercial - Value	\$ 37,504,355	\$ 44,932,744	\$ 83,284,180	\$ 33,542,912
Residential - Number of Units	149	207	200	131
Residential - Value	\$ 16,918,284	\$ 22,497,308	\$ 24,970,219	\$ 15,819,218
Fire Protection:				
Stations	5	5	5	5
Employees - Sworn	111	111	120	115
Employees - Civilian	10	10	5	5
Fire and rescue response time (minutes)	4.0	4.0	4.0	5
Police Protection:				
Stations	3	3	5	5
Employees - Sworn	147	156	156	157
Employees - Civilian	79	83	88	88
Vehicular Patrol Units - Marked Vehicles	119	110	100	106
Vehicular Patrol Units - Motorcycles	6	6	5	5
Vehicular Patrol Units - Other Vehicles	63	54	62	63
Recreation:				
Land area (acres)	561	899	731	731
Activity centers	7	9	7	7
Pools	2	2	1	2
Playgrounds (not reported prior to 2004)				

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
40.07	40.83	41.94	43.16	43.74	44.48
288.96	288.96	290.34	290.34	291.32	292.32
7.64	7.64	6.26	6.26	6.26	6.26
61.71	61.71	61.71	62.71	69.42	76.20
25.47	25.47	25.47	25.47	25.81	32.41
74.00	70.00	74.89	74.78	76.63	80.95
302.74	305.69	308.29	308.29	312.22	317.31
75.28	78.10	78.10	78.10	80.09	82.80
			346.2	350.0	356.4
98	98	105	105	114	118
5,319	5,708	3,042	3,202	2,607	2,159
\$ 170,437,082	\$ 167,586,874	\$ 260,076,222	\$ 298,505,664	\$ 265,150,530	\$ 189,168,148
142	121	185	156	175	134
\$ 355,568,925	\$ 41,566,248	\$ 102,095,524	\$ 102,815,257	\$ 151,119,124	\$ 133,422,696
196	376	867	881	393	253
\$ 23,630,008	\$ 50,712,584	\$ 122,621,881	\$ 145,571,695	\$ 70,027,178	\$ 38,741,704
5	5	5	6	6	6
116	116	116	118	133	133
5	11	12	10	12	12
5	4	4	4.5	4.5	4.5
5	5	5	5	5	6
157	157	155	171	160	158
88	88	84	84	85	86
109	109	112	112	113	113
5	5	6	6	6	9
65	65	69	73	73	78
731	731	744	717	755	693
7	9	9	9	6	6
2	2	2	2	2	2
	18	19	18	19	17

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

CITY OF OCALA, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Federal and State Grantor/ Pass-Through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>	<u>Sub recipient Pass Through</u>
<u>FEDERAL AWARDS:</u>				
U.S. Department of Housing and Urban Development				
Community Development Block Grants	14.218	B05MC120029	380,431	73,784
US Dept of Agriculture Passed through Florida Department of Agriculture and Consumer Services				
Cooperative Forestry Assistance	10.664	05H-106	-	
Cooperative Forestry Assistance	10.664	06-04	-	
U.S. Department of Justice Passed through State Office of Attorney General				
Crime Victim Assistance	16.575	V7211	36,642	
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	3018086	800	
Bulletproof Vest Partnership Program	16.607	6132868	1,544	
Bulletproof Vest Partnership Program	16.607	7038035	3,200	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0923	7,310	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX 0504	19,158	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1105	25,810	
Title V Delinquency Prevention Program	16.548	Q6007	88,000	88,000
U.S. Department of Justice Passed through Department of Law Enforcement				
Community Prosecution & Project Safe Neighborhood	16.609	2007-PMAG-MARI-1-P6-001	15,662	
Community Prosecution & Project Safe Neighborhood	16.609	2008-PMAG-MARI-1-R6-007	35,329	
U.S. Department of Transportation Passed through State Department of Transportation				
Highway Planning & Construction	20.205	FM#243584-1-14-01	39,027	
Highway Planning & Construction	20.205	FM#414321-1-14-01	376,601	2,377
Federal Transit Metro Formula Grants	20.505	FM#246300-1-14-17	58,157	
U.S. Department of Transportation				
Federal Transit Formula Grants	20.507	FL-90-x480	539,706	
Federal Transit Formula Grants	20.507	FL-90-x480	548,895	

CITY OF OCALA, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008
 (Continued)

<u>Federal and State Grantor/ Pass-Through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>	<u>Sub recipient Pass Through</u>
<u>FEDERAL AWARDS</u> (Concluded):				
Department of Homeland Security Passed through Florida Department of Emergency Management				
Homeland Security Grant Program	97.067	05-CJ-L2-03-52-02-008	-	
Hazard Mitigation Grant	97.039	07HM-4@05-52-02-045	-	
Tropical Storm Fay	97-036	08-FA-B9-05-52-00-550	297,939	
U.S. Environmental Protection Agency				
Brownsfield Assessment & Cleanup Cooperative Agreement	66.818	BF-96411006	80,859	
U.S. Federal Aviation Administration				
Airport Improvement Program	20.106	3-12-0055-019-2005	10,463	
Airport Improvement Program	20.106	3-12-0055-020-2008	<u>1,395,537</u>	
TOTAL FEDERAL AWARDS:			<u>\$ 3,961,069</u>	<u>164,161</u>
<u>STATE FINANCIAL ASSISTANCE:</u>				
Department of Environmental Protection				
Florida Recreation Development Assitance Program	37.017	F6304	68,686	
Florida Recreation Development Assitance Program	37.017	F07131	-	
Florida Recreation Development Assitance Program	37.017	F6302	4,897	
Florida Department of State - Division of Historical Resources				
Acquisition, Restoration of Historical Properties	45.032	SC623	-	
Florida Housing Finance Corporation				
State Housing Initiatives Partnership Program	52.901	FY 06/07 SHIP	108,930	
State Housing Initiatives Partnership Program	52.901	FY 07/08 SHIP	362,231	
State Housing Initiatives Partnership Program	52.901	FY 08/09 SHIP	10,692	
Hurricane Housing Recovery Program	52.902	HHRP	29,594	
DCA TCEAP	52.033	07-DR-85-05-52-02-024	25,000	

CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008
(Concluded)

<u>Federal and State Grantor/ Pass-Through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>	<u>Sub recipient Pass Through</u>
Department of Transportation				
Aviation Development Grants	55.004	FM#41444441-94-01	31,696	
Aviation Development Grants	55.004	FM# 420106-1-94-01	288,030	
Aviation Development Grants	55.004	FM#422449-1-94-01	148,774	
Aviation Development Grants	55.004	FM#415415-1-94-01	275	
Child Occupant Protection Program	20.602	J-2-08-17-06	9,860	
Operation Skidmark	20.602	FC/FLM0769	11,106	
Federal Transit Metro Formula Grants	20.505	FM#246300-1-14-17	7,270	
Public Transit Block Grant Program	55.010	FM#409762-1-94-01	110,015	
Public Transit Block Grant Program	55.010	FM#246299-1-84-01	274,447	
TOTAL STATE FINANCIAL ASSISTANCE:			<u>\$ 1,491,504</u>	<u>\$ -</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 5,452,573</u>	<u>\$ 164,161</u>

**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 governmental activities, 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2008-1 through 2008-6 to be significant deficiencies in internal control over financial reporting.

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

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

**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*)**

Internal Control Over Financial Reporting (*Concluded*)

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Of the significant deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs, we consider items 2008-1 through 2008-4 to be material weaknesses.

Compliance and Other Matters

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

However, we noted other matters that we have reported to management in a separate letter dated July 30, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 City Council, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

July 30, 2009
Ocala, Florida

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

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

Compliance

We have audited the compliance of the City of Ocala, Florida (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the Florida Department of Financial Service's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. 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; 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 the 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 requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008.

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

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

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

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-6 to be a significant deficiency in internal control over compliance.

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

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

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

Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

We have audited the basic financial statements of the City, as of and for the year ended September 30, 2008, and have issued our report thereon dated July 30, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 69I-5, *Rules of the Florida Department of Financial Services*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

July 30, 2009
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
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. 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 financial statements performed in accordance with *Government Auditing Standards* are listed in Part B and C of this schedule as Audit Findings 2008-1 through 2008-6. Audit findings 2008-1 through 2008-4 were identified as material weaknesses.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. Significant deficiencies relating to the audit of major federal award programs and state financial assistance projects are reported in the report on compliance with requirements applicable to each major program/project and on internal control over compliance in accordance with OMB Circular A-133 and the Florida Department of Financial Services, *State Projects Compliance Supplement* are listed in Part C of this schedule as Audit Finding 2008-6. Audit Finding 2008-6 was not identified as a material weakness.
5. The auditors' report on compliance for the major federal award programs and state financial assistance projects for the City expresses an unqualified opinion.
6. No audit findings were disclosed relative to the major federal award programs and state financial assistance projects for the City.
7. The programs/projects tested as major programs/projects included the following:
 - **Federal Programs**
 - U.S. Department of Transportation:
Highway Planning and Construction Grants, CFDA No. 20.205
 - U.S. Federal Aviation Administration:
Airport Improvement Program, CFDA No. 20.106
 - **State Projects**
 - Florida Department of Transportation:
Aviation Development Grants, CSFA No. 55.004
 - Florida Department of Transportation:
Public Transit Block Grant Program, CSFA No. 55.010
8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for both major federal award programs and major state financial assistance projects.
9. The City did qualify as a low-risk auditee pursuant to OMB Circular A-133.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
CITY OF OCALA, FLORIDA
(Continued)**

PART B - FINDINGS - FINANCIAL STATEMENTS

Audit Finding 2008-1, Corrective Action Follow-up to Audit Findings and Recommendations

The City does not appear to have a process in place for follow-up on audit findings, corrective actions, or management responses to recommendations from both the internal and external audit processes. For internal audit findings and recommendations, it appears that the responsibility currently resides with the internal auditor to perform follow-up audits to determine the current status of prior findings rather than on the auditee to demonstrate implementation of recommendations. For external audit findings and recommendations the City has a history of the same findings and recommendations having to be repeated multiple times over a several year time period as can be seen from the many significant deficiencies, material weaknesses, and management letter recommendation below and elsewhere in other auditor reports. We recommend that a process be developed for the tracking of corrective actions and managements responses to both internal and external audits. Such corrective actions should be made accountable and reportable to top management to ensure proper and timely actions are made, rather than relying on subsequent audits to determine if such actions have been implemented. Monitoring of the process by the City's Audit Committee is encouraged.

Audit Finding 2008-2, Period End Closing Routine for Financial Reporting

The City does not utilize a well documented, functioning monthly and year-end closing routine to clearly identify and assign to staff all accounting tasks that are necessary for a timely monthly and year-end closing and preparation of year-end financial statements for audit. As a result, the City's year-end financial reporting process has been unnecessarily difficult and time consuming for several years requiring numerous City and auditor proposed adjusting entries to close out the books for financial statement preparation.

To remedy this situation and improve the City's year-end closing routine and financial reporting process, we believe that specific attention should be given to the following items:

- Creation of monthly closing routines and timetables with appropriate staff commitment and departmental follow up to ensure timely updating of critical accounting functions during the year rather than waiting until near or after year-end.
- Appropriate delegation of work among accounting staff to avoid undue dependence on any one individual.
- Consideration of the need for additional higher level accounting staff in the accounting function to improve the depth and quality of the department overall.
- Improved training and skills of all accounting department employees in the new financial system, governmental accounting, and key financial reporting requirements.
- Consideration of streamlining fund and account structure to facilitate known financial reporting requirements of the City.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
CITY OF OCALA, FLORIDA
(Continued)**

PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)

Audit Finding 2008-2, Period End Closing Routine for Financial Reporting (Continued)

- Improved timeliness of key area account reconciliations and general ledger review for the following throughout the year:

- **Bank Account Reconciliations**

Cash account reconciliations are an integral process in the accounting system, with timeliness of such reconciliations being a key control step in ensuring that cash is properly safeguarded and accounted for properly. The City has been months behind in completing the bank reconciliation process. For several years the City experienced difficulty with the reconciliation process due to the integration of the then new utility billing system, however it appears that those issues have been addressed with the current delays being caused by delays in adjustments to the general ledger.

Bank reconciliations subsequent to year-end have been nearly completed and are awaiting final entries related to bank transactions such as payroll and pension, bank fees, or debt activities. We recommend that all banking related entries be completed timely so that bank reconciliations can be completed on a timely basis, to timely detect any errors or fraud that may occur.

- **Utility Accounts Receivable Reconciliation**

Due to a redeployment of staff within the City's Finance Department, the accounts receivable reconciliation between the subsidiary ledgers in the City's billing application and the general ledger in the City's financial application for the utility funds had not been completed on a timely basis each month. This presents a risk that the general ledger could have been out-of-balance with the subsidiary ledger during the fiscal year under audit, and management would not have been aware of it to react to and correct the condition. We recommend that the accounts receivable and similar reconciliations be performed monthly.

- **Capital Asset Conversion and Reconciliation**

The City has been converting all financial applications to a new system over the past three years, with the Capital Asset area being the last area converted. Due to large volume and diversity of capital assets spanning all City operations (multiple utilities and general government) this conversion has been difficult to finish completely and accurately. Although much progress was made during 2008, this area played a significant role in the delay of closing year-end and preparing financial statements. We recommend that the City continue its efforts to complete the system conversion of capital assets and update and test the new system reporting on an ongoing basis for the remainder of the 2009 year.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
CITY OF OCALA, FLORIDA
(Continued)**

PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)

Audit Finding 2008-2, Period End Closing Routine for Financial Reporting (Concluded)

- **Payroll – 941 Reconciliation**

In previous years we noted that the IRS Form 941 - Employer's Quarterly Federal Tax Returns are 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.

If a documented period end closing routine is utilized on a monthly basis, the interim and year-end closing process will be significantly easier and quicker to complete with little or no adjustments required, which will improve the quality and timeliness of the financial reporting process.

Audit Finding 2008-3, Transportation and Fire Impact Fee Calculations

The City collects water and sewer, transportation, fire, and education impact fees. The water and sewer and fire impact fees represent revenues in the City's Water and Sewer fund and General fund, respectively. The transportation impact fees are collected and remitted to the Marion County Board of County Commissioners. The education impact fees are collected and remitted to the Marion County District School Board. The transportation and education impact fees represent liabilities in the City's General fund until distributed to the county and the school board. During our audit, we noted two transportation impact fees and one fire impact fee were improperly calculated, billed, and collected. It appears the error was the result of a manual process utilized for the calculation of impact fees. Subsequent to our discovery of the errors, management performed a self-audit of the transportation and fire impact fees identifying total over billings of \$53,445 and under billings of \$168,621 in transportation and fire impact fees. As a result of their findings, subsequent to year-end, management developed and implemented an Excel spreadsheet to provide automation of the calculation to improve accuracy and steps to improve the billing and collection process. We recommend that the City continue to review its internal controls over the impact fee billing process and develop and implement internal controls that will prevent and detect errors in the process. Additionally, we recommend that the City monitor the impact fee billings process by recalculating a sample of impact fees periodically to determine that they have been properly calculated, billed, and collected.

Audit Finding 2008-4, Estimation of the Utility Allowance for Doubtful Accounts

Based upon a prior year audit recommendation, the City established a monthly process of estimating the allowance for doubtful accounts and bad debt expense for utility receivables based on past collection rates at a percentage of aged receivables, increasing by the age of the receivable. However, the method was not updated to consider economic conditions in 2009. Utilizing this method, the City estimated that approximately \$2.5 million of the approximately \$17 million in Accounts Receivable at year-end would not be collected.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
CITY OF OCALA, FLORIDA
(Continued)**

PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)

Audit Finding 2008-4, Estimation of the Utility Allowance for Doubtful Accounts (Concluded)

During our review of accounts receivable and allowances, we noted a significant increase in uncollected aged receivables between September 30, 2008 and January 31, 2009, primarily as a result of the economic downturn and the increased Bulk Power Cost Adjustment billed in August and September 2008. As a result of consultations with management and the various departments involved, the City recorded an audit adjustment of \$800,000.

We recommend the City routinely look at subsequent aging reports and incorporate qualitative factors into the process of estimating the allowance for doubtful accounts and bad debt expense. We also recommend that the City's Finance Department work in consultation with the City's Utility Department to estimate the allowance for doubtful accounts and bad debt expense and critically review the sufficiency of this estimate, particularly for annual financial reporting.

Additionally, we recommend that the City review its options to increase collections of receivables, including a review the securitization policies and agreements with collection agencies to improve overall collection of receivables.

Audit Finding 2008-5, Segregation of Duties – Payroll and Accounts Payable

One of the tenets of sound internal control is the segregation of incompatible duties among employees. The basic premise is that to minimize employee errors and fraudulent activities, duties should be segregated among employees so that individuals do not perform all accounting functions for a single area or have access to areas of the financial management system beyond what is necessary to perform their specific job function. During our audit we noted the following lack of proper segregation of incompatible duties:

■ **Payroll – Pay Rate Changes**

During our review of the internal controls over the payroll process, we noted that the Payroll Manager has access to change rates in the “hours entry” screen of the payroll application. Management has implemented a mitigating control; whereby, the controller reviews any payroll rate changes performed by the Payroll Manager. However, this control operates only as a detect control of errors or fraud after they have occurred with a reduced likelihood of identification. We recommend that as an element of controls to prevent errors or fraud that system access be modified to restrict payroll and employee information modification to the Human Resource Department and that a process be developed for periodic reviews/audits of employee information in the payroll system by persons without access to modify the payroll information in the system.

■ **Payroll – Approval Process**

During our review of the new payroll system, we noted that there is no formal documented review of the payroll before the final payroll is processed. We noted that the controller reviews the payroll for reasonableness and gives a verbal authorization; however this is not a documented process. We recommend that a formal, documented approval process be implemented.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
CITY OF OCALA, FLORIDA
(Concluded)**

PART B - FINDINGS - FINANCIAL STATEMENTS (Concluded)

Audit Finding 2008-5, Segregation of Duties – Payroll and Accounts Payable (Concluded)

■ **Accounts Payable**

City users outside of the City's Purchasing Department were adding, changing, and deleting information from the vendor master file in the City's financial application. These users also had access to approve transactions and process payments. Ideally, only individuals in the Purchasing Department, who do not have authorization to approve or execute transactions, should have access to make changes to the vendor master file. We recommend that the City review its internal controls over the accounts payable process (particularly its user access controls) and remove access to any area that present a users' incompatibility of duties.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AND MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

Audit Finding 2008-6, Preparation of the Schedule of Federal Awards and State Projects

In accordance with OMB Circular A-133 and the *Florida Single Audit Act*, it is the City's responsibility to maintain internal control over federal and state award programs that provides reasonable assurance that the City is managing these awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal and state programs. This includes preparing accurately and completely the schedule of expenditures of federal and state awards expended for inclusion in the City's Annual Comprehensive Audited Financial Report. The original schedule was subject to many revisions throughout the course of the audit, including subsequent identification and inclusion of additional grant programs in the schedule and material revisions to the expenditures shown for existing grant programs.

By accurately preparing this schedule, the City is assuring that all grant programs that the City participated in are properly identified, disclosed and available for audit. Errors in the schedule of federal and state awards received and expended, if not detected during the audit, could result in significant noncompliance with grantor provisions, and result in possible paybacks by the City.

We recommended that the City identify a single individual as ultimately responsible for the proper identification and accounting for all federal and state awards during the year, to ensure the accuracy of the schedule of expenditures of federal and state awards.

PART D - OTHER ISSUES

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

A Corrective Action Plan is required and included because there were findings required to be reported under the Federal or Florida Single Audit Acts.

Management Response and Corrective Action Plan for Findings reported in the Schedule of Findings and Questioned Costs

PART B – FINDINGS – FINANCIAL STATEMENTS

Audit Finding 2008-1 Corrective action follow-up to Audit findings and recommendations:

The audit committee exists to provide oversight of the City of Ocala's financial processes, to ensure compliance with local, state, and federal guidelines, and to prompt action that will enhance fiscal operations. The audit committee will meet quarterly, and additionally as needed, to address and follow up on both external and internal audit findings to provide a timely response and/or to provide an appropriate course of action. The affected department management will be involved in the process, assist with audit assessments, determinations, course corrections, and appropriate follow up. Action plans and follow up will become a part of our routine meetings of Cabinet and Sr. Management Personnel on a weekly and semi-weekly basis.

Audit Finding 2008-2 Period End Close Routine for Financial Reporting:

A monthly and year end closing process is essential to timely financial reporting. Formal procedures are being put in place to address the time tables of recording transactions and reviewing accounts. Training of the staff of other departments on procedures and accounting practices will help ensure timely preparation of reconciliations and month, year end closing.

Appropriate delegation of responsibilities

In accordance with the auditor's recommendation, staff is being cross trained to multiple functions to ensure appropriate oversight, and to ensure the appropriate and timely dissemination of information. No longer will one office or one personnel have singular control over access of any information fields.

Need for additional higher level accounting staff

Job descriptions are being revised to reflect higher level accounting skills, experience and formal education. Current vacant positions and future posting will be required to be filled by persons with at minimum a bachelor degree in accounting and/or a relevant mix of education and experience.

Improved training and skills of all accounting personnel

The cities IT department holds required training courses for employees to refresh or train on new releases and existing modules of the financial system. Accounting staff will be required to attend continuing education courses offered by the FGFOA or other qualified educational programs at least annually.

Consider streamlining of fund and account structure

The city has taken action to combine funds for the next fiscal year. The number of previously existent funds, divisions and object codes has been reduced. As a result of the compressed chart of accounts and fund structure the city anticipates being able to reconcile sensitive accounts in adherence to the strict deadlines imposed.

Bank reconciliations:

The bank reconciliation process has been hindered by inefficiencies in the accounting process. In conjunction with establishment of a formal monthly closing process the bank reconciliations will have a deadline for completion. A complete review of document source codes is being performed to alleviate all unnecessary entries into cash accounts, thus reducing the number of transactions to reconcile. In addition, the pension accounts have previously been processed with the general bank account, this process is being changed to have all pension transactions run through their respective, independent, bank accounts. This will provide a more streamlined flow of monthly information and less reconciliation difficulty.

Management Response and Corrective Action Plan for Findings reported in the Schedule of Findings and Questioned Costs

Utility Accounts receivable:

During the fiscal year 2008 the utility account receivables had fallen behind. The utility accounts receivable are being reconciled monthly as of November 2008 and sufficient review will ensure they are kept up to date.

Capital Asset Conversion:

Though the process did create a delay in timely completion of the financial statements the process will reduce the timeline at year end in future years. The capital asset conversion has proven very beneficial, assisting in identifying deficiencies in the previous systems capital asset process. In conjunction with the conversion a full physical inventory was completed.

Payroll 941:

A quarterly 941 reconciliation process has been established. This process includes a review of the expense accounts for reasonableness and calculation of the taxes separate from the system. Once the independent expense calculation is complete the tax amount is compared to the general ledger liabilities to be sure that the system and reconciled amounts are the same, if they do not agree any differences are researched.

Audit Finding 2008-3 Transportation and Fire Impact Fee Calculations:

The City of Ocala's building department has established procedures and systematic calculations to remove the human error factor from the process. Department personnel now use a software program to calculate the fees due. Prior to final acceptance of payment, a review will be performed to check the results. Secondary staff will check the results against the system calculations to ensure accuracy.

Audit Finding 2008-4 Estimation of the Utility Allowance for Doubtful Accounts:

In conjunction with review by the auditors the city has altered its calculation of allowance for doubtful accounts. The process includes review after year end of those receivables current at October 1 which will then be aged to inclusion in the calculation at the time of the audit and a review of the quality of the receivables. The city has also taken initiatives to reduce the receivables on the front end. Now required is a stricter credit analysis of new or returning customers and a higher deposit for risky customers. The city's utility has also identified additional collection avenues to reduce the load on the paying customers for bad debt.

Audit Finding 2008-5 Segregation of Duties:

In a continuous address of internal controls, the city has changed its procedures to restrict unnecessary activity in the financial system.

- A) Pay rate changes were previously made by the payroll manager after the entry of time into the system. This was necessary as the system would lock out Human Resources personnel. The new process will require pay rate corrections to be made only by HR personnel, as approved by appropriate senior management personnel.
- B) The payroll approval process includes systematic approval of time entry by department heads and/or Cabinet staff personnel. Payroll receives the approved time entry and processes them for the payroll run. The approval process has been improved to include a review by either the Chief Accountant or the Director of Business and Financial Services prior to the generation of the payroll.
- C) Internal controls have been tightened up with the transfer of responsibilities of vendor input to the purchasing department staff. Previously these have been input by the accountants, who also had approval authority. The accounts payable or accounting personnel, who review the invoices, no longer have the ability to add, merge, change

**Management Response and Corrective Action Plan for Findings reported in the
Schedule of Findings and Questioned Costs**

or delete vendors. The city has activated an online web based site for vendors to enter their own profile.

**PART C – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AND MAJOR STATE FINANCIAL ASSISTANCE PROJECTS:**

Audit Finding 2008-6 Preparation of the Schedule of Awards and State Projects:

The City of Ocala has staffed the position of grants coordinator to oversee the application, availability of funds and reporting of grants. This position is charged with ensuring the timely compilation, review and submission of grant information. Coordination between department staff working on the projects, agencies awarding the grants and the finance department will reduce many potential lag in reporting and collection of funds and errors.

MANAGEMENT LETTER

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

We have audited the basic financial statements of the City of Ocala, Florida (the City), as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated July 30, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our report on internal control over financial reporting and compliance and other matters, independent auditors' report on compliance with requirements applicable to each major federal program and state project, and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated July 30, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which 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. In connection with our audit, uncorrected prior year recommendations are noted in the following management letter comments under the heading "Prior Year Recommendations Remaining", and in the accompanying schedule of findings and questioned cost as items 2008-4 and 2008-6.
- 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. See accompanying management letter comments titled "Investment Policy Compliance" and "Investment Policy Compliance-Lehman Investment".
- 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 Recommendations."

Certified Public Accountants

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

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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statements amounts 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred; and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have such findings.
- 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 Note 1 to the financial statements.
- 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, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. See accompanying management letter comments titled "Electric Fund Financial Condition Assessment" and "Pension Plans Financial Condition Assessment".

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

Purvis, Gray and Company, LLP

July 30, 2009
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

Information Technology (IT) General Controls

IT plays an integral role in the City of Ocala, Florida (the City)'s financial reporting system and control environment. During our review of the City's use of IT in the financial reporting process, we noted opportunities to improve and strengthen the control environment and the quality/integrity of information generated by the IT systems. We recommend the City consider:

- Performing a periodic review of user access to confirm that their access is appropriate.
- Strengthening password and security configurations.
- Restricting developer access to production servers or performing a periodic review of changed objects on each application's production servers.
- Implementing a sufficient fire suppression and detection system at the secondary data center which serves as a redundant data center and houses Ocala Electric Utilities' Telecommunications Services' telecommunications equipment.

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.

Bulk Power Cost Adjustment (BPCA)

The 2007 fiscal year saw wholesale power costs of the electric fund rise significantly. This resulted in the City beginning the 2008 fiscal year under-recovered for power costs in the electric fund by approximately \$3.4 million. The under-recovery was recorded in the 2007 fiscal year as an unbilled receivable to be recovered from customers over the 2008 fiscal year.

In our 2007 Management Letter Comments *we recommended that the City continue existing efforts to remain current on power cost recoveries during 2008 so that the under-recovered amount does not grow to an amount that would be politically and economically difficult to recover from customers, especially during high usage summer months when customer bills will be running high.* We also recommended that the City keep transfers from the Rate Stabilization fund to buffer 2008 power costs to a minimum so as not to adversely impact the bottom line and reserves of the electric fund. *We recognized that the BPCA rate setting process is a difficult task requiring significant judgment, skill, and sensitivity to the rate payer.*

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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)

Bulk Power Cost Adjustment (BPCA) (Concluded)

The wholesale cost of power to the City, continued to rise during the 2008 fiscal year. The City adjusted its BPCA rate from 41.93 mills to 42.08 mills on January 1, 2008 to 42.34 mills on April 1, 2008 and to 54.27 mills on June 1, 2008. This resulted in the City being under-recovered for power costs in the electric fund by approximately \$6.3 million going into August and September, the two highest consumption months of the year.

In an apparent attempt to catch up, the City then raised the BPCA rate to 87.76 mills for the billing months of August and September 2008, giving City the highest rates in the State of Florida for those two months. This action resulted in the City recovering all of the \$6.3 million backlog plus all current costs of August and September and actually resulted in an over-collection for power costs in the electric fund by approximately \$1.8 million at the end of September 30, 2008. This also resulted in customers' receiving substantially higher bills during two of the highest usage months (August and September) at a time that the customers were feeling the effects of the economic downturn. This action was not what we intended in our 2007 management letter recommendation over this area.

As a result of customers' complaints, the City provided customers relief subsequent to the 2008 fiscal year-end, as noted in the notes to the financial statements. The City also modified the BPCA rate making process by giving the Assistant City Manager of Utility Services oversight of the BPCA rate making process and implemented a policy whereby future under-recovered power costs will be recovered over 12 to 18 months. We concur with these changes and urge the City to continue its ongoing efforts in managing the BPCA recovery process.

Current Year Comments and Recommendations

Rate Stabilization Accounting

The City's Electric Funds' Bond Resolutions and PSC Rate Tariffs provide for a rate stabilization account to be funded annually for the purpose of offsetting sudden and temporary changes in the cost of power and to preclude unusual fluctuation in the BPCA. Under the current accounting methodology used by the City in this area, the funding of and the subsequent use of rate stabilization amounts result only in the movement on cash between general operating and rate stabilization cash accounts of the fund, with no income statement entries.

Thus, when rate stabilization funds are drawn down (to offset sudden cost of power increases in lieu of passing these costs on to the consumer through the BPCA), there are power costs incurred with no related revenues being billed through the BPCA resulting in a reduction in net income of the fund. This can be significant depending upon the size of the draw down, potentially creating a net loss in the fund for the year.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments and Recommendations *(Continued)*

Rate Stabilization Accounting *(Concluded)*

To avoid this hit to net income whenever rate stabilization amounts are being used, we recommend that the City consider implementing Financial Accounting Standard (FAS) No. 71 which would allow the City to record deferred revenue when the rate stabilization account is being funded and allow for recognition of current revenue from the deferred revenue account when rate stabilization funds are being drawn down to offset high power costs. The use of FAS No. 71 requires the City Council as the rate making authority to formally adopt certain requirements which may already be met through the prior approval of rate tariffs and bond resolutions. However, to be sure, we would recommend that City Council formally adopt a separate FAS No. 71 resolution to implement this change if it is considered desirable.

Electric Fund Financial Condition Assessment

The City's electric fund recorded negative changes in net assets of approximately one million dollars over each of the past two years and the unrestricted net working capital of the fund has declined by approximately six million dollars from fiscal year-end 2007 to 2008. The City instituted a rate change during 2008 and has made numerous personnel and other budget cuts recently to address this area. We recommend that the City continue to monitor this area closely to ensure further deterioration of the fund does not occur. The City's lack of timely interim and year-end financial reporting discussed more fully in other accompanying auditors' reports may be contributing to this decline in financial condition of the fund due to a lack of timely financial information for management action.

Pension Plans Financial Condition Assessment

All three of the defined benefit pension plans have experienced significant investment losses as the result of the nation-wide economic recession and declining financial market conditions. Defined benefit plans promise a specific benefit to the retiree based on years of service and compensation levels during the working years, with the employer's responsibility for funding to pay those benefits. The plan's actuary uses a multiple year smoothing technique in valuing plan assets to determine funding requirements so that short-term changes in the financial market do not cause fluctuations in employer funding of the plan. Depending upon the length and severity of the current economic slowdown, the City will likely soon begin to see significant increases in the funding requirements of the plan. We recommend that the City review this area with the plan actuary to determine if any of the actuarial assumptions require modifications and to plan for higher pension contributions to the plan that will negatively affect the City's budget.

Travel Policy and Procedures

Travel policy testing performed by internal audit, for the annual financial audit, indicated seven policy procedure violations from the sample of thirty. While no significant illegitimate expenditures were noted, the breakdown in following the policies procedures provides the opportunity for significant errors or fraud to occur and not be prevented or detected on a timely basis. We recommend that training be provided on travel policies and that such policies are more strongly enforced to ensure that all travel is proper within the City's policies.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments and Recommendations *(Continued)*

Cell Phone Procedures

In response to an internal audit report during the year that indicated significant personal use of City issued cell phones, despite City policy that phones be used for business use only, the City amended the cell phone policy. The amended policy allows for personal use, but requires that such personal use be tracked and reimbursed to the City. Follow-up review during our audit indicated that procedures had not been fully implemented to comply with the City's policy. Further, cell phones are considered listed property with the IRS, requiring that all business use be documented, otherwise the cell phone cost are to be included as taxable benefits to the employees. To ensure proper tax treatment, and to avoid including cell phone as taxable benefits to employees, all business versus personal use needs to be documented.

We recommend that the procedure be reviewed and instruction be provided to all City employees on the policy and requirements for reimbursement for personal use. We further recommend that the City monitor these procedures to ensure ongoing compliance with the policy to ensure ongoing compliance with the tax code. (We recognize that the police department already included such policies and procedures for reimbursement of personal use, and as such the internal audit report indicated only minor differences, resulting in limited amendment to the police cell phone policy.)

Investment Policy Compliance

The City's written investment policy and Florida Statutes call for additional documents in relation to investment controls and procedures. Based upon our audit, the City has not completed the documentation of the internal control system and procedures. While we recognize that the agreements with third parties used by the City to trade securities have controls in place to help prevent errors and fraud, the City does not have the written internal control policies as identified by the investment policy. We recommend that the City review its investment policy in this area and complete the documentation, with particular attention to the minimum requirements and topics called for in the policy, including documentation of the processes performed by the City.

Florida Statute Chapter 218.415 states that local government investment policies should have a policy on continuing education for officials responsible for making investment decisions or chief financial officer. Such officials must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products. The City's investment policy does not contain a section on continuing education for officials responsible for making investment decisions, however it should be noted that the City's identified officials responsible for making investment decisions have completed the required eight hours of continuing education in this area for the year. Accordingly, we recommend that the City's investment policy be modified to encompass all requirements of the statute to help ensure compliance with the statute.

Investment Policy Compliance – Lehman Investment

The City continues to hold an investment (265,000 Lehman Bros, 9/30/08 Market Value of \$33,125) with a rating of B3, which is below the ratings allowed under the investment policy of the City. The investment policy requires material deviations from the policy to be approved by the City Council. The investment continued to be held under the advice of the investment manager. While this amount was not deemed material by management as to requiring Council approval, and was therefore determined to be

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

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments and Recommendations *(Concluded)*

Investment Policy Compliance – Lehman Investment *(Concluded)*

held under the advice of the investment manager, the City did not retain documentation supporting approval of that decision. We recommend that all investment policy deviations be approved by the investment committee and such decisions be documented in the minutes of the committee or some other similar approval documentation process.

System Conversion and Training

During the fiscal years 2007 and 2008, the City converted the HTE financial application to the Eden financial application. At the time of conversion, appropriate City staff members were trained in the functions of the application, as well as in generating reports from the application. During and subsequent to the fiscal year 2008, the majority of these employees have left employment through retirement, resignation, or termination. During our audit, we noted instances where City staff were unable to produce reports from the Eden financial application that are necessary to perform their job functions or necessary for the audit. Additionally, we noted instances where the reports contained wrong or incomplete information. Accordingly, we recommend that the City consider obtaining the appropriate training for staff members, hiring additional in-house Business Systems Analysts, or contracting for such services from the Eden application vendor or other IT organizations.

Internal Audit Use of Technology

The City's Internal Audit function might be enhanced by the use of Computer Assisted Audit Tools and Techniques (CAAT) which uses data analysis to identify incongruent data that may be indicative of fraud or errors within key areas of the City. This technology is becoming more widespread in its use in recent years and has been an effective detect control within many local governments. We recommend that the City review this area to determine if CAAT use by Internal Audit would strengthen internal controls.

Pension Plan Census Data

During our audit, we noted that the City's census data could not be reconciled to the information contained in the actuarial reports. This appears to be attributed to the system conversion, inadequate training, and limited resources. At the time that the census data needed to be produced, payroll and other qualified personnel had other demanding priorities, and the City's Pension Benefits Coordinator and IT Department worked together to produce what they believed to be an accurate report from the Eden application. The report was submitted to the actuary, who identified numerous errors in these reports. The census data is considered the City's information; therefore, the City is responsible for the accuracy of the data. The actuary is not responsible for detecting errors in or auditing the data.

We recommend that the City develop appropriate reports, functions, or fields in the Eden application to produce accurate census data. Additionally, we believe that the City should test the accuracy of the information and obtain appropriate reviews and approvals before sending the information to the actuary. This could be accomplished by having an individual who is not involved in adding, changing, or deleting personnel information select a sample of plan participants and verify that the information for such participants agrees with the information contained in the participant's personnel files.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City Council, management, and the Florida Auditor General, 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

July 30, 2009
Ocala, Florida



City of Ocala

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OCALA, FLORIDA 34478-1270
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City's Response to Auditor's Recommendations

Prior Year Comments:

Information Technology (IT) General Controls:

The city's IT department has established control procedures to review user access to the modules within the financial system. In conjunction with department management the settings are reviewed for accuracy and security.

The city has put in place strong password rules and requirements improving the security for everyone in the City. Listed below are the requirements that must be met. The minimum length of a password is 8 characters (passwords can be longer) The password can not be a repeat of a previously used password The password can not contain your user name The password can not contain your full name The password can not contain 4 or more repeating characters. The password must contain at least 1 each (lowercase letter, uppercase letter, numeric digit and special character). Passwords are required to be changed every at least every 90 days.

The development of system upgrades or alterations are done in a test environment. No production or testing is done in the live database.

The city is reviewing the best course of action for placement of a fire suppression system to protect the secondary data storage and telecom equipment.

Bulk Power Cost Adjustment (BPCA):

The city is continuously assessing the BPCA and the position of the electric fund. The BPCA is recalculated periodically (at least quarterly) to assess the impact on recovery of rates and costs to avoid being in a negative position, thus avoiding an undue burden on the taxpayers.

Response to Current Year Comments:

Rate Stabilization Accounting:

The city is working with the auditors to identify the requirements of FASB 71 to reclassify the rate stabilization fund balance to deferred revenue within the electric fund.

Electric Fund Financial Condition Assessment:

The city will continue to monitor the change in net assets and operating results of the electric fund. The realignment of personnel and review of rates will assist in regaining a positive position in the fund. Timely financial statement will provide management with information to take effective action on controlling operating costs.

City Of Ocala
City's Response to Auditor's Recommendations
(Continued)

Pension Plans Financial Condition Assessment:

The city is watching the pension plans very closely and assessing the actuarial assumptions which affect the funding requirements as well as market conditions. The city has funded the pension plans in the current year and plan to maintain a current funding position in the future. The requirements of GASB 45 also require the city to begin booking the Other Post Employment Benefits (OPEB). Additionally the City intends to hire a Pension Administrator to monitor the City's interest in all pension related activities.

Travel Policy and Procedures:

The cities internal auditor reviews travel documentation at least annually for errors or non compliance with procedures. The finance staff reviews each travel form prior to approval for appropriate documentation as well. Appropriate personnel review the travel policy to maintain current knowledge of any changes. All travel plans must be budgeted and approved by Department and/or Cabinet level staff.

Cell Phone Procedures:

The cities cell phone policy does not provide for restriction on personal use except where it puts the plan over limit. Personal use is required to be reimbursed with written support.

Investment Policy Compliance:

The city has reviewed the investment policy and established requirements consistent with FS 218. Required of the statutes regarding investment percentages, allowed investments, continued education, etc. have been integrated into the updated policy.

Investment Policy Compliance – (Lehman Investment):

The Investment policy has been updated to require investment managers to contact the investment committee when the level of value (mark to market) reduces by 10% and/or \$50,000. Notification is required in writing and by telephone immediately, with acknowledged required by the committee. The Lehman investment has been removed from our investment portfolio.

System Conversion and Training:

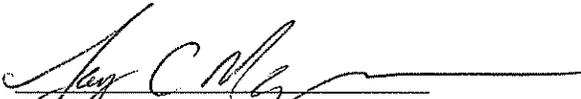
The city IT department offers in house training on specific modules as needed by staff. Conversion review is performed as necessary to retrain and realign the procedures for each module. In some instances experts from Eden have been on site to assist in the tuning up of the system and its applications. Each section of the financial system is being evaluated for the need of special reports and experts are brought in to write them, should no in house personnel be available. New employees will be required to successfully complete EDEN and other software application training during their six month probationary appointment.

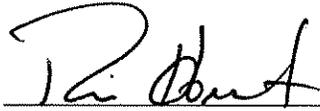
Internal Audit use of Technology:

The cities Internal Audit department is reviewing cost effectiveness of Computer Assisted Audit Tools & Techniques (CAAT) to assist in the assessment of data.

Pension Plan Census Data:

The cities pension coordinator has communicated with our IT department for reports written via crystal. Training is to be given regarding the pension function while reviewing the document source codes and reports needed. There will be an internal review of the data generated prior to its submission to the actuaries.


Jay C. Maynard
Director, Office of Business & Financial Services


Ricky Horst
City Manager / Chief Financial Officer