

**CITY OF OCALA, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

**CITY OF OCALA, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2009**

**CITY COUNCIL**

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

**CITY OFFICIALS**

City Manager	Ricky A. Horst
Assistant City Manager, Utility Services	Matt Brower
Assistant City Manager, Public Services	Bruce H. Phillips
Assistant City Manager, Community Services	John Zobler
Chief of Staff	Catherine Cameron
Budget and Management Director	Cindy Kelley
City Attorney	Patrick G. Gilligan
City Clerk	Angel Jacobs
Development Services Director	Tye L. Chighizola
Fire Chief	Danny L. Gentry
Facilities/Fleet Director	Chris Dobbs
Human Resources Manager	Sandra R. Wilson
Long Term Planning & Sustainability Director	Marc A. Mondell
Internal Auditor	Oscar B. Claudio
Information Technology Director	Jeannett M. Benson
Police Chief	Samuel Williams
Public Works Director	Glenn Kerns
Recreation and Parks Director	Kathy Crile

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# **FINANCIAL SECTION**

# REPORT OF INDEPENDENT AUDITORS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of 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, 2009, 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, 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 September 14, 2010, 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 and OPEB 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 listed in the table of contents, are presented for additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 has 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*

September 14, 2010  
Ocala, Florida

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

As management of the City of Ocala (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. Management's Discussion and Analysis is designed to (a) assist the reader to focus on significant financial issues, (b) provide an overview of the City's financial activities, (c) identify changes in the City's financial position, (d) identify material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

## **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$568,352,573 (*net assets*). Of this amount, \$128,781,814 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$30,863,819 as a result of fiscal year 2009 operations.
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$58,530,745, a decrease of \$871,116 in comparison with the prior year.
- At the end of the current fiscal year, the undesignated fund balance of the General Fund was \$21,972,458, which equals 32.8% of total general fund expenditures and transfers out..
- The City's total outstanding long-term debt decreased \$5,485,397 during the current fiscal year. This decrease was due primarily principal payments made during the fiscal year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements can be found on pages 17 to 19 of this report.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

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

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Examples</b>	Police, Fire, Street Maintenance, Parks, Recreational Activities	Electric, Water, Sewer, Solid Waste, Airport, Golf, Transit, Communications	City's retirement pension fund
<b>Financial Statements</b>	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
<b>Accounting basis and measurement focus</b>	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset / liability information</b>	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
<b>Type of inflow / outflow information</b>	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

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

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the combining statements in the other supplemental information section of this report.

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

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains nine enterprise funds to account for the following operations: electric utility, water and sewer, sanitation, golf course, trailer park, airport, athletic complex, telecommunications and transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains three internal service funds to account for internal services, fleet management, and self-insurance programs. Because these services benefit governmental more than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the City's proprietary funds.

The basic proprietary fund financial statements can be found on pages 24 to 33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because their resources are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds of the City are pension trust funds.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 through 69 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with its General Fund budget and the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 70 to 75 of this report.

The combining statements and budgetary comparison schedules regarding non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 70 to 108 of this report.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$568,352,573 at the close of the most recent fiscal year. Approximately 70% of the City's net assets reflect its investment in capital assets (e.g. land, building, improvements, utility improvements and extensions, machinery and equipment, infrastructure and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF OCALA'S NET ASSETS**

	Governmental Activities		Business -type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 104,906,179	\$ 104,206,782	\$ 183,982,979	\$ 209,059,637	\$ 288,889,158	\$ 313,266,419
Capital assets (net)	186,261,010	182,927,340	367,789,202	332,965,386	554,050,212	515,892,726
Total Assets	291,167,189	287,134,122	551,772,181	542,025,023	842,939,370	829,159,145
Current and other liabilities	9,909,990	14,202,457	22,915,162	30,220,892	32,825,152	44,423,349
Long-term liabilities	60,781,255	63,484,024	180,980,390	183,763,018	241,761,645	247,247,042
Total Liabilities	70,691,245	77,686,481	203,895,552	213,983,910	274,586,797	291,670,391
Net Assets:						
Invested in capital assets,						
net of related debt	146,661,774	128,759,607	250,066,606	232,698,752	396,728,380	361,458,359
Restricted	10,589,689	26,539,950	32,252,690	28,358,718	42,842,379	54,898,668
Unrestricted	63,224,481	54,148,084	65,557,333	66,983,643	128,781,814	121,131,727
Total Net Assets	\$ 220,475,944	\$ 209,447,641	\$ 347,876,629	\$ 328,041,113	\$ 568,352,573	\$ 537,488,754

An additional portion of the City's net assets -- \$42,842,379 or 8% -- represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* -- \$128,781,814 -- may be used to meet the City's ongoing obligations to its citizens and creditors.

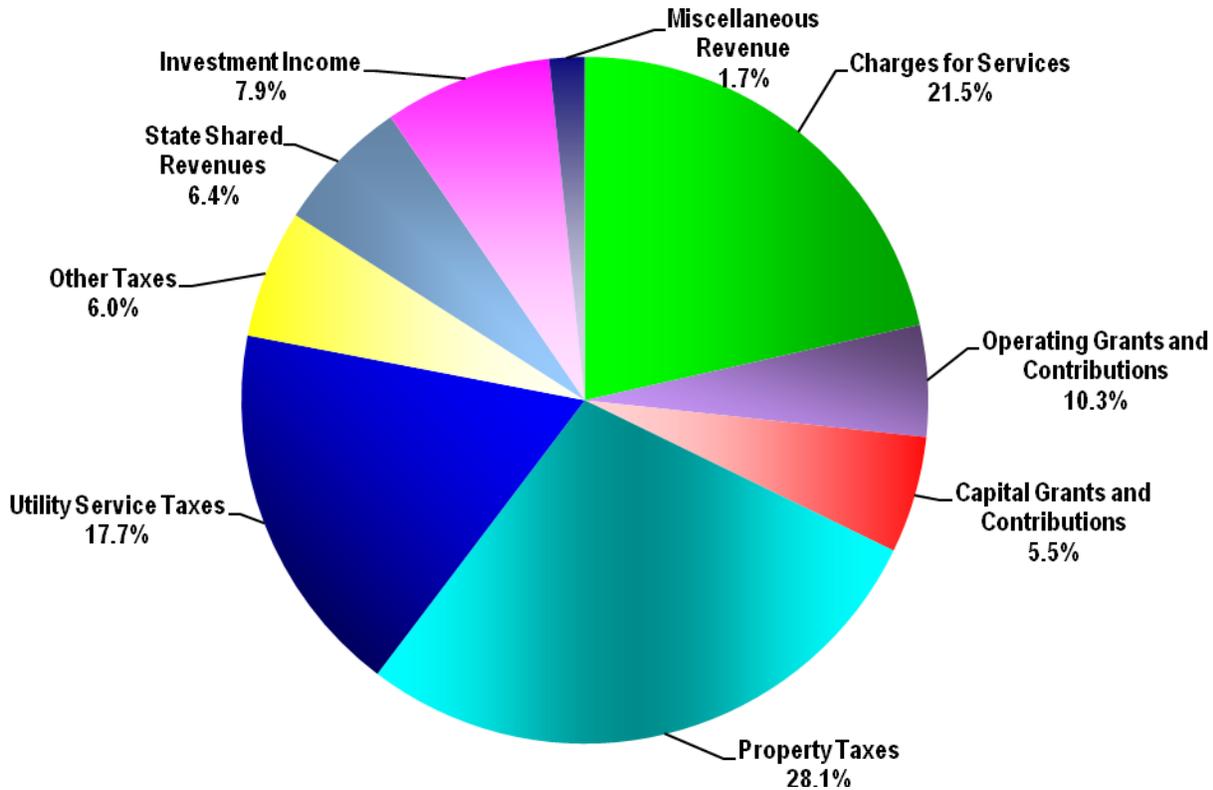
**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**CITY OF OCALA CHANGE IN NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 16,019,430	\$ 18,551,093	\$ 219,354,558	\$ 222,033,411	\$ 235,373,988	\$ 240,584,504
Operating grants and contributions	3,914,934	8,932,926	4,157,687	672,437	8,072,621	9,605,363
Capital grants and contributions	4,105,649	350,420	6,734,016	1,481,409	10,839,665	1,831,829
General revenues:						
Property taxes	20,978,586	21,102,963	-	-	20,978,586	21,102,963
Other taxes	17,714,882	13,580,017			17,714,882	13,580,017
Other	11,892,194	8,935,655	7,297,091	4,761,503	19,189,285	13,697,158
Total Revenues	<u>74,625,675</u>	<u>71,453,074</u>	<u>237,543,352</u>	<u>228,948,760</u>	<u>312,169,027</u>	<u>300,401,834</u>
<b>EXPENSES:</b>						
General government	10,239,676	7,347,987			10,239,676	7,347,987
Public safety	37,143,770	37,270,168			37,143,770	37,270,168
Public works	13,839,479	15,599,695			13,839,479	15,599,695
Culture and recreation	4,937,571	5,290,461			4,937,571	5,290,461
Housing and urban development	1,391,668	1,199,010			1,391,668	1,199,010
Human services	202,033	181,926			202,033	181,926
Physical environment	51,956	120,691			51,956	120,691
Transportation	583,024	519,577			583,024	519,577
Interest on long term debt	2,219,848	2,238,101			2,219,848	2,238,101
Electric			167,299,569	166,633,502	167,299,569	166,633,502
Water and sewer			25,677,661	26,199,859	25,677,661	26,199,859
Sanitation			9,490,485	11,249,757	9,490,485	11,249,757
Municipal golf courses			2,835,780	3,201,620	2,835,780	3,201,620
Municipal trailer park			313,027	185,069	313,027	185,069
International airport			1,152,341	1,276,023	1,152,341	1,276,023
Adult athletic complex			321,388	249,338	321,388	249,338
Communications			1,326,462	1,290,286	1,326,462	1,290,286
Suntran			2,279,470	2,385,529	2,279,470	2,385,529
Total Expenses	<u>70,609,025</u>	<u>69,767,616</u>	<u>210,696,183</u>	<u>212,670,983</u>	<u>281,305,208</u>	<u>282,438,599</u>
Change in net assets before transfers	4,016,650	1,685,458	26,847,169	19,728,023	30,863,819	21,413,481
Transfers	7,011,653	11,250,144	(7,011,653)	(11,250,144)	-	-
Change in net assets	<u>11,028,303</u>	<u>12,935,602</u>	<u>19,835,516</u>	<u>8,477,879</u>	<u>30,863,819</u>	<u>21,413,481</u>
Net assets - beginning	209,447,641	196,512,039	328,041,113	319,563,234	537,488,754	516,075,273
Net assets - ending	<u>\$ 220,475,944</u>	<u>\$ 209,447,641</u>	<u>\$ 347,876,629</u>	<u>\$ 328,041,113</u>	<u>\$ 568,352,573</u>	<u>\$ 537,488,754</u>

Net assets for the City's business-type activities increased by \$19,835,516 during fiscal year 2009, while net assets for governmental activities increased \$11,028,303 for the same period. Overall, the City's net assets increased by \$30,863,819 to \$568,352,573.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**



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

- Property taxes, which provided 28.1% of governmental revenues, decreased by \$124,377. In fiscal year 2009, the City's millage rate remained at 4.5288 per \$1000 of taxable property. This rate is 1.7% below the rolled-back rate. The City's total taxable property valuation for fiscal year 2009 was \$4.73 billion which represents a 0.3% increase over fiscal year 2008 taxable property value. The property tax levy collection rate decreased to 96.51% of taxes levied in FY 2009 collected in FY 2009.
- Charges for services provided 21.5% of governmental revenues. Charge for services decreased \$2,531,663, a decrease of 13.7%. This decrease was offset by an increase in capital grants and contributions totaling \$4,105,649 for fiscal year 2009.
- Investment income was \$5,898,766, an increase of \$3,252,075 from the prior year. The City continues to work with three professional management firms in order to successfully meet its investment objectives.
- Utility services taxes and operating grants and contributions continued to account for the same percentage of governmental revenues.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**Key Element of Expenses of Governmental Activities**

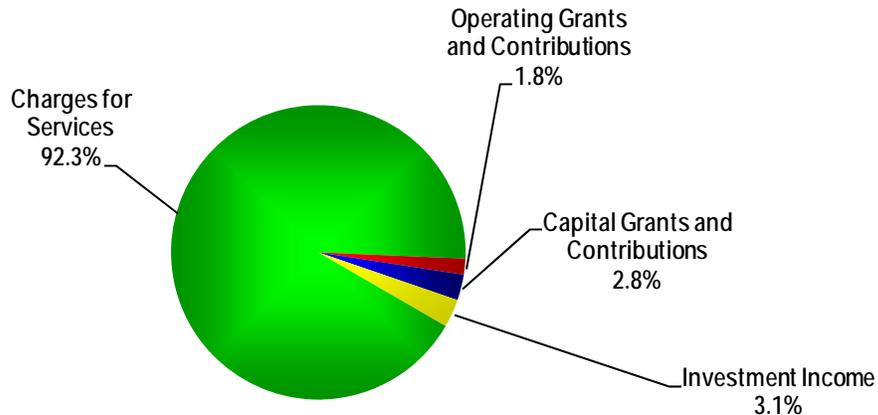
In FY 2009, expenses for Governmental Funds increased 1.2% to \$70,609,025. Slight decreases in Public Works were offset by an increase in General Government. Expenditures for Public Safety, Culture and Recreation, Housing and Urban Development, Human Services, Physical Environment, and Transportation remained relatively constant.

**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	\$ 10,239,676	14.5%	\$ 2,709,904	11.2%	\$ (7,529,772)
Public Safety	37,143,770	52.6%	10,910,278	45.4%	\$ (26,233,492)
Public Works	13,839,479	19.6%	7,430,058	30.9%	\$ (6,409,421)
Culture and Recreation	4,937,571	7.0%	586,400	2.4%	\$ (4,351,171)
Housing and Urban Development	1,391,668	2.0%	1,391,435	5.8%	\$ (233)
Human Services	202,033	0.3%	38,119	0.2%	\$ (163,914)
Physical Environment	51,956	0.1%	15,832	0.1%	\$ (36,124)
Transportation	583,024	0.8%	957,987	4.0%	\$ 374,963
Interest On Long Term Debt	2,219,848	3.1%	-	0.0%	\$ (2,219,848)
	<u>\$ 70,609,025</u>	<u>100.0%</u>	<u>\$ 24,040,013</u>	<u>100.0%</u>	<u>\$ (46,569,012)</u>

**Key Elements of Revenues of Business-type Activities:**

**REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES**



**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**Key Element of Expenses of Business-type Activities**

**EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Electric	\$ 167,299,569	79.5%	\$ 178,244,694	77.4%	\$ 10,945,125
Water and Sewer	25,677,661	12.2%	28,070,654	12.2%	2,392,993
Sanitation	9,490,485	4.5%	10,372,214	4.5%	881,729
Municipal Golf Courses	2,835,780	1.3%	4,123,620	1.8%	1,287,840
Municipal Trailer Park	313,027	0.1%	46,646	0.0%	(266,381)
International Airport	1,152,341	0.5%	5,600,852	2.4%	4,448,511
Adult Athletic Complex	321,388	0.2%	140,640	0.1%	(180,748)
Communications	1,326,462	0.6%	1,890,773	0.8%	564,311
Suntran	2,279,470	1.1%	1,756,168	0.8%	(523,302)
	<u>\$ 210,696,183</u>	<u>100.0%</u>	<u>\$ 230,246,261</u>	<u>100.0%</u>	<u>\$ 19,550,078</u>

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

The City's Electric Utility Fund had net revenue of \$10,945,125 in FY 2009 as shown in the Statement of Activities. That compares to net revenue of \$9,753,710 in the prior year, which represents an increase of 12.2% in FY 2009. Electric Utility Fund operating expenses increased from \$166,633,502 in FY 2008 to \$167,299,569 in FY 2009. The increase in expenses was due to the continued initiative of the automated meter reading system. The automatic meter reading system that will save money and enhance service was completed in fiscal year 2009.

The net revenue of the Water and Sewer Fund decreased from \$5,153,243 in FY 2008 to \$2,392,993 in fiscal year 2009. This decrease of \$2,760,250 represented a 53.6% decrease from FY 2008. Significantly lower contributions from real estate developers was the key factor for this decrease. The capital contributions decreased from \$4,288,542 in FY 2008 to \$1,718,010 in FY 2009.

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 2009, program revenues exceeded expenses by \$1,287,840. Golf Course Fund expenses decreased \$365,840 in FY 2009, which represents a 11.4% decrease from FY 2008. In order to reduce costs, the city-owned Pine Oaks Golf Course was reduced from 27 holes to 18 holes in FY 2008. In fiscal year 2009, the nine holes were purchased by the Water and Sewer Fund.

The Ocala International Airport operation showed an operating surplus for the fiscal year. Revenue exceeded expenses by \$4,448,511 in FY 2009. The City Council is evaluating industrial and commercial development on the airport's 1,500 acres. A new \$2.43 million dollar control tower was completed in 2009. The City is accepting proposals for a master commercial developer for an industrial park to be located on 800 acres on the western portion of the airport.

The Adult Athletic Complex expenses exceed program revenues by \$180,748. Expenses increased from \$249,338 in fiscal year 2008 to \$321,388 in fiscal year 2009 while program revenues decreased from \$160,949 in fiscal year 2008 to \$140,640 in fiscal year 2009.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

SunTran, the City's public mass transit system, recorded a deficit of \$523,302. Expenses totaled \$2,279,470 as compared to \$1,756,168 in program revenues. Although expenses decreased 4.4% to \$2,279,470 in fiscal year 2009, program revenues decreased 27.2% in fiscal year 2009.

## **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 near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the City's net resources available at the end of the fiscal year.

At the end of fiscal year 2009, the City's governmental funds reported combined ending fund balances of \$58,530,745. Reserved for Capital Projects was \$11,247,924. The unreserved and undesignated fund balance of \$26,309,786 is available for spending at the City's discretion. In addition, \$9,306,064 is unreserved, but designated for specific projects. The remaining funds are reserved for Debt Service (\$4,122,282), Transportation (\$5,266,511) and Development District Improvements (\$2,278,178).

The General Fund is the primary operating fund of the City. At the end of fiscal year 2009, the fund balance of the General Fund was \$31,278,522, all of which was unreserved. Of the total fund balance, \$9,306,064 was designated for specific projects and \$21,972,458 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.

The fund balance of the City's General Fund increased \$4,207,739 during fiscal year 2009, compared to an increase of \$1,124,971 in fiscal year 2008.

Key factors for this significant increase are as follows:

- Expenditures in the General Fund decreased to \$61,147,280 in fiscal year 2009
- Although General Fund expenditures decreased 7.8%, revenues remained constant from fiscal year 2008 to fiscal year 2009.
- Total expenditures total only 86.0% of the final appropriated expenditure budget. The general government was under budget by \$3,334,980 and capital outlay was under budget by \$2,639,164. In anticipation of the potential future decrease of ad valorem taxes, the City's departments were urged to curtail spending in FY 2009. Budgets for most General Fund departments include funding for contingencies that are not expended in most years.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**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	\$ 25,014,607
Water and Sewer	32,704,043
Sanitation	3,352,609
Municipal Golf Course	1,056,579
Municipal Trailer Park	20,599
Ocala International Airport	766,001
Adult Athletic Complex	(252,253)
Communications	3,467,315
SunTran	(572,167)
Total	<u>\$ 65,557,333</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, 2009**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original General Fund budget totaled \$69,554,504. Various budget amendments were approved by City Council. During the year, appropriations increased \$7,519,444 from the original to the final budget in the General Fund. Actual expenditures were \$9,956,631 lower than the final budget.

**GENERAL FUND ORIGINAL/FINAL BUDGET**

	<u>Original</u>	<u>Final</u>
<b>REVENUES:</b>		
Property taxes	\$ 20,717,000	\$ 20,717,000
Utility service tax	12,432,000	12,432,000
Other taxes	75,000	1,118,903
State shared revenues	5,200,000	5,200,000
Other intergovernmental revenues	2,497,205	3,912,210
Licenses and permits	2,107,200	2,107,200
Fines and forfeitures	453,700	453,700
Charges for services	11,072,532	11,081,814
Investment income	1,371,110	1,371,110
Gifts	118,900	478,742
Other	472,150	1,582,580
Total Revenues	<u>56,516,797</u>	<u>60,455,259</u>
<b>EXPENDITURES</b>		
General Government	13,288,186	13,388,641
Public Safety	36,961,999	38,937,558
Public Works	6,958,864	6,819,670
Culture and Recreation	5,277,709	5,644,106
Housing and Urban Development	1,170,864	1,338,307
Human Services	234,305	249,908
Physical Environment	76,984	76,984
Transportation	266,843	897,658
Capital Outlay	2,351,441	3,735,471
Principal payments	10,549	10,549
Interest and paying agent fees	5,059	5,059
Total Expenditures	<u>66,602,803</u>	<u>71,103,911</u>
Excess(deficiency) of revenues over expenditures	<u>(10,086,006)</u>	<u>(10,648,652)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	13,414,774	13,014,774
Transfers out	<u>(2,950,701)</u>	<u>(5,970,037)</u>
Total other financing sources(uses)	<u>10,464,073</u>	<u>7,044,737</u>
Net change in fund balance	378,067	(3,603,915)
Fund balance - beginning	<u>27,070,783</u>	<u>27,070,783</u>
Fund balance - ending	<u>\$ 27,448,850</u>	<u>\$ 23,466,868</u>

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009 totaled \$554,050,212 (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 \$38,157,486. This was a net increase of 7.4%.

Major capital asset additions in FY 2009 included the following:

**Governmental Activities:**

- During fiscal year 2009, the Lake Weir project was completed at a cost of \$764,924
- The Silver River Pollution Reduction project was completed at a cost of \$1,994,637
- Construction in progress increased in FY 2009 approximately \$8 million. This was a result of various improvement projects, including several major street projects funded from a prior year bond issue.
- The Downtown Development was completed at a cost of \$401,793.

**CITY OF OCALA, FLORIDA  
CAPITAL ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 17,773,075	\$ 17,757,858	\$ 21,860,084	\$ 19,160,084	\$ 39,633,159	\$ 36,917,942
Buildings	38,665,483	35,424,992	19,775,866	19,351,956	58,441,349	54,776,948
Improvements Other Than Buildings	-	-	437,555,174	402,557,272	437,555,174	402,557,272
Crystal River Unit # 3	-	-	16,168,423	16,168,423	16,168,423	16,168,423
Equipment	41,567,065	39,614,277	10,623,801	9,717,958	52,190,866	49,332,235
Infrastructure	280,040,460	280,040,460	-	-	280,040,460	280,040,460
Construction in Progress	22,726,967	14,962,683	53,247,691	42,804,213	75,974,658	57,766,896
	<u>400,773,050</u>	<u>387,800,270</u>	<u>559,231,039</u>	<u>509,759,906</u>	<u>960,004,089</u>	<u>897,560,176</u>
Less: Accumulated Depreciation	<u>(214,512,040)</u>	<u>(204,872,930)</u>	<u>(191,441,837)</u>	<u>(176,794,520)</u>	<u>(405,953,877)</u>	<u>(381,667,450)</u>
Capital Assets, Net	<u>\$ 186,261,010</u>	<u>\$ 182,927,340</u>	<u>\$ 367,789,202</u>	<u>\$ 332,965,386</u>	<u>\$ 554,050,212</u>	<u>\$ 515,892,726</u>

**Business-type Activities:**

- 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.
- The new Airport control tower was completed during fiscal year 2009.
- 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 55 of this report.

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

**Long-term debt.** At the end of fiscal year 2009, outstanding long-term debt of the City was \$241,761,645. That was a decrease of \$5,485,397 or 2.2% from outstanding long-term debt of \$247,247,042 at the end of FY 2008. Electric Utility and Water & Sewer debt is paid with operating revenues. The capital improvements debt is serviced by the pledge of *non-ad valorem* revenues such as gas taxes, sales tax revenues and State revenue sharing. Long-term debt includes self-insurance claims payable and liability for compensated absences.

During fiscal year 2009, the City issued no new bonds.

In FY 2009 the City's bonded debt decreased 3.2% from the prior year. This was due to principal bond payments made during the fiscal year. The City had no outstanding general obligation debt at the close of FY 2009. The City maintains excellent bond ratings from the major ratings agencies.

Additional information on the City's debt is present in Note 6 on pages 62 to 65 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The following were some of the significant factors considered in preparing the City's fiscal year 2010 budget:

- The fiscal year 2010 budget has been prepared during perhaps the deepest global recession since the great depression. Unlike other economic downturns, this current decline has impacted virtually every sector of the business and government community.
- The budget is balanced with no tax or fee increases and no reduction in service levels. The General Fund Budget for FY 2010 totals \$68,336,316, a reduction of \$3,428,082 or 4.78% from the amended FY 2009 budget.
- The City Comprehensive FY 2010 Budget totals \$400,766,294, a reduction of \$73,623,165 or 15.52%.
- The recommended FY 2010 Budget is based on three strategies that have been implemented heretofore and continues throughout the coming year. These strategies are: operational efficiencies, tempering escalating personnel cost, a refocus on the core mission of the City and transforming the way we handle the fiscal responsibilities of the City.
- Each department continues to review its operations comprehensively and is putting together strategies to reduce expenditures without significantly impacting services. These efficiencies to date have included reorganization of some department and/or divisions, the consolidation of service functions, re-assignment of staff to more critical tasks, reductions in personnel needs, fleet needs, facility needs, and better utilization of technology. At this point, our efforts have enabled us to reduce operational costs across the board.
- Through effective right-sizing efforts, staff levels have been reduced by ninety (90) positions. Earlier in the year adjustments were made to longevity and other new hire benefits allowing us to begin the process of realignment with our resources. Of great concern are our present and future pension costs.
- With the adoption of this budget we are adopting new key management policies intended to provide formal policy statement designed to establish the financial goals of the organization and the principles that will govern budget management.
- We are delighted that we have not had to draw down the City's reserves in order to balance the budget. This is a significant achievement as cities across America are utilizing reserves and/or tax and fee increases to balance the budget. This budget guides the City to live within its means while

**CITY OF OCALA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

considering the long-term needs of its stakeholders, the citizens of Ocala.

- The unemployment rate for the City continues to increase. The increase is primarily due to from a sharp downturn in housing construction market.
- The taxable value of commercial and residential property decreased 7% in FY 2009, falling from \$4.726 billion to \$4.416 billion. This decrease was due to the continued downturn in the housing market.
- Building permit activity decreased significantly during the 2009 fiscal year.
- Population increased slightly to an estimated 54,800 on September 30, 2009. The housing slump resulted in fewer new residents during the fiscal year.
- New major infrastructure projects will be curtailed in FY 2010 due to current negative economic factors, including the following: declining property values, reduced revenue and substantially lower returns on investments. .
- In March of 2009, the City opened an employee health clinic. The clinic provides 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.

**REQUESTS FOR INFORMATION**

This financial report is designed to present users with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addresses to the Director, Office of Budget and Finance, Ocala City Hall, 151 SE Osceola Avenue, Ocala, Florida 34471, or telephone (352) 629-8368.

# BASIC FINANCIAL STATEMENTS

**CITY OF OCALA, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Cash and Investments	\$ 3,655,179	\$ 30,490,226	\$ 34,145,405
Equity In pooled cash fund	82,572,667	119,059,275	201,631,942
Receivables (net)	1,953,850	25,201,649	27,155,499
Internal balances	2,683,780	(2,683,780)	-
Due from other governments	5,250,557	3,927,507	9,178,064
Inventories	-	5,202,206	5,202,206
Pension asset	7,425,559	-	7,425,559
Other assets	1,364,587	2,785,896	4,150,483
Capital assets not being depreciated:			
Land	17,773,075	21,860,084	39,633,159
Construction in progress	22,726,967	53,247,691	75,974,658
Capital assets, net of accumulated depreciation:			
Buildings	24,657,376	12,159,241	36,816,617
Improvements other than buildings	-	274,250,296	274,250,296
Machinery and equipment	13,745,645	6,271,890	20,017,535
Infrastructure	107,357,947	-	107,357,947
<b>Total assets</b>	<u>291,167,189</u>	<u>551,772,181</u>	<u>842,939,370</u>
<b>Liabilities</b>			
Accounts payable	7,493,860	14,767,837	22,261,697
Accrued liabilities	1,077,282	3,938,910	5,016,192
Unearned revenue	1,338,848	441,083	1,779,931
Other liabilities	-	3,767,332	3,767,332
Noncurrent liabilities:			
Due within one year	6,376,421	5,311,715	11,688,136
Due in more than one year	54,404,834	175,668,675	230,073,509
<b>Total liabilities</b>	<u>70,691,245</u>	<u>203,895,552</u>	<u>274,586,797</u>
<b>Net Assets</b>			
Invested In capital assets, net of related debt	146,661,774	250,066,606	396,728,380
Restricted for:			
Transportation	5,266,511	-	5,266,511
Development district improvements	2,278,178	-	2,278,178
Capital projects	-	32,252,690	32,252,690
Debt service	3,045,000	-	3,045,000
Unrestricted	63,224,481	65,557,333	128,781,814
<b>Total net assets</b>	<u>\$ 220,475,944</u>	<u>\$ 347,876,629</u>	<u>\$ 568,352,573</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, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 10,239,676	\$ 2,640,352	\$ 69,552	\$ -
Public safety	37,143,770	8,223,438	1,254,250	1,432,590
Public works	13,839,479	4,642,705	500,000	2,287,353
Culture and recreation	4,937,571	494,433	91,967	-
Housing and urban development	1,391,668	18,502	1,372,933	-
Human services	202,033	-	38,119	-
Physical environment	51,956	-	15,832	-
Transportation	583,024	-	572,281	385,706
Interest on long term debt	2,219,848	-	-	-
<b>Total governmental activities</b>	<b>\$ 70,609,025</b>	<b>\$ 16,019,430</b>	<b>\$ 3,914,934</b>	<b>\$ 4,105,649</b>
<b>Business-type activities:</b>				
Electric	\$ 167,299,569	\$ 177,960,026	\$ -	\$ 284,668
Water and sewer	25,677,661	26,352,644	-	1,718,010
Sanitation	9,490,485	10,367,214	-	5,000
Municipal golf courses	2,835,780	1,423,620	2,700,000	-
Municipal trailer park	313,027	46,646	-	-
International airport	1,152,341	874,514	-	4,726,338
Adult athletic complex	321,388	140,640	-	-
Communications	1,326,462	1,890,773	-	-
Suntran	2,279,470	298,481	1,457,687	-
<b>Total business-type activities</b>	<b>\$ 210,696,183</b>	<b>\$ 219,354,558</b>	<b>\$ 4,157,687</b>	<b>\$ 6,734,016</b>

**General Revenues:**

Taxes:

Property taxes

Utility service taxes

Other taxes

State shared revenues - unrestricted

Investment income

Miscellaneous

**Transfers**

**Total general revenues and transfers**

**Change In net assets**

**Net assets - beginning**

**Net assets - ending**

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

**Net (Expense) Revenue and Change In Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (7,529,772)	\$ -	\$ (7,529,772)
(26,233,492)	-	(26,233,492)
(6,409,421)	-	(6,409,421)
(4,351,171)	-	(4,351,171)
(233)	-	(233)
(163,914)	-	(163,914)
(36,124)	-	(36,124)
374,963	-	374,963
(2,219,848)	-	(2,219,848)
<u>\$ (46,569,012)</u>	<u>\$ -</u>	<u>\$ (46,569,012)</u>

\$ -	\$ 10,945,125	\$ 10,945,125
-	2,392,993	2,392,993
-	881,729	881,729
-	1,287,840	1,287,840
-	(266,381)	(266,381)
-	4,448,511	4,448,511
-	(180,748)	(180,748)
-	564,311	564,311
-	(523,302)	(523,302)
<u>\$ -</u>	<u>\$ 19,550,078</u>	<u>\$ 19,550,078</u>

\$ 20,978,586	\$ -	\$ 20,978,586
13,209,971	-	13,209,971
4,504,911	-	4,504,911
4,752,300	-	4,752,300
5,898,766	7,297,091	13,195,857
1,241,128	-	1,241,128
7,011,653	(7,011,653)	-
<u>57,597,315</u>	<u>285,438</u>	<u>57,882,753</u>
11,028,303	19,835,516	30,863,819
209,447,641	328,041,113	537,488,754
<u>\$ 220,475,944</u>	<u>\$ 347,876,629</u>	<u>\$ 568,352,573</u>

**CITY OF OCALA, FLORIDA  
BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 107,018	\$ 3,548,011	\$ 3,655,029
Equity In pooled cash fund	29,804,481	23,608,263	53,412,744
Receivables (net)	693,722	959,167	1,652,889
Due from other funds	2,169,277	227,650	2,396,927
Advances to other funds	352,335	-	352,335
Due from other governments	2,974,329	2,276,228	5,250,557
Other assets	17,518	70	17,588
<b>Total assets</b>	<u>\$ 36,118,680</u>	<u>\$ 30,619,389</u>	<u>\$ 66,738,069</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,403,472	\$ 2,415,494	\$ 6,818,966
Unearned revenue	371,204	951,672	1,322,876
Advances from other funds	65,482	-	65,482
<b>Total liabilities</b>	<u>4,840,158</u>	<u>3,367,166</u>	<u>8,207,324</u>
<b>Fund Balances:</b>			
Reserved for:			
Debt service	-	4,122,282	4,122,282
Transportation	-	5,266,511	5,266,511
Development district improvements	-	2,278,178	2,278,178
Capital projects	-	11,247,924	11,247,924
Unreserved:			
Designated for specific projects	9,306,064	-	9,306,064
Unreserved and undesignated:			
General fund	21,972,458	-	21,972,458
Special revenue funds	-	4,337,328	4,337,328
<b>Total fund balances</b>	<u>31,278,522</u>	<u>27,252,223</u>	<u>58,530,745</u>
<b>Total liabilities and fund balances</b>	<u>\$ 36,118,680</u>	<u>\$ 30,619,389</u>	<u>\$ 66,738,069</u>

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

**CITY OF OCALA, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
AS OF SEPTEMBER 30, 2009**

Total fund balances of governmental funds \$ 58,530,745

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 \$ 360,653,339 and the accumulated depreciation is \$188,841,478 171,811,861

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 represent a financial asset and, therefore, is not reported in the governmental funds. 7,425,559

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. 39,274,521

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	(50,995,000)
Less: Deferred charge on refunding (to be amortized as interest expense).	261,388
Deferred charge for issuance costs (to be amortized over life of debt)	675,469
Bond (premium) discount (to be amortized over life of debt)	(515,129)
Accrued interest payable	(1,077,282)
Installment purchase contract payable	(273,601)
Compensated absences	(4,117,003)
OPEB liability payable	(525,584)
	(5,258,822)

Total net assets of governmental activities \$ 220,475,944

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, 2009**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 20,585,941	\$ 392,645	\$ 20,978,586
Utility service taxes	13,209,971	-	13,209,971
Other taxes	1,082,794	3,422,117	4,504,911
State shared revenues	4,752,300	-	4,752,300
Other intergovernmental revenues	2,505,928	2,969,965	5,475,893
Parking meters and facilities	-	59,354	59,354
Licenses and permits	948,981	-	948,981
Fines and forfeitures	562,621	19,731	582,352
Charges for services	9,999,755	4,637,281	14,637,036
Investment income	2,440,476	1,758,687	4,199,163
Gifts	1,133,081	707,675	1,840,756
Other	1,122,579	118,549	1,241,128
<b>Total revenues</b>	<u>58,344,427</u>	<u>14,086,004</u>	<u>72,430,431</u>
<b>Expenditures</b>			
Current:			
General governemnt	10,053,661	116,820	10,170,481
Public safety	37,118,704	-	37,118,704
Public works	6,062,281	2,917,442	8,979,723
Culture and recreation	5,081,848	62,206	5,144,054
Housing and urban development	879,283	510,119	1,389,402
Human services	197,435	-	197,435
Physical environment	22,228	-	22,228
Transportation	630,474	-	630,474
Capital outlay	1,096,307	10,074,877	11,171,184
Debt service:			
Principal payments	-	3,368,600	3,368,600
Interest and fees	5,059	2,199,856	2,204,915
<b>Total expenditures</b>	<u>61,147,280</u>	<u>19,249,920</u>	<u>80,397,200</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,802,853)</u>	<u>(5,163,916)</u>	<u>(7,966,769)</u>
<b>Other financing sources (uses)</b>			
Transfers in	12,947,269	5,730,482	18,677,751
Transfers out	(5,936,677)	(5,645,421)	(11,582,098)
<b>Total other financing sources (uses)</b>	<u>7,010,592</u>	<u>85,061</u>	<u>7,095,653</u>
<b>Net change in fund balances</b>	<u>4,207,739</u>	<u>(5,078,855)</u>	<u>(871,116)</u>
<b>Fund balances - beginning</b>	<u>27,070,783</u>	<u>32,331,078</u>	<u>59,401,861</u>
<b>Fund balances - ending</b>	<u>\$ 31,278,522</u>	<u>\$ 27,252,223</u>	<u>\$ 58,530,745</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, 2009**

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

Net change in fund balances - total governmental funds	\$ (871,116)
<p>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 \$11,171,184 exceeded depreciation expense and loss on asset disposal of \$8,413,742</p>	
	2,757,442
<p>Contributions of equipment are not reported as revenue at the fund level. This reconciling item is the fair value of the capital assets contributed to the City</p>	
	495,641
<p>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:</p>	
Principal repayments:	
Bonds and Certificates	3,095,000
Other	273,600
Amortization of bond discount, premium, issuance costs and deferred amounts on refunding	(47,740)
<p>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:</p>	
Compensated absences	(683,716)
Accrued interest on long term debt	42,265
OPEB liability payable	(282,278)
<p>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.</p>	
	(282,145)
<p>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.</p>	
	6,531,350
Change in net assets of governmental activities	\$ 11,028,303

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, 2009**

	<b>BUSINESS-TYPE ACTIVITIES -</b>				
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>	<b>Municipal Trailer Park</b>
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and investments	\$ 3,300	\$ 250	\$ -	\$ 2,418	\$ 100
Equity in pooled cash and investment fund	12,745,893	27,043,615	3,843,407	1,113,876	21,130
Restricted assets available for current liabilities	2,421,554	8,036,791	-	-	-
Accrued interest receivable	157,321	179,638	23,356	10,444	-
Accounts and notes receivable	14,004,978	37,603	2,320	24,233	-
Accrued unbilled revenues	10,302,500	-	-	-	-
Due from other funds	-	1,338,795	464,411	-	-
Advances to other funds	11,339	500,000	-	-	-
Inventories	4,963,942	41,765	-	54,419	-
Due from other governments	151,534	-	-	-	-
Other current assets	397,205	42,594	-	8,765	-
<b>Total current assets</b>	<b>45,159,566</b>	<b>37,221,051</b>	<b>4,333,494</b>	<b>1,214,155</b>	<b>21,230</b>
<b>Noncurrent Assets:</b>					
Restricted Assets:					
Cash and investments:					
Crystal River decommissioning trust	8,932,310	-	-	-	-
Construction accounts	10,283,846	11,267,902	-	-	-
Equity in pooled cash and investment fund:					
Crystal River decommissioning trust	1,545,320	-	-	-	-
Construction accounts	18,082,500	10,428,618	-	-	-
Debt service accounts	1,968,187	6,223,827	-	-	-
Impact fee accounts	-	17,358,673	-	-	-
Renewal and replacement	10,888,045	3,796,871	-	-	-
Accrued interest receivable:					
Construction accounts	64,296	150,855	-	-	-
Impact fee accounts	-	115,675	-	-	-
Renewal and replacement	68,418	25,008	-	-	-
Due from other governments	-	-	-	-	-
Other	-	383,773	-	-	-
Less: Portion classified as current	(2,421,554)	(8,036,791)	-	-	-
Total restricted assets	49,411,368	41,714,411	-	-	-
Issuance costs on long-term debt	738,395	1,214,853	-	-	-
Advances to other funds, long-term	54,143	947,157	-	-	-
Capital assets, net:					
Land	5,703,021	9,943,829	-	394,678	33,908
Buildings	4,458,839	2,523,837	3,721	1,053,491	44
Improvements other than buildings	90,518,632	163,864,396	1,316	1,435,132	-
Machinery and equipment	2,811,151	694,439	602,910	38,215	-
Construction in process	25,149,305	23,024,217	-	2,110,167	-
Total capital assets (net)	128,640,948	200,050,718	607,947	5,031,683	33,952
<b>Total noncurrent assets</b>	<b>178,844,854</b>	<b>243,927,139</b>	<b>607,947</b>	<b>5,031,683</b>	<b>33,952</b>
<b>Total assets</b>	<b>\$ 224,004,420</b>	<b>\$ 281,148,190</b>	<b>\$ 4,941,441</b>	<b>\$ 6,245,838</b>	<b>\$ 55,182</b>

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	\$ -	\$ -	\$ -	\$ 6,168	\$ 150
537,600	-	3,461,713	-	48,767,234	29,159,923
365,116	-	-	-	10,823,461	-
11,984	-	21,791	-	404,534	156,626
935	-	294	-	14,070,363	144,335
-	-	-	-	10,302,500	-
-	-	-	-	1,803,206	-
-	-	-	-	511,339	-
-	1,150	140,930	-	5,202,206	258,178
-	-	-	1,128,620	1,280,154	-
172	139	-	-	448,875	413,352
<u>915,907</u>	<u>1,289</u>	<u>3,624,728</u>	<u>1,128,620</u>	<u>93,620,040</u>	<u>30,132,564</u>
-	-	-	-	8,932,310	-
-	-	-	-	21,551,748	-
-	-	-	-	1,545,320	-
-	-	-	-	28,511,118	-
-	-	-	-	8,192,014	-
-	-	-	-	17,358,673	-
-	-	-	-	14,684,916	-
-	-	-	-	215,151	-
-	-	-	-	115,675	-
-	-	-	-	93,426	-
2,647,353	-	-	-	2,647,353	-
-	-	-	-	383,773	-
(365,116)	-	-	-	(10,823,461)	-
<u>2,282,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,408,016</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,953,248</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001,300</u>	<u>-</u>
5,773,547	11,101	-	-	21,860,084	667,770
2,734,575	81,563	-	1,303,171	12,159,241	3,147,504
12,838,758	614,558	4,977,504	-	274,250,296	839,472
34,133	-	16,839	2,074,203	6,271,890	9,762,153
2,691,461	-	272,541	-	53,247,691	32,250
<u>24,072,474</u>	<u>707,222</u>	<u>5,266,884</u>	<u>3,377,374</u>	<u>367,789,202</u>	<u>14,449,149</u>
<u>26,354,711</u>	<u>707,222</u>	<u>5,266,884</u>	<u>3,377,374</u>	<u>464,151,766</u>	<u>14,449,149</u>
<u>\$ 27,270,618</u>	<u>\$ 708,511</u>	<u>\$ 8,891,612</u>	<u>\$ 4,505,994</u>	<u>\$ 557,771,806</u>	<u>\$ 44,581,713</u>

(Continued)

**CITY OF OCALA, FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2009**

	<b>BUSINESS-TYPE ACTIVITIES -</b>				
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>	<b>Municipal Trailer Park</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Payable from unrestricted assets:					
Accounts payable	\$ 11,131,883	\$ 363,600	\$ 377,702	\$ 85,539	\$ 417
Claims payable	-	-	-	-	-
Compensated absences payable	554,786	213,589	235,705	16,190	-
Accrued interest payable	948	-	-	-	-
Due to other funds	2,491,688	-	-	-	-
Customer deposits	3,767,332	-	-	-	-
Unearned revenue	-	-	-	33,227	-
Advances from other funds	-	-	-	-	-
Total current liabilities payable from unrestricted assets	<u>17,946,637</u>	<u>577,189</u>	<u>613,407</u>	<u>134,956</u>	<u>417</u>
Payable from restricted assets:					
Accounts payable	453,367	1,409,160	-	-	-
Accrued interest payable	1,373,187	2,564,775	-	-	-
Unearned revenue	-	407,856	-	-	-
Revenue bonds payable within one year	595,000	3,655,000	-	-	-
Total current liabilities payable from restricted assets	<u>2,421,554</u>	<u>8,036,791</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total current liabilities</b>	<u>20,368,191</u>	<u>8,613,980</u>	<u>613,407</u>	<u>134,956</u>	<u>417</u>
<b>Noncurrent Liabilities:</b>					
Advances from other funds, long-term	-	-	-	-	-
Decommissioning costs	10,477,630	-	-	-	-
Compensated absences payable	568,764	226,886	311,193	13,948	-
OPEB obligation payable	142,175	63,961	56,285	8,672	214
Revenue bonds and notes payable after one year	58,852,504	104,898,109	-	-	-
<b>Total noncurrent liabilities</b>	<u>70,041,073</u>	<u>105,188,956</u>	<u>367,478</u>	<u>22,620</u>	<u>214</u>
<b>Total liabilities</b>	<u>90,409,264</u>	<u>113,802,936</u>	<u>980,885</u>	<u>157,576</u>	<u>631</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	97,624,086	113,344,984	607,947	5,031,683	33,952
Restricted for capital projects	10,956,463	21,296,227	-	-	-
Unrestricted (accumulated deficit)	25,014,607	32,704,043	3,352,609	1,056,579	20,599
<b>Total net assets</b>	<u>\$ 133,595,156</u>	<u>\$ 167,345,254</u>	<u>\$ 3,960,556</u>	<u>\$ 6,088,262</u>	<u>\$ 54,551</u>

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

<b>ENTERPRISE FUNDS</b>					<b>GOVERNMENTAL</b>
<b>Ocala International Airport</b>	<b>Adult Athletic Complex</b>	<b>Communi- cations</b>	<b>SunTran</b>	<b>Total</b>	<b>ACTIVITIES Internal Service Funds</b>
\$ 38,828	\$ 3,169	\$ 113,674	\$ 425,382	\$ 12,540,194	\$ 674,894
-	-	-	-	-	3,980,864
9,886	10,449	21,110	-	1,061,715	257,485
-	-	-	-	948	-
557,130	228,245	-	923,070	4,200,133	-
-	-	-	-	3,767,332	-
-	-	-	-	33,227	15,972
500,000	-	-	352,335	852,335	-
<u>1,105,844</u>	<u>241,863</u>	<u>134,784</u>	<u>1,700,787</u>	<u>22,455,884</u>	<u>4,929,215</u>
365,116	-	-	-	2,227,643	-
-	-	-	-	3,937,962	-
-	-	-	-	407,856	-
-	-	-	-	4,250,000	-
<u>365,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,823,461</u>	<u>-</u>
<u>1,470,960</u>	<u>241,863</u>	<u>134,784</u>	<u>1,700,787</u>	<u>33,279,345</u>	<u>4,929,215</u>
947,157	-	-	-	947,157	-
-	-	-	-	10,477,630	-
9,299	11,468	17,048	-	1,158,606	300,655
4,727	211	5,581	-	281,826	77,322
-	-	-	-	163,750,613	-
<u>961,183</u>	<u>11,679</u>	<u>22,629</u>	<u>-</u>	<u>176,615,832</u>	<u>377,977</u>
<u>2,432,143</u>	<u>253,542</u>	<u>157,413</u>	<u>1,700,787</u>	<u>209,895,177</u>	<u>5,307,192</u>
24,072,474	707,222	5,266,884	3,377,374	250,066,606	14,449,149
-	-	-	-	32,252,690	-
766,001	(252,253)	3,467,315	(572,167)	65,557,333	24,825,372
<u>\$ 24,838,475</u>	<u>\$ 454,969</u>	<u>\$ 8,734,199</u>	<u>\$ 2,805,207</u>	<u>\$ 347,876,629</u>	<u>\$ 39,274,521</u>

**CITY OF OCALA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>BUSINESS-TYPE ACTIVITIES -</b>				
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>	<b>Municipal Trailer Park</b>
<b>Operating Revenues:</b>					
Charges for services	\$ 169,770,719	\$ 25,994,667	\$ 10,352,519	\$ 1,418,305	\$ 46,313
Other	8,189,307	357,977	14,695	5,315	333
<b>Total operating revenues</b>	<b>177,960,026</b>	<b>26,352,644</b>	<b>10,367,214</b>	<b>1,423,620</b>	<b>46,646</b>
<b>Operating Expenses:</b>					
Purchase of electricity	130,508,914	-	-	-	-
Distribution	14,193,135	1,941,026	-	-	-
Operation and maintenance	4,770,226	-	8,828,117	2,330,633	78,180
Water and sewer treatment	-	5,356,573	-	-	-
Sewer collection	-	3,079,387	-	-	-
Internal service	-	-	-	-	-
Administration	9,359,116	2,592,656	589,162	250,683	-
Depreciation and amortization	5,110,387	8,052,971	73,206	254,464	177
Economic improvement incentives	100,250	-	-	-	-
Other	2,703,133	45,947	-	-	234,670
<b>Total operating expenses</b>	<b>166,745,161</b>	<b>21,068,560</b>	<b>9,490,485</b>	<b>2,835,780</b>	<b>313,027</b>
<b>Operating income (loss)</b>	<b>11,214,865</b>	<b>5,284,084</b>	<b>876,729</b>	<b>(1,412,160)</b>	<b>(266,381)</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	1,881,564	4,636,791	229,130	249,378	1,505
Interest expense	(554,408)	(4,609,101)	-	-	-
Other non-operating revenue	-	-	-	2,700,000	-
<b>Total non-operating revenues (expenses)</b>	<b>1,327,156</b>	<b>27,690</b>	<b>229,130</b>	<b>2,949,378</b>	<b>1,505</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>12,542,021</b>	<b>5,311,774</b>	<b>1,105,859</b>	<b>1,537,218</b>	<b>(264,876)</b>
<b>Capital Contributions</b>	<b>284,668</b>	<b>1,718,010</b>	<b>5,000</b>	<b>-</b>	<b>-</b>
<b>Transfers:</b>					
Transfers in	3,031,000	-	-	2,029,370	157,000
Transfers out	(12,153,889)	(739,371)	(127,014)	(173,000)	-
<b>Total transfers</b>	<b>(9,122,889)</b>	<b>(739,371)</b>	<b>(127,014)</b>	<b>1,856,370</b>	<b>157,000</b>
<b>Change in net assets</b>	<b>3,703,800</b>	<b>6,290,413</b>	<b>983,845</b>	<b>3,393,588</b>	<b>(107,876)</b>
<b>Net assets - beginning</b>	<b>129,891,356</b>	<b>161,054,841</b>	<b>2,976,711</b>	<b>2,694,674</b>	<b>162,427</b>
<b>Net assets - ending</b>	<b>\$ 133,595,156</b>	<b>\$ 167,345,254</b>	<b>\$ 3,960,556</b>	<b>\$ 6,088,262</b>	<b>\$ 54,551</b>

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>
\$ 767,939	\$ 140,610	\$ 1,881,658	\$ 283,307	\$ 210,656,037	\$ 28,457,775
106,575	30	9,115	15,174	8,698,521	1,038,468
<u>874,514</u>	<u>140,640</u>	<u>1,890,773</u>	<u>298,481</u>	<u>219,354,558</u>	<u>29,496,243</u>
-	-	-	-	130,508,914	-
-	-	-	-	16,134,161	-
607,450	169,039	951,020	2,056,315	19,790,980	-
-	-	-	-	5,356,573	-
-	-	-	-	3,079,387	-
-	-	-	-	-	22,454,449
13,270	-	26,077	-	12,830,964	-
481,426	143,135	349,365	207,265	14,672,396	2,126,047
-	-	-	-	100,250	-
-	-	-	-	2,983,750	-
<u>1,102,146</u>	<u>312,174</u>	<u>1,326,462</u>	<u>2,263,580</u>	<u>205,457,375</u>	<u>24,580,496</u>
<u>(227,632)</u>	<u>(171,534)</u>	<u>564,311</u>	<u>(1,965,099)</u>	<u>13,897,183</u>	<u>4,915,747</u>
68,773	-	229,950	-	7,297,091	1,699,603
(50,195)	(9,214)	-	(15,890)	(5,238,808)	-
-	-	-	1,457,687	4,157,687	-
<u>18,578</u>	<u>(9,214)</u>	<u>229,950</u>	<u>1,441,797</u>	<u>6,215,970</u>	<u>1,699,603</u>
<u>(209,054)</u>	<u>(180,748)</u>	<u>794,261</u>	<u>(523,302)</u>	<u>20,113,153</u>	<u>6,615,350</u>
<u>4,726,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,734,016</u>	<u>-</u>
974,363	-	-	239,888	6,431,621	-
-	-	(250,000)	-	(13,443,274)	(84,000)
<u>974,363</u>	<u>-</u>	<u>(250,000)</u>	<u>239,888</u>	<u>(7,011,653)</u>	<u>(84,000)</u>
5,491,647	(180,748)	544,261	(283,414)	19,835,516	6,531,350
<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>
<u>\$ 24,838,475</u>	<u>\$ 454,969</u>	<u>\$ 8,734,199</u>	<u>\$ 2,805,207</u>	<u>\$ 347,876,629</u>	<u>\$ 39,274,521</u>

**CITY OF OCALA, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>BUSINESS-TYPE ACTIVITIES -</b>				
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>	<b>Municipal Trailer Park</b>
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 182,798,654	\$ 26,499,349	\$ 10,362,823	\$ 1,386,283	\$ 46,756
Cash paid to suppliers for goods and services	(156,015,492)	(9,291,779)	(6,439,412)	(2,075,290)	(287,226)
Cash paid to employees for services	(9,453,762)	(4,316,311)	(3,772,296)	(643,777)	(27,229)
Net cash provided by (used in) operating activities	<u>17,329,400</u>	<u>12,891,259</u>	<u>151,115</u>	<u>(1,332,784)</u>	<u>(267,699)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers in	3,031,000	-	-	2,029,370	157,000
Transfers out	(12,153,889)	(739,371)	(127,014)	(173,000)	-
Operating grants	-	-	-	-	-
Principal received on loans to other funds	354,287	-	-	-	-
Interest received on loans to other funds	5,059	50,195	-	-	-
Principal paid on loans from other funds	-	-	-	(343,738)	-
Interest paid on loans from other funds	-	-	-	-	-
Loans to other funds	-	(1,447,157)	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>(8,763,543)</u>	<u>(2,136,333)</u>	<u>(127,014)</u>	<u>1,512,632</u>	<u>157,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Principal paid on bonds and notes	(580,000)	(3,510,000)	-	-	-
Interest paid on bonds and notes	(2,753,334)	(5,202,596)	-	-	-
Proceeds of loans from other funds	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	2,700,000	-
Acquisition and construction of capital assets	(19,222,113)	(21,515,097)	-	(2,025,861)	-
Contributions received from other governments and developers	284,668	1,718,010	5,000	-	-
Net cash provided by (used in) capital and related financing activities	<u>(22,270,779)</u>	<u>(28,509,683)</u>	<u>5,000</u>	<u>674,139</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>					
Purchase of investments	(1,760,976)	(621,494)	-	-	-
Proceeds from sales and maturities of investments	30,000,000	10,500,000	-	-	-
Investment income	3,146,209	5,171,216	231,630	238,934	2,566
Net cash provided by investing activities	<u>31,385,233</u>	<u>15,049,722</u>	<u>231,630</u>	<u>238,934</u>	<u>2,566</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17,680,311</b>	<b>(2,705,035)</b>	<b>260,731</b>	<b>1,092,921</b>	<b>(108,133)</b>
<b>Cash and cash equivalents, beginning</b>	<b>27,552,934</b>	<b>67,556,889</b>	<b>3,582,676</b>	<b>23,373</b>	<b>129,363</b>
<b>Cash and cash equivalents, ending</b>	<b><u>\$ 45,233,245</u></b>	<b><u>\$ 64,851,854</u></b>	<b><u>\$ 3,843,407</u></b>	<b><u>\$ 1,116,294</u></b>	<b><u>\$ 21,230</u></b>

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

<b>ENTERPRISE FUNDS</b>					<b>GOVERNMENTAL</b>
<b>Ocala International Airport</b>	<b>Adult Athletic Complex</b>	<b>Communi- cations</b>	<b>SunTran</b>	<b>Total</b>	<b>ACTIVITIES Internal Service Funds</b>
\$ 767,767	\$ 140,501	\$ 1,890,773	\$ 317,231	\$ 224,210,137	\$ 29,449,910
(404,377)	(42,667)	(497,015)	(1,727,297)	(176,780,555)	(18,515,752)
(300,164)	(97,834)	(442,566)	-	(19,053,939)	(5,261,005)
63,226	-	951,192	(1,410,066)	28,375,643	5,673,153
974,363	-	-	239,888	6,431,621	-
-	-	(250,000)	-	(13,443,274)	(84,000)
-	-	-	1,197,471	1,197,471	-
-	-	-	-	354,287	-
-	-	-	-	55,254	-
-	-	-	(7,774)	(351,512)	-
(50,195)	-	-	(15,890)	(66,085)	-
-	-	-	-	(1,447,157)	-
924,168	-	(250,000)	1,413,695	(7,269,395)	(84,000)
-	-	-	-	(4,090,000)	-
-	-	-	-	(7,955,930)	-
1,447,157	-	-	-	1,447,157	-
-	-	-	-	2,700,000	-
(5,835,097)	-	(436,640)	(22,764)	(49,057,572)	(2,314,184)
3,873,716	-	-	19,135	5,900,529	-
(514,224)	-	(436,640)	(3,629)	(51,055,816)	(2,314,184)
-	-	-	-	(2,382,470)	-
-	-	-	-	40,500,000	-
57,697	-	228,421	-	9,076,673	1,700,760
57,697	-	228,421	-	47,194,203	1,700,760
530,867	-	492,973	-	17,244,635	4,975,729
6,833	-	2,968,740	-	101,820,808	24,184,344
<b>\$ 537,700</b>	<b>\$ -</b>	<b>\$ 3,461,713</b>	<b>\$ -</b>	<b>\$ 119,065,443</b>	<b>\$ 29,160,073</b>

(Continued)

**CITY OF OCALA, FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>BUSINESS-TYPE ACTIVITIES -</b>				
	<b>Electric System Revenue</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Municipal Golf Course</b>	<b>Municipal Trailer Park</b>
<b>Reconciliation of Cash and Cash Equivalents to Balance Sheet:</b>					
Total current cash and investments per the balance sheet	\$ 12,749,193	\$ 27,043,865	\$ 3,843,407	\$ 1,116,294	\$ 21,230
Total noncurrent cash and investments per the balance sheet	<u>51,700,208</u>	<u>49,075,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments	64,449,401	76,119,756	3,843,407	1,116,294	21,230
Less: Investments not meeting the definition of cash equivalents	<u>(19,216,156)</u>	<u>(11,267,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 45,233,245</u></u>	<u><u>\$ 64,851,854</u></u>	<u><u>\$ 3,843,407</u></u>	<u><u>\$ 1,116,294</u></u>	<u><u>\$ 21,230</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating income (loss)	\$ 11,214,865	\$ 5,284,084	\$ 876,729	\$ (1,412,160)	\$ (266,381)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation	5,180,568	8,068,858	73,206	254,464	177
Amortization	(70,181)	(15,887)	-	-	-
Loss(gain) on capital asset disposal	34,040	-	-	-	-
(Increase) decrease in assets:					
Accounts and notes receivable	101,886	7,366	(2,320)	(22,912)	110
Accrued unbilled revenue	4,556,064	-	-	-	-
Due from other funds	-	154,273	(2,071)	-	-
Inventories	(572,711)	(15,552)	-	17,517	-
Due from other governments	-	-	-	600	-
Other current assets	278,811	(40,235)	-	3,531	-
Increase (decrease) in liabilities:					
Accounts payable	(4,111,836)	(661,229)	(926,279)	(148,024)	(678)
Compensated absences payable	243,228	50,301	103,381	(13,530)	(1,042)
OPEB obligation payable	73,927	33,979	28,469	2,755	115
Due to other funds	(309,864)	-	-	-	-
Customer deposits	180,678	-	-	-	-
Unearned revenue	-	25,301	-	(15,025)	-
Decommissioning costs	529,925	-	-	-	-
Net cash provided by (used in) operating activities	<u><u>\$ 17,329,400</u></u>	<u><u>\$ 12,891,259</u></u>	<u><u>\$ 151,115</u></u>	<u><u>\$ (1,332,784)</u></u>	<u><u>\$ (267,699)</u></u>
<b>Noncash Capital and Related Financing Activities:</b>					
Plant and equipment contributed by developers	<u>\$ -</u>	<u>\$ 1,718,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Noncash Investing Activities:</b>					
Change in fair value of investments	<u>\$ 94,613</u>	<u>\$ (63,491)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**ENTERPRISE FUNDS**

**GOVERNMENTAL**

**ACTIVITIES**

**Internal  
Service  
Funds**

<u>Ocala International Airport</u>	<u>Adult Athletic Complex</u>	<u>Communi- cations</u>	<u>SunTran</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 537,700	\$ -	\$ 3,461,713	\$ -	\$ 48,773,402	\$ 29,160,073
-	-	-	-	100,776,099	-
<u>537,700</u>	<u>-</u>	<u>3,461,713</u>	<u>-</u>	<u>149,549,501</u>	<u>29,160,073</u>
-	-	-	-	(30,484,058)	-
<u>\$ 537,700</u>	<u>\$ -</u>	<u>\$ 3,461,713</u>	<u>\$ -</u>	<u>\$ 119,065,443</u>	<u>\$ 29,160,073</u>
\$ (227,632)	\$ (171,534)	\$ 564,311	\$ (1,965,099)	\$ 13,897,183	\$ 4,915,747
481,426	143,135	349,365	207,265	14,758,464	2,126,047
-	-	-	-	(86,068)	-
-	-	11,712	-	45,752	107,550
(935)	-	-	18,750	101,945	(62,305)
-	-	-	-	4,556,064	-
-	-	-	-	152,202	-
-	805	(67,411)	-	(637,352)	102,304
-	-	-	-	600	-
88	(139)	-	-	242,056	(225,191)
(87,640)	458	78,603	151,193	(5,705,432)	(1,443,659)
976	20,953	11,398	-	415,665	95,363
2,755	115	3,214	-	145,329	41,325
-	6,207	-	177,825	(125,832)	-
-	-	-	-	180,678	-
(105,812)	-	-	-	(95,536)	15,972
-	-	-	-	529,925	-
<u>\$ 63,226</u>	<u>\$ -</u>	<u>\$ 951,192</u>	<u>\$ (1,410,066)</u>	<u>\$ 28,375,643</u>	<u>\$ 5,673,153</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,718,010	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 31,122	\$ -

**CITY OF OCALA, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2009**

	<b>PENSION TRUST FUNDS</b>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$ 3,396,960</u>
Receivables:	
Interest and dividends receivable	212,158
Accounts receivable	37,160
Due from other governments	<u>568,873</u>
Total receivables	<u>818,191</u>
Investments, at fair value:	
Mutual funds: equities	21,345,268
Mutual funds: bonds	18,965,094
Mutual funds: real estate	5,393,371
Mutual funds: hedge fund of funds	3,808,086
Common stock	41,504,131
Government obligations	5,805,130
International stock	19,900,701
Non-government obligations	<u>7,151,607</u>
Total investments	<u>123,873,388</u>
<b>Total assets</b>	<u>128,088,539</u>
<b>Liabilities</b>	
Accounts payable	<u>6,571,235</u>
<b>Total liabilities</b>	<u>6,571,235</u>
<b>Net assets reserved for employees' pension benefits</b>	<u><u>\$ 121,517,304</u></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, 2009**

	<b>PENSION TRUST FUNDS</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 7,266,805
State	995,221
Employee	3,941,014
Total contributions	12,203,040
Investment income:	
Investment (loss)	(5,900,576)
Dividend income	2,805,636
Total income on investments	(3,094,940)
Less: Investment management fees	(606,464)
Net investment (loss)	(3,701,404)
Total additions	8,501,636
<b>Deductions</b>	
Pension payments	17,454,778
Refunds to employees	124,837
Administration	260,303
<b>Total deductions</b>	<b>17,839,918</b>
<b>Net (decrease)</b>	(9,338,282)
<b>Net assets reserved for employees' pension benefits - beginning</b>	<b>130,855,586</b>
<b>Net assets reserved for employees' pension benefits -ending</b>	<b>\$ 121,517,304</b>

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

NOTES TO FINANCIAL  
STATEMENTS

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**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, 2009

**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, 2009**

**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 *Communications Fund* accounts for the construction, operations and maintenance of the City's broadband communications (fiber optics) network.
- The *SunTran Fund* accounts for the operations and maintenance of the regional mass transit system that began operations during 1999.

Additionally, the City reports the following fund types:

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

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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 *Governmental Accounting Standards Board (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 City'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 restricted resources first and then unrestricted resources as they are needed.

**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, 2009.

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 2009, 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, 2009, no expenditures exceeded the budget at the fund level.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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 \$5,528,392. 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, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capitalization of Interest - In accordance with FASB Statement No. 62, the Electric and Water and Sewer System enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. For the year ended September 30, 2009, capitalization of net interest costs was as follows:

	Water and Sewer System	Electric System	Total
Interest expense	\$ 935,575	\$ 2,197,275	\$ 3,132,850
Amortization of bond issuance costs	(23,852)	(55,828)	(79,680)
Interest income	(401,165)	(1,119,758)	(1,520,923)
Increase in construction in progress	\$ 510,558	\$ 1,021,689	\$ 1,532,247

Capital Leases and Installment Purchase Contracts - The acquisition or construction of general capital assets under a capital lease agreement or installment purchase contract is recognized as an expenditure and other financing source and principal and interest expenditures in the governmental funds.

Property and equipment and the liabilities associated with capital leases and installment purchase contracts of proprietary funds are accounted for and reported in the financial statements of the respective proprietary fund.

**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, 2009 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.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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 \$995,221 for the fiscal year ended September 30, 2009. 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.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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, 2009, the carrying amount of the City's deposits was \$45,639,158. 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. During most of 2009, an interest rate floor was in place due to a low interest rate environment. As of September 30, 2009, the interest rate floor was .40%.

Cash equivalents consist of amounts placed with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. The fund is divided into two separate funds; namely Florida PRIME and Fund B. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in Florida PRIME, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$122,959 is reported at amortized cost. The Florida PRIME investment pool had a weighted average days to maturity of 33 days as of September 30, 2009. Florida PRIME 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, 2009**

**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 agency securities, federal instrumentalities, non-negotiable interest bearing time certificates of deposit or saving accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations or corporate notes, mortgage-backed securities (MBS), asset-backed securities (ABS), and bond funds.

**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, 2009 the Treasury investment portfolio had an overall effective duration of 2.34 years. As of September 30, 2009, 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 (In Years)
Cash	n/a	\$ 7,274,497	0.00
SBA Funds - Fund B	Not Rated	510,187	6.69
U.S. Treasury Bonds and Notes	AAA	18,325,657	2.84
U.S. Government Agencies	AAA	48,689,809	2.05
CMO/Mortgage Backed Securities	AAA	20,252,549	2.86
Corporate Debt	AA-	56,274,840	2.57
Municipal Bonds	AA+	4,118,020	1.15
Total		<u>\$ 155,445,559</u>	

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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, 2009 was \$15,462,917.

The City's investment in Fund B Surplus Funds Trust Fund in the amount of \$510,187 is reported at fair value. The Fund B Surplus Trust Funds investment pool had a weighted average life of 6.69 years as of September 30, 2009.

In addition to the investment portfolio, the City has a Crystal River #3 Decommissioning Trust Fund and three separate bond funds. The balances as of September 30, 2009 were as follows:

**CR #3 Decommissioning Trust:**

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	\$ 1,618,065	0.00
Commercial Paper	A1	3,753,936	0.50
Corporate Debt	AAA	2,617,856	3.18
Treasury Bill	AAA	569,834	0.19
U.S. Government & Agency Bonds	AAA	372,620	2.20
Total		\$ 8,932,311	1.25

**Ocala Utility System Construction 2007A Electric Bond Fund:**

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	\$ 3,122,649	0.00
U.S. Treasury Notes	AAA	1,002,850	0.08
U.S. Government Agencies	AAA	5,049,500	0.51
Corporate Debt	AA-	1,108,847	0.25
Total		\$ 10,283,846	0.28

**Ocala Capital Improvement Construction 2007A:**

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	\$ 1,058,546	0.00
U.S. Treasury Notes	AAA	401,140	0.08
U.S. Government Agencies	AAA	2,147,334	0.50
Corporate Debt	AA	478,591	0.24
Total		\$ 4,085,611	0.30

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Ocala Water and Sewer Construction 2007 A Bond Fund:**

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	\$ 1,946,581	0.00
U.S. Government Agencies	AAA	9,321,321	0.28
Total		<u>\$ 11,267,902</u>	<u>0.23</u>

**Total Funds Recap:**

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Carrying Value of Cash	not rated	\$ 45,639,158	0.00
Treasury Investment Portfolio	AAA	155,445,559	2.34
SBA Florida PRIME	AAAm	122,959	33 days
CR-3 Decommissioning Trust	AAA	8,932,311	1.25
Ocala Utility System Construction -Electric	AAA	10,283,846	0.28
Ocala Capital Improvement Construction	AAA	4,085,611	0.30
Ocala Water and Sewer Construction	AAA	11,267,902	0.23
Total	AAA	<u>\$ 235,777,347</u>	<u>1.70</u>

**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, 2009 the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**F. Concentration of Credit Risk**

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

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

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

As of September 30, 2009, 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, 2009, the carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	\$ 308,169
Police Officers' Retirement System	565,425
Firefighters' Retirement Plan	124,106
Total Pension Trust Funds	<u>\$ 997,700</u>

**CITY OF OCALA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2009**

**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 rating 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 agency securities, federal instrumentalities, non-negotiable interest bearing time certificates of deposit or saving accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations or corporate notes, mortgage-backed securities (MBS), asset-backed securities (ABS), and bond funds. Unlike the investment pool, all three pension 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, 2009**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

As of September 30, 2009, the investments of the City's pension plans are as follows:

<u>Investment Type</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>Credit Rating</u>	<u>Duration (In Years)</u>
<u>General Employees Retirement System:</u>				
Cash and Cash Equivalents	\$ 1,687,674	3%	N/A	N/A
Fixed Income	11,324,765	17%	A+	4.06
Real Estate	4,250,175	7%	N/A	N/A
Common Stock	31,089,996	48%	N/A	N/A
Hedge Fund (mutual fund)	3,808,086	6%	N/A	N/A
International Equities	12,553,219	19%	N/A	N/A
Fund total	<u>\$ 64,713,915</u>	<u>100%</u>		
<u>Police Officers Retirement System:</u>				
Cash and Cash Equivalents	\$ 481,645	1%	N/A	N/A
Domestic Equities	1,445,333	4%	N/A	N/A
Fixed Income	12,956,738	36%	AA1	5.99
Common Stock	16,518,343	46%	N/A	N/A
International Equities	4,789,843	13%	N/A	N/A
Fund total	<u>\$ 36,191,902</u>	<u>100%</u>		
<u>Firefighters Retirement Plan:</u>				
Cash and Cash Equivalents	\$ 229,942	1%	N/A	N/A
Domestic Equities	13,795,725	54%	N/A	N/A
Fixed Income	7,640,329	31%	AA2	4.40
Real Estate	1,143,196	4%	N/A	N/A
International Equities	2,557,639	10%	N/A	N/A
Fund total	<u>\$ 25,366,831</u>	<u>100%</u>		
Total pension plan investments not including bank accounts	<u>\$ 126,272,648</u>			

**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, 2009, 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, 2009**

**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 provides guidelines for the credit ratings of specific types of investments. All of the investment policies permit investment only in fully marketable securities rated at institutional investment grade quality or higher by Standard & Poor's or Moody's, with higher quality rating required for specific asset classes. As of September 30, 2009, 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, 2009, 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 Employees' Retirement System had an actual allocation to international equity of 19.40% as of September 30, 2009. 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 10.08% to international equities as of September 30, 2009. According to F.S. 175.071, firefighter pension plans may have up to 25% of assets allocated to international equities. The Police Officers' Retirement System had an allocation of 13.23% to international equities as of September 30, 2009. According to F.S. 185.06, police pension plans may have up to 25% of assets allocated to international equities.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 3 - INTERFUND TRANSACTIONS**

The composition of interfund balances as of September 30, 2009 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	\$ 460,832	\$ -	\$ -	-	\$ 460,832
Ocala International Airport Fund	557,130	-	-	-	557,130
Adult Athletic Complex Fund	228,245	-	-	-	228,245
SunTran Fund	923,070	352,335	-	352,335	1,275,405
Total due to General Fund from other funds	<u>\$ 2,169,277</u>	<u>\$ 352,335</u>	<u>\$ -</u>	<u>\$ 352,335</u>	<u>\$2,521,612</u>
Due to nonmajor governmental funds from:					
Electric System Revenue Fund	<u>\$ 227,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,650</u>
Due to Electric System Revenue Fund from:					
General Fund	<u>\$ -</u>	<u>\$ 11,339</u>	<u>\$ 54,143</u>	<u>\$ 65,482</u>	<u>\$ 65,482</u>
Due to Water and Sewer Fund from:					
Electric System Revenue Fund	\$ 1,338,795	\$ -	\$ -	\$ -	\$1,338,795
Ocala International Airport Fund	-	500,000	947,157	1,447,157	1,447,157
Total due to Water and Sewer Fund from other funds	<u>\$ 1,338,795</u>	<u>\$ 500,000</u>	<u>\$ 947,157</u>	<u>\$1,447,157</u>	<u>\$2,785,952</u>
Due to Sanitation Fund from:					
Electric System Revenue Fund	<u>\$ 464,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,411</u>
Totals at the fund level	<u>\$ 4,200,133</u>	<u>\$ 863,674</u>	<u>\$1,001,300</u>	<u>\$1,864,974</u>	<u>\$6,065,107</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, 2009**

**NOTE 3 - INTERFUND TRANSACTIONS (CONTINUED)**

Interfund transfers for the year ended September 30, 2009 consisted of the following:

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 514,722
Electric System Revenue Fund	11,848,547
Water and Sewer Fund	500,000
Internal Service Fund	84,000
Total transfers to General Fund	<u>\$ 12,947,269</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,998,676
Nonmajor governmental funds	1,953,079
Electric System Revenue Fund	305,342
Water and Sewer Fund	173,371
Sanitation Fund	127,014
Municipal Golf Course Fund	173,000
Total transfers to nonmajor governmental funds	<u>\$ 5,730,482</u>
Transfers to SunTran Fund from:	
Nonmajor governmental funds	\$ 239,888
Total transfers to SunTran Fund	<u>\$ 239,888</u>
Transfers to Ocala International Airport Fund from:	
Nonmajor governmental funds	\$ 974,363
Total transfers to Ocala International Airport Fund	<u>\$ 974,363</u>
Transfers to Municipal Golf Course Fund from:	
Water and Sewer Fund	\$ 66,000
Nonmajor governmental funds	1,963,370
Total transfers to Municipal Golf Course Fund	<u>\$ 2,029,370</u>
Transfers to Electric System Revenue Fund from:	
General Fund	\$ 2,781,000
Communications Fund	250,000
Total transfers to Electric System Revenue Fund	<u>\$ 3,031,000</u>
Total transfers at the fund level	<u>\$ 25,109,372</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, and for capital projects for enterprise funds.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land and Improvements	\$ 17,757,858	\$ 320,990	\$ (305,773)	\$ 17,773,075
Construction In Progress	14,962,683	11,121,826	(3,357,542)	22,726,967
Total capital assets not being depreciated	<u>32,720,541</u>	<u>11,442,816</u>	<u>(3,663,315)</u>	<u>40,500,042</u>
Capital assets being depreciated:				
Buildings and Improvements	35,424,992	3,447,626	(207,135)	38,665,483
Equipment	39,614,277	2,976,479	(1,023,691)	41,567,065
Infrastructure (Roads and Streets)	280,040,460	-	-	280,040,460
Total capital assets being depreciated	<u>355,079,729</u>	<u>6,424,105</u>	<u>(1,230,826)</u>	<u>360,273,008</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(12,871,490)	(1,136,617)	-	(14,008,107)
Equipment	(26,052,909)	(2,695,334)	926,823	(27,821,420)
Infrastructure (Roads and Streets)	(165,948,531)	(6,733,982)	-	(172,682,513)
Total Accumulated Depreciation	<u>(204,872,930)</u>	<u>(10,565,933)</u>	<u>926,823</u>	<u>(214,512,040)</u>
Total capital assets being depreciated-net	<u>150,206,799</u>	<u>(4,141,828)</u>	<u>(304,003)</u>	<u>145,760,968</u>
Governmental activities capital assets-net	<u>\$ 182,927,340</u>	<u>\$ 7,300,988</u>	<u>\$ (3,967,318)</u>	<u>\$ 186,261,010</u>
<b>Business Type Activities:</b>				
Capital assets not being depreciated:				
Land and Improvements	\$ 19,160,084	\$ 2,700,000	\$ -	\$ 21,860,084
Construction In Progress	42,804,213	70,333,606	(59,890,128)	53,247,691
Total capital assets not being depreciated	<u>61,964,297</u>	<u>73,033,606</u>	<u>(59,890,128)</u>	<u>75,107,775</u>
Capital assets being depreciated:				
Buildings	19,351,956	423,910	-	19,775,866
Improvements and Extensions	402,557,272	35,096,102	(98,200)	437,555,174
Equipment	9,717,958	953,663	(47,820)	10,623,801
Crystal River Unit No.3	16,168,423	-	-	16,168,423
Total capital assets being depreciated	<u>447,795,609</u>	<u>36,473,675</u>	<u>(146,020)</u>	<u>484,123,264</u>
Less Accumulated Depreciation:				
Buildings	(6,929,816)	(686,809)	-	(7,616,625)
Improvements and Extensions	(150,880,002)	(13,228,476)	63,329	(164,045,149)
Equipment	(5,936,977)	(583,123)	47,820	(6,472,280)
Crystal River Unit No.3	(13,047,725)	(260,058)	-	(13,307,783)
Total Accumulated Depreciation	<u>(176,794,520)</u>	<u>(14,758,466)</u>	<u>111,149</u>	<u>(191,441,837)</u>
Total capital assets being depreciated-net	<u>271,001,089</u>	<u>21,715,209</u>	<u>(34,871)</u>	<u>292,681,427</u>
Business-Type activities capital assets-net	<u>\$ 332,965,386</u>	<u>\$ 94,748,815</u>	<u>\$ (59,924,999)</u>	<u>\$ 367,789,202</u>

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

Depreciation Expense:	
Governmental Activities:	
General Government and Administration	\$ 177,192
Public Safety	895,809
Public Works	7,092,116
Infrastructure	224,884
Culture and Recreation	13,014
Housing	12,558
Human Services	18,249
Physical Environment	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	2,126,047
Total Depreciation Expense - Governmental Activities	\$ 10,565,933
Business Type Activities:	
Electric	\$ 5,180,569
Water and Sewer	8,068,859
Sanitation	73,206
Golf Courses	254,464
Trailer Park	177
Airport	481,426
Athletic Complex	143,135
Communications	349,365
SunTran	207,265
Total Depreciation Expense - Business Type Activities	\$ 14,758,466

**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, 2009**

**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 8.18% of their salaries or wages to the General Employees' Retirement System.

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

Police Officers' Retirement System - The Police Officers' Retirement System is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Police Department who is certified as a law enforcement officer in compliance with the provisions of Chapter 943.14 of the Florida Statutes. Florida Statutes Chapter 185 allows contributions to the Plan by the State of Florida.

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

Pursuant to Florida Statutes Section 185.08, an excise tax amounting to 0.85% of the gross amount of receipts of premiums from policyholders on all premiums collected on casualty insurance policies covering property within the corporate limits of the City is collected by the Insurance Commissioner. Such amounts collected by the Insurance Commissioner, less expenses, are contributed annually to the Plan. For the 2009 fiscal year the amount of these contributions totaled \$514,489, 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 2009 fiscal year the amount of these contributions totaled \$480,732; 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, 2009**

**NOTE 5 - PENSION PLANS (CONTINUED)**

Participation - At September 30, 2009, participation in the plans consisted of the following:

	General	Police	Fire
Retirees and beneficiaries currently receiving benefits	488	67	55
DROP retirees	21	11	6
Terminated employees entitled to benefits not yet receiving them	203	9	4
	712	87	65
Current employees:			
Vested	430	104	85
Nonvested	233	38	43
Total	663	142	128

**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 2009 fiscal year, established through an actuarial valuation performed as of October 1, 2007, was \$7,906,903 (28.32% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled \$2,629,856 (8.18% of current covered payroll), actual employer contributions to the General Employees' Retirement System amounted to \$4,817,775 (15.50% 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 2009 fiscal year, established through an actuarial valuation performed as of October 1, 2007, was \$2,514,508 (29.50% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled \$686,853 (8.00% of current covered payroll), actual City contributions were \$1,305,752 (15.50% of current covered payroll) and actual state contributions deposited directly to the plan amounted to \$514,489 (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.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 5 - PENSION PLANS (CONTINUED)**

The contribution requirement for the Firefighters' Retirement Plan for the 2009 fiscal year, determined through an actuarial valuation performed as of October 1, 2007, was \$1,760,973 (23.25% of current covered payroll). Actual employee contributions totaled \$624,305 (8.39% of current covered payroll), actual City contributions were \$1,143,278 (15.50% of current covered payroll) and actual state contributions deposited directly to the plan amounted to \$480,732 (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.

**Annual Pension Costs and Net Pension Obligation**

The City's annual pension cost and net pension obligation to the three plans for the most recent actuarial report dated October 1, 2009, are as follows:

	<b><u>General</u></b>	<b><u>Police Officers</u></b>	<b><u>Firefighters</u></b>
Annual Required Pension Contribution	\$ 5,623,172	\$ 1,318,836	\$ 1,033,710
Interest on Net Pension Obligation	(611,071)	(45,298)	-
Actuarial Adjustment	884,880	72,610	-
Annual Pension Cost	5,896,981	1,346,148	1,033,710
(Actual Pension Contributions)	5,623,172	1,318,836	1,052,686
Increase (Decrease) in NPO	273,809	27,312	(18,976)
Net Pension Obligation(Asset) - Beginning	(7,189,065)	(532,915)	14,276
Net Pension (Asset) - Ending	<u>\$ (6,915,256)</u>	<u>\$ (505,603)</u>	<u>\$ (4,700)</u>

**Actuarial Valuation Information**

Actuarial information as of the latest valuation is as follows:

	<b><u>General</u></b>	<b><u>Police Officers</u></b>	<b><u>Firefighters</u></b>
Valuation Date	October 1, 2009	October 1, 2009	October 1, 2009
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%	3.5%-7.5%
*Includes Inflation at	3.0%	3.0%	3.5%
Cost of Living Adjustments	3.0%	0.0%	0.0%

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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:			
9/30/07	\$ 4,740,189	101.21%	\$ (270,082)
9/30/08	5,213,030	233.00%	(7,189,065)
9/30/09	5,623,172	100.00%	(6,915,256)
Police Officers' Plan:			
9/30/07	1,070,907	111.69%	(475,727)
9/30/08	1,194,413	105.00%	(532,915)
9/30/09	1,318,836	100.00%	(505,603)
Firefighters' Plan:			
9/30/07	984,388	100.00%	-
9/30/08	998,664	100.00%	14,276
9/30/09	1,052,686	101.84%	(4,700)

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)
10/1/2009	\$70,490,375	\$155,927,480	\$85,437,105	45.21	\$29,513,234	289.49

**Police Officers' Retirement System:**

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/1/2009	\$41,964,844	\$61,496,292	\$19,531,448	68.24	\$8,024,050	243.41

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 5 - PENSION PLANS (CONTINUED)**

**Other Pension Plan Information (Concluded)**

Firefighters' Retirement Plan:

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/1/2009	\$23,017,831	\$39,919,029	\$16,901,198	57.66	\$7,166,031	235.85

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, 2009:

	<b>General Employees' Retirement System</b>	<b>Police Officers' Retirement System</b>	<b>Firefighters' Retirement Plan</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,995,843	\$ 1,047,069	\$ 354,048	\$ 3,396,960
Receivables:				
Interest and dividends receivable	38,958	148,044	25,156	212,158
Accounts receivable	35,768	1,392	-	37,160
Due from other governments	2,809	85,332	480,732	568,873
Total receivables	<u>77,535</u>	<u>234,768</u>	<u>505,888</u>	<u>818,191</u>
Investments, at fair value:				
Mutual funds: equities	-	7,549,543	13,795,725	21,345,268
Mutual funds: bonds	11,324,765	-	7,640,329	18,965,094
Mutual funds: real estate	4,250,175	-	1,143,196	5,393,371
Mutual funds: hedge fund of funds	3,808,086	-	-	3,808,086
Common stock	31,089,996	10,414,135	-	41,504,131
Government obligations	-	5,805,130	-	5,805,130
International stock	12,553,219	4,789,843	2,557,639	19,900,701
Non-government obligations	-	7,151,607	-	7,151,607
Total investments	<u>63,026,241</u>	<u>35,710,258</u>	<u>25,136,889</u>	<u>123,873,388</u>
Total Assets	<u>65,099,619</u>	<u>36,992,095</u>	<u>25,996,825</u>	<u>128,088,539</u>
<b>Liabilities</b>				
Accounts payable	4,451,287	1,492,681	627,267	6,571,235
Total liabilities	<u>4,451,287</u>	<u>1,492,681</u>	<u>627,267</u>	<u>6,571,235</u>
<b>Net Assets</b>				
Net assets reserved for employees' pension benefits	<u>\$ 60,648,332</u>	<u>\$ 35,499,414</u>	<u>\$ 25,369,558</u>	<u>\$ 121,517,304</u>

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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, 2009

	<b>General Employees' Retirement System</b>	<b>Police Officers' Retirement System</b>	<b>Firefighters' Retirement Plan</b>	<b>Total</b>
Additions:				
Contributions:				
Employer	\$ 4,817,775	\$ 1,305,752	\$ 1,143,278	\$ 7,266,805
State	-	514,489	480,732	995,221
Employee	2,629,856	686,853	624,305	3,941,014
Total contributions	<u>7,447,631</u>	<u>2,507,094</u>	<u>2,248,315</u>	<u>12,203,040</u>
Investment income:				
Investment income (loss)	(4,743,179)	(1,029,274)	(128,123)	(5,900,576)
Dividend income	1,348,982	1,057,104	399,550	2,805,636
Total income on investments	<u>(3,394,197)</u>	<u>27,830</u>	<u>271,427</u>	<u>(3,094,940)</u>
Less: Investment management fees	(355,594)	(183,552)	(67,318)	(606,464)
Net investment income (loss)	<u>(3,749,791)</u>	<u>(155,722)</u>	<u>204,109</u>	<u>(3,701,404)</u>
Total additions (reductions)	<u>3,697,840</u>	<u>2,351,372</u>	<u>2,452,424</u>	<u>8,501,636</u>
Deductions:				
Pension payments	13,027,068	2,922,916	1,504,794	17,454,778
Refunds to employees	54,329	40,845	29,663	124,837
Administration	150,320	62,851	47,132	260,303
Total deductions	<u>13,231,717</u>	<u>3,026,612</u>	<u>1,581,589</u>	<u>17,839,918</u>
Net Increase (Decrease)	(9,533,877)	(675,240)	870,835	(9,338,282)
Net Assets Reserved for Employees'				
Pension Benefits:				
Beginning of year	<u>70,182,209</u>	<u>36,174,654</u>	<u>24,498,723</u>	<u>130,855,586</u>
End of year	<u>\$ 60,648,332</u>	<u>\$ 35,499,414</u>	<u>\$ 25,369,558</u>	<u>\$ 121,517,304</u>

**CITY OF OCALA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2009**

**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, 2009:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Revenue Bonds and Certificates					
2002 Optional Gas Tax Bonds	\$ 9,515,000	\$ -	\$ (1,735,000)	\$ 7,780,000	\$ 1,600,000
2002 Capital improvement Certificates	11,545,000	-	(600,000)	10,945,000	615,000
2003 Capital improvement Certificates	12,870,000	-	(640,000)	12,230,000	655,000
2007A Capital improvement Certificates	15,870,000	-	-	15,870,000	-
2007B Capital improvement Certificates	4,290,000	-	(120,000)	4,170,000	140,000
Subtotal	<u>54,090,000</u>	<u>-</u>	<u>(3,095,000)</u>	<u>50,995,000</u>	<u>3,010,000</u>
Less deferred refundings and discounts	278,532	-	(24,791)	253,741	-
Total Revenue Bonds and Certificates	<u>54,368,532</u>	<u>-</u>	<u>(3,119,791)</u>	<u>51,248,741</u>	<u>3,010,000</u>
Other liabilities					
Installment Purchase Contract Payable	547,201	-	(273,600)	273,601	273,601
Compensated Absences	3,896,064	6,869,382	(6,090,303)	4,675,143	2,296,647
OPEB Liability	279,303	323,603	-	602,906	-
Claims and Judgements	4,392,924	1,799,725	(2,211,785)	3,980,864	796,173
Total other liabilities	<u>9,115,492</u>	<u>8,992,710</u>	<u>(8,575,688)</u>	<u>9,532,514</u>	<u>3,366,421</u>
Total Governmental Activities	<u>\$ 63,484,024</u>	<u>\$ 8,992,710</u>	<u>\$ (11,695,479)</u>	<u>\$ 60,781,255</u>	<u>\$ 6,376,421</u>
<b>Business-type Activities:</b>					
Revenue Bonds					
1996 Water and Sewer Bonds	\$ 2,180,000	\$ -	\$ (685,000)	\$ 1,495,000	\$ 725,000
2001 A Water and Sewer Bonds	25,425,000	-	(2,755,000)	22,670,000	2,865,000
2005-A Utility Systems Bonds	24,370,000	-	(70,000)	24,300,000	65,000
2005-B Utility Systems Bonds	31,850,000	-	(580,000)	31,270,000	595,000
2007-A Utility Systems Bonds	64,025,000	-	-	64,025,000	-
2007-B Utility Systems Bonds	23,925,000	-	-	23,925,000	-
Subtotal	<u>171,775,000</u>	<u>-</u>	<u>(4,090,000)</u>	<u>167,685,000</u>	<u>4,250,000</u>
Less deferred refundings and discounts	99,160	-	216,453	315,613	-
CR#3 decommissioning costs payable	9,947,705	529,925	-	10,477,630	-
OPEB Liability	136,497	145,329	-	281,826	-
Compensated Absences	1,804,656	2,577,890	(2,162,225)	2,220,321	1,061,715
Total Business-type Activities	<u>\$ 183,763,018</u>	<u>\$ 3,253,144</u>	<u>\$ (6,035,772)</u>	<u>\$ 180,980,390</u>	<u>\$ 5,311,715</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, 2009**

**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, 2009. 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, 2009 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, 2009:

<u>Description Of Bonds</u>	<u>Purpose Of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
<b>Governmental Activities:</b>				
2002 Optional Gas Tax Bonds	Road Projects	\$ 17,565,000	\$ 7,780,000	2.25%-3.55%
2002 Capital Improvement Certificates	Capital Projects	14,340,000	10,945,000	2.00%-4.50%
2003 Capital Improvement Certificates	Refunding	15,310,000	12,230,000	2.00%-5.375%
2007-A Capital Improvement Certificates	Capital Projects	15,870,000	15,870,000	4.25%-4.50%
2007-B Capital Improvement Certificates	Refunding	4,290,000	<u>4,170,000</u>	3.50%-4.125%
Total Governmental Activities			<u>\$ 50,995,000</u>	
<b>Business-Type Activities:</b>				
1996 Water and Sewer Bonds	Refunding	12,170,000	\$ 1,495,000	5.50%-6.00%
2001-A Water and Sewer Bonds	Refunding	39,885,000	22,670,000	3.25%-4.50%
2005-A Utility Systems Bonds	Refunding	24,625,000	24,300,000	2.10%-5.25%
2005-B Utility Systems Bonds	Capital Projects	33,355,000	31,270,000	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>\$ 167,685,000</u>	

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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
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	2,830,000	103,228
2014	2,015,000	1,631,418	-	-
2015-2019	11,640,000	6,565,948	-	-
2020-2024	8,710,000	4,125,065	-	-
2025-2029	7,390,000	2,456,656	-	-
2030-2033	7,180,000	663,752	-	-
<b>Total</b>	<b>\$ 43,215,000</b>	<b>\$ 22,672,796</b>	<b>\$ 7,780,000</b>	<b>\$ 749,482</b>
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 2009 pledged revenues		\$ 9,907,154		\$ 2,900,317
Fiscal year 2009 principal and interest paid		\$ 3,275,464		\$ 2,016,365
Outstanding principal and interest		\$ 65,887,796		\$ 8,529,482
Pledged through fiscal year		2033		2013
Estimated percentage pledged		27.70%		73.50%

Fiscal Year	Business-Type Activities			
	Utility Systems Revenue Bonds		Water and Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
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	1,795,000	6,631,217	3,355,000	390,608
2015-2019	20,265,000	31,162,354	7,155,000	323,713
2020-2024	33,365,000	24,220,192	-	-
2025-2029	41,950,000	15,426,569	-	-
2030-2033	41,400,000	4,258,563	-	-
<b>Total</b>	<b>\$ 143,520,000</b>	<b>\$ 108,772,474</b>	<b>\$ 24,165,000</b>	<b>\$ 3,683,444</b>
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 2009 pledged revenues		\$ 28,436,323		\$ 16,516,367
Fiscal year 2009 principal and interest paid		\$ 7,485,339		\$ 4,560,591
Outstanding principal and interest		\$ 252,292,474		\$ 27,848,444
Pledged through fiscal year		2033		2016
Estimated percentage pledged		36.90%		24.00%

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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, 2009, there was no general obligation debt outstanding.

**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 there from, subsequent to the payment of all debt service requirements, belong exclusively to the Foundation. The outstanding balance at September 30, 2009 is \$1,230,000.

**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, 2009, \$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><u>36,205,000</u></u>

**NOTE 8 – FUND DEFICITS**

At September 30, 2009 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, 2009.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**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, 2009 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$3,980,864 reported in the Fund at September 30, 2009 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
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
2008-2009      4,392,924	1,799,725	2,211,785	3,980,864

**NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES**

Pollution Remediation Obligations – The City has been contacted by the law firm of King and Spalding, soliciting the City's participation in a group of potentially responsible parties for the Environmental Protection Agency – ordered investigation of soil and ground water contamination and possible cleanup of any contaminants at the Ellis Road site located in Jacksonville, Florida. At this time, the range of one or more components of the pollution remediation obligation is not reasonably estimatable.

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 \$100,250 for the year ended September 30, 2009.

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.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

**NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)**

*Other Commitments* – The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2009, in the respective funds are as follows:

General Fund	\$ 561,094
Electric System Revenue Fund	21,495,688
Water and Sewer Fund	6,055,970
Sanitation Fund	12,000
Municipal Golf Course Fund	5,044
Ocala International Airport Fund	40,390
Communications Fund	175,804
Nonmajor Governmental Funds	3,708,510
Internal Service Funds	769,935
Total	\$ 32,824,435

*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 212 retirees participating in the plan. Premiums for insurances other than health insurance are fully paid by the retiree.

**Plan Description**

The Other Postemployment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs which means that the city is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. GASB No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, calls this the "implicit rate subsidy". This subsidy is only available until the retiree becomes Medicare eligible.

**CITY OF OCALA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2009**

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

Retirees and their dependents are permitted to remain covered under the City’s respective medical and insurance plans as long as they pay a full premium applicable to coverage elected, subject to direct subsidies discussed above. 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**

The contribution requirements of the plan members and the City are established and may be amended by the City Council. A trust has not been established. Contributions are being made based on a pay-as-you-go financing requirements.

**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)	\$ 1,218,236
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	1,218,236
Contributions made	(749,304)
Increase in net OPEB obligation	468,932
Net OPEB obligation - beginning of year	415,800
Net OPEB obligation - end of year	\$ 884,732

Trend Information:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percent Contributed	Net OPEB Obligation
9/30/2008	\$ 1,040,851	\$ 625,051	60.05%	\$ 415,800
9/30/2009	\$ 1,218,236	\$ 749,304	61.51%	\$ 884,732

**CITY OF OCALA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2009**

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

**Actuarial Methods and Assumptions**

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

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

The actuarial methods are:

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll
Amortization period	29 years
Asset valuation method	N/A
Investment rate of return	4.0%
Projected annual salaries increase	4.0%
Inflation rate	3.0%
Mortality	RP-2000 Health White Collar Tables for male and female
Healthcare cost trend	10% initial trend rate dropping to 5% ultimate trend rate after 12 years

REQUIRED SUPPLEMENTARY  
INFORMATION

**CITY OF OCALA, FLORIDA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Budgeted Amounts (GAAP Basis)</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 20,717,000	\$ 20,717,000	\$ 20,585,941	\$ (131,059)
Utility service tax	12,432,000	12,432,000	13,209,971	777,971
Other taxes	75,000	1,118,903	1,082,794	(36,109)
State shared revenues	5,200,000	5,200,000	4,752,300	(447,700)
Other intergovernmental revenues	2,497,205	3,912,210	2,505,928	(1,406,282)
Licenses and permits	2,107,200	2,107,200	948,981	(1,158,219)
Fines and forfeitures	453,700	453,700	562,621	108,921
Charges for services	11,072,532	11,081,814	9,999,755	(1,082,059)
Investment income	1,371,110	1,371,110	2,440,476	1,069,366
Gifts	118,900	478,742	1,133,081	654,339
Other	472,150	1,582,580	1,122,579	(460,001)
<b>Total revenues</b>	<u>56,516,797</u>	<u>60,455,259</u>	<u>58,344,427</u>	<u>(2,110,832)</u>
<b>Expenditures</b>				
Current:				
General government and administration	13,288,186	13,388,641	10,053,661	3,334,980
Public safety	36,961,999	38,937,558	37,118,704	1,818,854
Public works	6,958,864	6,819,670	6,062,281	757,389
Culture and recreation	5,277,709	5,644,106	5,081,848	562,258
Housing and urban development	1,170,864	1,338,307	879,283	459,024
Human services	234,305	249,908	197,435	52,473
Physical environment	76,984	76,984	22,228	54,756
Transportation	266,843	897,658	630,474	267,184
Capital outlay	2,351,441	3,735,471	1,096,307	2,639,164
Intergovernmental				
Debt service:				
Principal payments	10,549	10,549	-	10,549
Interest and paying agents' fees	5,059	5,059	5,059	-
<b>Total expenditures</b>	<u>66,602,803</u>	<u>71,103,911</u>	<u>61,147,280</u>	<u>9,956,631</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(10,086,006)</u>	<u>(10,648,652)</u>	<u>(2,802,853)</u>	<u>7,845,799</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	13,414,774	13,014,774	12,947,269	(67,505)
Transfers out	(2,950,701)	(5,970,037)	(5,936,677)	33,360
<b>Total other financing sources (uses)</b>	<u>10,464,073</u>	<u>7,044,737</u>	<u>7,010,592</u>	<u>(34,145)</u>
<b>Net change in fund balance</b>	378,067	(3,603,915)	4,207,739	7,811,654
<b>Fund balance - beginning</b>	<u>27,070,783</u>	<u>27,070,783</u>	<u>27,070,783</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 27,448,850</u>	<u>\$ 23,466,868</u>	<u>\$ 31,278,522</u>	<u>\$ 7,811,654</u>

**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
2009	\$70,490,375	\$155,927,480	\$85,437,105	45.21%	\$29,513,234	289.49%
2008	80,419,973	144,739,017	64,319,044	55.56%	31,347,437	205.18%
2007	69,472,693	108,825,377	39,352,684	63.84%	30,588,569	128.65%
2006	61,718,687	101,457,732	39,739,045	60.83%	29,319,149	135.54%
2005	56,309,688	95,784,179	39,474,491	58.79%	29,361,461	134.44%
2004	53,517,767	76,064,649	22,546,882	70.36%	27,782,381	81.16%
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. Instead, the Actuarial Value of Assets is reduced by the Credit Balance and further adjusted for the Administrative Expense Account.

**Police Officers' Plan:**

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
2009	\$ 41,964,844	\$ 61,496,292	\$19,531,448	68.24%	\$ 8,024,059	243.41%
2008	42,305,347	58,618,208	16,312,861	72.17%	8,198,176	198.98%
2007	41,782,661	55,343,645	13,560,984	75.50%	7,993,687	169.65%
2006	38,128,985	50,121,660	11,992,675	76.07%	7,687,278	156.01%
2005	35,831,611	46,959,093	11,127,482	76.30%	7,631,572	145.81%
2004	34,313,287	39,757,936	5,444,649	86.31%	7,337,563	74.20%
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	-

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

(Continued)

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

**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
2009	\$ 23,017,831	\$ 39,919,029	\$ 16,901,198	57.66%	\$ 7,166,031	235.85%
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:**

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Annual Required Contribution (City)</b>	<b>Actual Contribution (City) (1)</b>	<b>Percentage Contributed</b>
2009	\$ 5,623,172	5,623,172	\$ 5,623,172 (1)	100.00%
2008	5,213,030	5,213,030	12,133,628 (2)	232.76%
2007	4,740,189	4,740,189	4,797,696	101.21%
2006	4,417,397	4,417,397	4,631,250	104.84%
2005	3,945,468	3,945,468	3,945,468 (3)	100.00%
2004	3,402,463	3,402,463	3,522,203	103.52%
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 815,352 from the Funding Standard Account Credit Balance.

(2) 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.

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

**Firefighters' Plan:**

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Annual Required Contribution (City)</b>	<b>Actual Contribution (City) (1)</b>	<b>Annual Required Contribution (State) (2)</b>	<b>Percentage Contributed</b>
2009	\$ 1,312,063	\$ 1,033,710	\$ 1,052,686	\$ 259,377	100.00%
2008	1,258,041	998,664	998,664	259,377	100.00%
2007	1,243,765	984,388	984,388	259,377	100.00%
2006	1,200,311	940,934	940,934	259,377	100.00%
2005	1,603,809	1,344,432	1,344,432	259,377	100.00%
2004	1,183,394	924,017	924,017	259,377	100.00%
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>
2009	\$ 1,833,325	\$ 1,318,836	\$ 1,318,836	\$ 514,489	100.00%
2008	1,738,806	1,194,413	1,254,445	544,393	103.45%
2007	1,615,300	1,070,907	1,196,134	544,393	107.75%
2006	1,436,938	867,517	1,220,125	569,421	124.54%
2005	1,505,173	1,066,687	1,066,687	438,786	100.00%
2004	1,332,845	902,352	906,865	430,493	100.34%
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
2009	\$0	\$16,160,200	16,160,200	0.00%	\$41,784,952	38.67%
2008	\$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
2009	\$ 1,218,236	1,218,236	\$ 749,304	61.51%	884,732
2008	\$ 1,040,851	1,040,851	\$ 625,051	60.05%	415,800

## SUPPLEMENTAL INFORMATION

**CITY OF OCALA, FLORIDA  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

**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:

**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.

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

**CITY OF OCALA, FLORIDA  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
SEPTEMBER 30, 2009**

**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, 2009**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 3,548,011	\$ 3,548,011
Equity In pooled cash fund	11,438,748	4,122,282	8,047,233	23,608,263
Receivables (net)	583,243	-	375,924	959,167
Due from other funds	227,650	-	-	227,650
Due from other governments	1,890,522	-	385,706	2,276,228
Other assets	70	-	-	70
<b>Total assets</b>	<b>14,140,233</b>	<b>4,122,282</b>	<b>12,356,874</b>	<b>30,619,389</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	1,306,544	-	1,108,950	2,415,494
Unearned revenue	951,672	-	-	951,672
<b>Total liabilities</b>	<b>2,258,216</b>	<b>-</b>	<b>1,108,950</b>	<b>3,367,166</b>
<b>Fund Balances:</b>				
Reserved for:				
Debt service	-	4,122,282	-	4,122,282
Transportation	5,266,511	-	-	5,266,511
Development district improvements	2,278,178	-	-	2,278,178
Capital projects	-	-	11,247,924	11,247,924
Total reserved fund balances	7,544,689	4,122,282	11,247,924	22,914,895
Unreserved	4,337,328	-	-	4,337,328
<b>Total fund balances</b>	<b>11,882,017</b>	<b>4,122,282</b>	<b>11,247,924</b>	<b>27,252,223</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,140,233</b>	<b>\$ 4,122,282</b>	<b>\$ 12,356,874</b>	<b>\$ 30,619,389</b>

**CITY OF OCALA, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Property taxes	\$ 392,645	\$ -	\$ -	\$ 392,645
Other taxes	3,422,117	-	-	3,422,117
Other intergovernmental revenues	2,284,259	-	685,706	2,969,965
Parking meters and facilities	59,354	-	-	59,354
Fines and forfeitures	19,731	-	-	19,731
Charges for services	4,637,281	-	-	4,637,281
Investment income	951,510	145,429	661,748	1,758,687
Gifts	630,675	-	77,000	707,675
Other	118,549	-	-	118,549
<b>Total revenues</b>	<u>12,516,121</u>	<u>145,429</u>	<u>1,424,454</u>	<u>14,086,004</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	116,820	-	-	116,820
Public works	2,881,948	-	35,494	2,917,442
Culture and recreation	62,206	-	-	62,206
Housing and urban development	510,119	-	-	510,119
<b>Capital outlay</b>	6,557,350	-	3,517,527	10,074,877
<b>Debt service:</b>				
Principal payments	-	3,095,000	273,600	3,368,600
Interest and fees	-	2,199,856	-	2,199,856
<b>Total expenditures</b>	<u>10,128,443</u>	<u>5,294,856</u>	<u>3,826,621</u>	<u>19,249,920</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,387,678</u>	<u>(5,149,427)</u>	<u>(2,402,167)</u>	<u>(5,163,916)</u>
<b>Other financing sources (uses)</b>				
Transfers in	449,583	5,199,563	81,336	5,730,482
Transfers out	(2,565,288)	(142,400)	(2,937,733)	(5,645,421)
<b>Total other financing sources (uses)</b>	<u>(2,115,705)</u>	<u>5,057,163</u>	<u>(2,856,397)</u>	<u>85,061</u>
<b>Net change in fund balances</b>	271,973	(92,264)	(5,258,564)	(5,078,855)
<b>Fund balances - beginning</b>	11,610,044	4,214,546	16,506,488	32,331,078
<b>Fund balances - ending</b>	<u>\$ 11,882,017</u>	<u>\$ 4,122,282</u>	<u>\$ 11,247,924</u>	<u>\$ 27,252,223</u>

**CITY OF OCALA, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2009**

	<b>Parking/ Parks Enforcement</b>	<b>Downtown Development</b>
<b>Assets</b>		
Equity in pooled cash and investment fund	\$ 105,139	\$ 196,252
Accrued interest receivable	-	1,369
Accounts and notes receivable	-	-
Due from other funds	-	-
Due from other governments	-	452
Other current assets	70	-
<b>Total assets</b>	<b>\$ 105,209</b>	<b>\$ 198,073</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 25,431	\$ 226
Unearned revenue	-	-
<b>Total liabilities</b>	<b>25,431</b>	<b>226</b>
<b>Fund Balances:</b>		
Reserved for transportation	-	-
Reserved for development district improvements	-	197,847
Total reserved fund balances	-	197,847
Unreserved fund balances	79,778	-
<b>Total fund balances</b>	<b>79,778</b>	<b>197,847</b>
<b>Total liabilities and fund balances</b>	<b>\$ 105,209</b>	<b>\$ 198,073</b>

<b>Local Gasoline Tax</b>	<b>Stormwater Utility</b>	<b>SHIP Local Housing Assistance</b>	<b>Community Redevelopment Trust</b>	<b>Total</b>
\$ 5,810,626	\$ 3,006,931	\$ 229,685	\$ 2,090,115	\$ 11,438,748
40,687	24,693	1,195	15,299	83,243
500,000	-	-	-	500,000
-	227,650	-	-	227,650
615,822	1,274,248	-	-	1,890,522
-	-	-	-	70
<u>\$ 6,967,135</u>	<u>\$ 4,533,522</u>	<u>\$ 230,880</u>	<u>\$ 2,105,414</u>	<u>\$ 14,140,233</u>
\$ 946,672	\$ 307,087	\$ 2,045	\$ 25,083	\$ 1,306,544
753,952	-	197,720	-	951,672
<u>1,700,624</u>	<u>307,087</u>	<u>199,765</u>	<u>25,083</u>	<u>2,258,216</u>
5,266,511	-	-	-	5,266,511
-	-	-	2,080,331	2,278,178
<u>5,266,511</u>	<u>-</u>	<u>-</u>	<u>2,080,331</u>	<u>7,544,689</u>
-	4,226,435	31,115	-	4,337,328
<u>5,266,511</u>	<u>4,226,435</u>	<u>31,115</u>	<u>2,080,331</u>	<u>11,882,017</u>
<u>\$ 6,967,135</u>	<u>\$ 4,533,522</u>	<u>\$ 230,880</u>	<u>\$ 2,105,414</u>	<u>\$ 14,140,233</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, 2009**

	<u>Parking/ Parks Enforcement</u>	<u>Downtown Development</u>
<b>Revenues</b>		
Property taxes	\$ -	\$ 66,308
Gas taxes	-	-
Other intergovernmental revenues	-	-
Parking meters and facilities	59,354	-
Fines and forfeitures	19,731	-
Charges for services	-	-
Investment income	4,170	13,910
Gifts	-	-
Other	-	-
<b>Total revenues</b>	<u>83,255</u>	<u>80,218</u>
<b>Expenditures</b>		
Current:		
General government and administration	-	31,352
Public works	-	-
Culture and recreation	62,206	-
Housing and urban development	-	-
Capital outlay	24,000	-
<b>Total expenditures</b>	<u>86,206</u>	<u>31,352</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,951)</u>	<u>48,866</u>
<b>Other financing sources (uses)</b>		
Transfers in	-	-
Transfers out	-	(13,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(13,000)</u>
<b>Net change in fund balances</b>	(2,951)	35,866
<b>Fund balances - beginning</b>	82,729	161,981
<b>Fund balances - ending</b>	<u>\$ 79,778</u>	<u>\$ 197,847</u>

<u>Local Gasoline Tax</u>	<u>Stormwater Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Community Redevelopment Trust</u>	<u>Total</u>
-	\$ -	\$ -	\$ 326,337	\$ 392,645
3,422,117	-	-	-	3,422,117
500,000	1,274,248	510,011	-	2,284,259
-	-	-	-	59,354
-	-	-	-	19,731
-	4,637,281	-	-	4,637,281
441,523	321,632	14,669	155,606	951,510
400,127	230,548	-	-	630,675
101,995	-	16,554	-	118,549
<u>4,865,762</u>	<u>6,463,709</u>	<u>541,234</u>	<u>481,943</u>	<u>12,516,121</u>
-	-	-	85,468	116,820
440,658	2,441,290	-	-	2,881,948
-	-	-	-	62,206
-	-	510,119	-	510,119
<u>2,072,193</u>	<u>4,354,836</u>	<u>-</u>	<u>106,321</u>	<u>6,557,350</u>
<u>2,512,851</u>	<u>6,796,126</u>	<u>510,119</u>	<u>191,789</u>	<u>10,128,443</u>
<u>2,352,911</u>	<u>(332,417)</u>	<u>31,115</u>	<u>290,154</u>	<u>2,387,678</u>
61,679	-	-	387,904	449,583
<u>(2,306,288)</u>	<u>(30,000)</u>	<u>-</u>	<u>(216,000)</u>	<u>(2,565,288)</u>
<u>(2,244,609)</u>	<u>(30,000)</u>	<u>-</u>	<u>171,904</u>	<u>(2,115,705)</u>
108,302	(362,417)	31,115	462,058	271,973
<u>5,158,209</u>	<u>4,588,852</u>	<u>-</u>	<u>1,618,273</u>	<u>11,610,044</u>
<u>5,266,511</u>	<u>\$ 4,226,435</u>	<u>\$ 31,115</u>	<u>\$ 2,080,331</u>	<u>\$ 11,882,017</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
PARKING/PARKS ENFORCEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Parking meters and facilities	\$ 59,354	\$ 62,550	\$ (3,196)
Fines and forfeitures	19,731	19,100	631
Investment income	4,170	3,750	420
<b>Total revenues</b>	<u>83,255</u>	<u>85,400</u>	<u>(2,145)</u>
<b>Expenditures</b>			
Current:			
Culture and recreation	62,206	85,675	23,469
Capital outlay	24,000	31,362	7,362
<b>Total expenditures</b>	<u>86,206</u>	<u>117,037</u>	<u>30,831</u>
<b>Net change in fund balance</b>	(2,951)	(31,637)	28,686
<b>Fund balance - beginning</b>	<u>82,729</u>	<u>82,729</u>	-
<b>Fund balance - ending</b>	<u>\$ 79,778</u>	<u>\$ 51,092</u>	<u>\$ 28,686</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**DOWNTOWN DEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 66,308	\$ 66,000	\$ 308
Investment income	13,910	5,000	8,910
<b>Total revenues</b>	<u>80,218</u>	<u>71,000</u>	<u>9,218</u>
<b>Expenditures</b>			
Current:			
General government and administration	31,352	42,480	11,128
Capital outlay	-	27,604	27,604
<b>Total expenditures</b>	<u>31,352</u>	<u>70,084</u>	<u>38,732</u>
<b>Excess of revenues over expenditures</b>	<u>48,866</u>	<u>916</u>	<u>47,950</u>
<b>Other financing (uses)</b>			
Transfers out	(13,000)	(13,000)	-
<b>Total other financing (uses)</b>	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	35,866	(12,084)	47,950
<b>Fund balance - beginning</b>	<u>161,981</u>	<u>161,981</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 197,847</u>	<u>\$ 149,897</u>	<u>\$ 47,950</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
LOCAL GASOLINE TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 3,422,117	\$ 3,365,000	\$ 57,117
Other intergovernmental revenues	500,000	-	500,000
Investment income	441,523	150,000	291,523
Gifts	400,127	1,057,958	(657,831)
Other	101,995	-	101,995
<b>Total revenues</b>	<u>4,865,762</u>	<u>4,572,958</u>	<u>292,804</u>
<b>Expenditures</b>			
Current:			
Public works	440,658	1,995,377	1,554,719
Capital outlay	2,072,193	4,399,452	2,327,259
<b>Total expenditures</b>	<u>2,512,851</u>	<u>6,394,829</u>	<u>3,881,978</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,352,911</u>	<u>(1,821,871)</u>	<u>4,174,782</u>
<b>Other financing sources (uses)</b>			
Transfers in	61,679	32,350	29,329
Transfers out	(2,306,288)	(2,456,426)	150,138
<b>Total other financing sources (uses)</b>	<u>(2,244,609)</u>	<u>(2,424,076)</u>	<u>179,467</u>
<b>Net change in fund balance</b>	108,302	(4,245,947)	4,354,249
<b>Fund balance - beginning</b>	<u>5,158,209</u>	<u>5,158,209</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 5,266,511</u>	<u>\$ 912,262</u>	<u>\$ 4,354,249</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
STORMWATER UTILITY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Other intergovernmental revenues	\$ 1,274,248	\$ 2,124,000	\$ (849,752)
Charges for services	4,637,281	4,742,000	(104,719)
Investment income	321,632	100,000	221,632
Gifts	230,548	-	230,548
<b>Total revenues</b>	<u>6,463,709</u>	<u>6,966,000</u>	<u>(502,291)</u>
<b>Expenditures</b>			
Current:			
Public works	2,441,290	3,683,278	1,241,988
Capital outlay	4,354,836	7,696,338	3,341,502
<b>Total expenditures</b>	<u>6,796,126</u>	<u>11,379,616</u>	<u>4,583,490</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(332,417)	(4,413,616)	4,081,199
<b>Other financing (uses)</b>			
Transfers out	(30,000)	(30,000)	-
<b>Total other financing (uses)</b>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	(362,417)	(4,443,616)	4,081,199
<b>Fund balance - beginning</b>	<u>4,588,852</u>	<u>4,588,852</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 4,226,435</u>	<u>\$ 145,236</u>	<u>\$ 4,081,199</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
SHIP LOCAL HOUSING ASSISTANCE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Other intergovernmental revenues	\$ 510,011	\$ 588,037	\$ (78,026)
Investment income	14,669	-	14,669
Other	16,554	-	16,554
<b>Total revenues</b>	<u>541,234</u>	<u>588,037</u>	<u>(46,803)</u>
<b>Expenditures</b>			
Current:			
Housing and urban development	510,119	588,037	77,918
<b>Total expenditures</b>	<u>510,119</u>	<u>588,037</u>	<u>77,918</u>
<b>Net change in fund balance</b>	31,115	-	31,115
<b>Fund balance - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 31,115</u>	<u>\$ -</u>	<u>\$ 31,115</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
COMMUNITY REDEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 326,337	\$ 292,824	\$ 33,513
Investment income	155,606	50,000	105,606
<b>Total revenues</b>	<u>481,943</u>	<u>342,824</u>	<u>139,119</u>
<b>Expenditures</b>			
Current:			
General government and administrative	85,468	294,580	209,112
Capital outlay	106,321	519,190	412,869
<b>Total expenditures</b>	<u>191,789</u>	<u>813,770</u>	<u>621,981</u>
<b>Excess (deficiency) of revenues over expenditures</b>	290,154	(470,946)	761,100
<b>Other financing sources (uses)</b>			
Transfers in	387,904	388,899	(995)
Transfers out	(216,000)	(216,000)	-
<b>Total other financing sources (uses)</b>	<u>171,904</u>	<u>172,899</u>	<u>(995)</u>
<b>Net change In fund balance</b>	462,058	(298,047)	760,105
<b>Fund balance - beginning</b>	<u>1,618,273</u>	<u>1,618,273</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 2,080,331</u>	<u>\$ 1,320,226</u>	<u>\$ 760,105</u>

**CITY OF OCALA, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS  
 SEPTEMBER 30, 2009**

	<b>2002 Improvement Certificates</b>	<b>2003 Improvement Certificates</b>	<b>2007A Improvement Certificates</b>
<b>Assets</b>			
Equity in pooled cash and investment fund	\$ 829,996	\$ 955,108	\$ 350,103
<b>Total restricted assets</b>	<b>\$ 829,996</b>	<b>\$ 955,108</b>	<b>\$ 350,103</b>
 <b>Fund Balances</b>			
Fund Balances:			
Reserved for debt service	\$ 829,996	\$ 955,108	\$ 350,103
<b>Total fund balances</b>	<b>\$ 829,996</b>	<b>\$ 955,108</b>	<b>\$ 350,103</b>

<u>2007B Improvement Certificates</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
\$ 223,875	\$ 1,763,200	\$ 4,122,282
<u>\$ 223,875</u>	<u>\$ 1,763,200</u>	<u>\$ 4,122,282</u>
\$ 223,875	\$ 1,763,200	\$ 4,122,282
<u>\$ 223,875</u>	<u>\$ 1,763,200</u>	<u>\$ 4,122,282</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, 2009**

	<u>2002</u> <u>Improvement</u> <u>Certificates</u>	<u>2003</u> <u>Improvement</u> <u>Certificates</u>	<u>2007A</u> <u>Improvement</u> <u>Certificates</u>
<b>Revenues</b>			
Investment income	\$ 29,040	\$ 33,507	\$ 12,800
<b>Expenditures</b>			
Debt service:			
Principal payments	600,000	640,000	-
Interest and paying agents' fees	438,868	608,015	700,723
<b>Total expenditures</b>	<u>1,038,868</u>	<u>1,248,015</u>	<u>700,723</u>
 <b>(Deficiency) of revenues over expenditures</b>	 <u>(1,009,828)</u>	 <u>(1,214,508)</u>	 <u>(687,923)</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,044,992	1,255,215	700,206
Transfers out	(28,564)	(32,506)	(12,283)
<b>Total other financing sources (uses)</b>	<u>1,016,428</u>	<u>1,222,709</u>	<u>687,923</u>
 <b>Net change In fund balances</b>	 6,600	 8,201	 -
 <b>Fund balances - beginning</b>	 <u>823,396</u>	 <u>946,907</u>	 <u>350,103</u>
 <b>Fund balances - ending</b>	 <u>\$ 829,996</u>	 <u>\$ 955,108</u>	 <u>\$ 350,103</u>

<u>2007B Improvement Certificates</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
\$ 7,868	\$ 62,214	\$ 145,429
120,000	1,735,000	3,095,000
<u>170,350</u>	<u>281,900</u>	<u>2,199,856</u>
<u>290,350</u>	<u>2,016,900</u>	<u>5,294,856</u>
<u>(282,482)</u>	<u>(1,954,686)</u>	<u>(5,149,427)</u>
307,750	1,891,400	5,199,563
<u>(7,368)</u>	<u>(61,679)</u>	<u>(142,400)</u>
<u>300,382</u>	<u>1,829,721</u>	<u>5,057,163</u>
17,900	(124,965)	(92,264)
<u>205,975</u>	<u>1,888,165</u>	<u>4,214,546</u>
<u>\$ 223,875</u>	<u>\$ 1,763,200</u>	<u>\$ 4,122,282</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
2002 IMPROVEMENT CERTIFICATES FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 29,040	\$ 15,100	\$ 13,940
<b>Total revenues</b>	<u>29,040</u>	<u>15,100</u>	<u>13,940</u>
<b>Expenditures</b>			
Debt service:			
Principal payments	600,000	600,000	-
Interest and paying agents' fees	438,868	438,867	(1)
<b>Total expenditures</b>	<u>1,038,868</u>	<u>1,038,867</u>	<u>(1)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,009,828)</u>	<u>(1,023,767)</u>	<u>13,939</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,044,992	1,044,992	-
Transfers out	(28,564)	(14,625)	(13,939)
<b>Total other financing sources (uses)</b>	<u>1,016,428</u>	<u>1,030,367</u>	<u>(13,939)</u>
<b>Net change In fund balance</b>	6,600	6,600	-
<b>Fund balance - beginning</b>	<u>823,396</u>	<u>823,396</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 829,996</u>	<u>\$ 829,996</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, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 33,507	\$ 17,150	\$ 16,357
<b>Total revenues</b>	<u>33,507</u>	<u>17,150</u>	<u>16,357</u>
<b>Expenditures</b>			
Debt service:			
Principal payments	640,000	640,000	-
Interest and paying agents' fees	608,015	614,915	6,900
<b>Total expenditures</b>	<u>1,248,015</u>	<u>1,254,915</u>	<u>6,900</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,214,508)</u>	<u>(1,237,765)</u>	<u>23,257</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,255,215	1,255,215	-
Transfers out	(32,506)	(16,050)	(16,456)
<b>Total other financing sources (uses)</b>	<u>1,222,709</u>	<u>1,239,165</u>	<u>(16,456)</u>
<b>Net change in fund balance</b>	8,201	1,400	6,801
<b>Fund balance - beginning</b>	<u>946,907</u>	<u>946,907</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 955,108</u>	<u>\$ 948,307</u>	<u>\$ 6,801</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
2007A IMPROVEMENT CERTIFICATES FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 12,800	\$ 5,950	\$ 6,850
<b>Total revenues</b>	<u>12,800</u>	<u>5,950</u>	<u>6,850</u>
<b>Expenditures</b>			
Debt service:			
Interest and paying agents' fees	700,723	700,706	(17)
<b>Total expenditures</b>	<u>700,723</u>	<u>700,706</u>	<u>(17)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(687,923)</u>	<u>(694,756)</u>	<u>6,833</u>
<b>Other financing sources (uses)</b>			
Transfers in	700,206	700,206	-
Transfers out	(12,283)	(5,450)	(6,833)
<b>Total other financing sources (uses)</b>	<u>687,923</u>	<u>694,756</u>	<u>(6,833)</u>
<b>Net change In fund balance</b>	-	-	-
<b>Fund balance - beginning</b>	<u>350,103</u>	<u>350,103</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 350,103</u>	<u>\$ 350,103</u>	<u>\$ -</u>

**CITY OF OCALA, FLORIDA  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
2007B IMPROVEMENT CERTIFICATES FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 7,868	\$ 4,125	\$ 3,743
<b>Total revenues</b>	<u>7,868</u>	<u>4,125</u>	<u>3,743</u>
<b>Expenditures</b>			
Debt service:			
Principal payments	120,000	120,000	-
Interest and paying agents' fees	170,350	171,100	750
<b>Total expenditures</b>	<u>290,350</u>	<u>291,100</u>	<u>750</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(282,482)</u>	<u>(286,975)</u>	<u>4,493</u>
<b>Other financing sources (uses)</b>			
Transfers in	307,750	307,750	-
Transfers out	(7,368)	(2,875)	(4,493)
<b>Total other financing sources (uses)</b>	<u>300,382</u>	<u>304,875</u>	<u>(4,493)</u>
<b>Net change in fund balance</b>	17,900	17,900	-
<b>Fund balance - beginning</b>	<u>205,975</u>	<u>205,975</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 223,875</u>	<u>\$ 223,875</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, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 62,214	\$ 32,900	\$ 29,314
<b>Total revenues</b>	<u>62,214</u>	<u>32,900</u>	<u>29,314</u>
<b>Expenditures</b>			
Debt service:			
Principal payments	1,735,000	1,735,000	-
Interest and paying agents' fees	281,900	314,043	32,143
<b>Total expenditures</b>	<u>2,016,900</u>	<u>2,049,043</u>	<u>32,143</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,954,686)</u>	<u>(2,016,143)</u>	<u>61,457</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,891,400	1,926,723	(35,323)
Transfers out	(61,679)	(32,350)	(29,329)
<b>Total other financing sources (uses)</b>	<u>1,829,721</u>	<u>1,894,373</u>	<u>(64,652)</u>
<b>Net change in fund balance</b>	(124,965)	(121,770)	(3,195)
<b>Fund balance - beginning</b>	<u>1,888,165</u>	<u>1,888,165</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 1,763,200</u>	<u>\$ 1,766,395</u>	<u>\$ (3,195)</u>

**CITY OF OCALA, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2009**

	<b>2002 Optional Gas Tax Construction</b>	<b>2002 Capital Improvement</b>	<b>2007A Capital Improvement</b>	<b>Total</b>
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 3,548,011	\$ 3,548,011
Equity in pooled cash and investment fund	350,558	2,599,647	5,097,028	8,047,233
Accrued interest receivable	3,127	18,778	54,019	75,924
Accounts and notes receivable	-	300,000	-	300,000
Due from other governments	-	-	385,706	385,706
<b>Total assets</b>	<b>\$ 353,685</b>	<b>\$ 2,918,425</b>	<b>\$ 9,084,764</b>	<b>\$ 12,356,874</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 83,122	\$ 263,517	\$ 762,311	\$ 1,108,950
<b>Total liabilities</b>	<b>83,122</b>	<b>263,517</b>	<b>762,311</b>	<b>1,108,950</b>
<b>Fund Balances:</b>				
Reserved for capital projects	270,563	2,654,908	8,322,453	11,247,924
<b>Total fund balances</b>	<b>270,563</b>	<b>2,654,908</b>	<b>8,322,453</b>	<b>11,247,924</b>
<b>Total liabilities and fund balances</b>	<b>\$ 353,685</b>	<b>\$ 2,918,425</b>	<b>\$ 9,084,764</b>	<b>\$ 12,356,874</b>

**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, 2009**

	<u>2002 Optional Gas Tax Construction</u>	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
<b>Revenues</b>				
Other intergovernmental revenues	\$ -	\$ 300,000	\$ 385,706	\$ 685,706
Investment income	40,136	210,599	411,013	661,748
Gifts	-	77,000	-	77,000
<b>Total revenues</b>	<u>40,136</u>	<u>587,599</u>	<u>796,719</u>	<u>1,424,454</u>
<b>Expenditures</b>				
Current:				
Public works	27,242	2,657	5,595	35,494
Capital outlay	245,752	893,353	2,378,422	3,517,527
Debt service:				
Principal payments	-	-	273,600	273,600
<b>Total expenditures</b>	<u>272,994</u>	<u>896,010</u>	<u>2,657,617</u>	<u>3,826,621</u>
<b>(Deficiency) of revenues over expenditures</b>	<u>(232,858)</u>	<u>(308,411)</u>	<u>(1,860,898)</u>	<u>(2,402,167)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	81,336	-	81,336
Transfers out	-	-	(2,937,733)	(2,937,733)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>81,336</u>	<u>(2,937,733)</u>	<u>(2,856,397)</u>
<b>Net change in fund balances</b>	(232,858)	(227,075)	(4,798,631)	(5,258,564)
<b>Fund balances - beginning</b>	<u>503,421</u>	<u>2,881,983</u>	<u>13,121,084</u>	<u>16,506,488</u>
<b>Fund balances - ending</b>	<u>\$ 270,563</u>	<u>\$ 2,654,908</u>	<u>\$ 8,322,453</u>	<u>\$ 11,247,924</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, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Investment income	\$ 40,136	\$ -	\$ 40,136
<b>Total revenues</b>	<u>40,136</u>	<u>-</u>	<u>40,136</u>
<b>Expenditures</b>			
Current:			
Public works	27,242	37,302	10,060
Capital outlay	245,752	363,531	117,779
<b>Total expenditures</b>	<u>272,994</u>	<u>400,833</u>	<u>127,839</u>
<b>Net change in fund balance</b>	(232,858)	(400,833)	167,975
<b>Fund balance - beginning</b>	<u>503,421</u>	<u>503,421</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 270,563</u>	<u>\$ 102,588</u>	<u>\$ 167,975</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**2002 CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Other intergovernmental revenues	\$ 300,000	\$ 300,000	\$ -
Investment income	210,599	150,000	60,599
Gifts	77,000	77,000	-
<b>Total revenues</b>	<u>587,599</u>	<u>527,000</u>	<u>60,599</u>
<b>Expenditures</b>			
Current:			
Public works	2,657	36,564	33,907
Capital outlay	893,353	1,825,117	931,764
<b>Total expenditures</b>	<u>896,010</u>	<u>1,861,681</u>	<u>965,671</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(308,411)</u>	<u>(1,334,681)</u>	<u>1,026,270</u>
<b>Other financing sources</b>			
Transfers in	81,336	81,336	-
<b>Total other financing sources</b>	<u>81,336</u>	<u>81,336</u>	<u>-</u>
<b>Net change in fund balance</b>	(227,075)	(1,253,345)	1,026,270
<b>Fund balance - beginning</b>	<u>2,881,983</u>	<u>2,881,983</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 2,654,908</u>	<u>\$ 1,628,638</u>	<u>\$ 1,026,270</u>

**CITY OF OCALA, FLORIDA**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**2007A CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Other intergovernmental revenues	\$ 385,706	\$ -	\$ 385,706
Investment income	411,013	175,000	236,013
<b>Total revenues</b>	<u>796,719</u>	<u>175,000</u>	<u>621,719</u>
<b>Expenditures</b>			
Current:			
Public works	5,595	9,665	4,070
Capital outlay	2,378,422	5,265,117	2,886,695
Debt service:			
Principal payments	273,600	547,201	273,601
<b>Total expenditures</b>	<u>2,657,617</u>	<u>5,821,983</u>	<u>3,164,366</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,860,898)	(5,646,983)	3,786,085
<b>Other financing (uses)</b>			
Transfers out	(2,937,733)	(3,877,568)	939,835
<b>Total other financing (uses)</b>	<u>(2,937,733)</u>	<u>(3,877,568)</u>	<u>939,835</u>
<b>Net change in fund balance</b>	(4,798,631)	(9,524,551)	4,725,920
<b>Fund balance - beginning</b>	<u>13,121,084</u>	<u>13,121,084</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 8,322,453</u>	<u>\$ 3,596,533</u>	<u>\$ 4,725,920</u>

**CITY OF OCALA, FLORIDA  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2009**

**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, 2009**

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and investments	\$ -	\$ -	\$ 150	\$ 150
Equity in pooled cash and investment fund	2,578,202	10,730,398	15,851,323	29,159,923
Accrued interest receivable	-	67,086	89,540	156,626
Accounts receivable	559	557	143,219	144,335
Inventories	15,101	243,077	-	258,178
Other current assets	-	-	413,352	413,352
<b>Total current assets</b>	<u>2,593,862</u>	<u>11,041,118</u>	<u>16,497,584</u>	<u>30,132,564</u>
<b>Capital Assets, Net</b>	<u>4,471,750</u>	<u>9,959,639</u>	<u>17,760</u>	<u>14,449,149</u>
<b>Total assets</b>	<u>\$ 7,065,612</u>	<u>\$ 21,000,757</u>	<u>\$ 16,515,344</u>	<u>\$ 44,581,713</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 220,110	\$ 225,690	\$ 229,094	\$ 674,894
Claims payable	-	-	3,980,864	3,980,864
Compensated absences payable	157,898	99,587	-	257,485
Unearned revenue	-	-	15,972	15,972
<b>Total current liabilities</b>	<u>378,008</u>	<u>325,277</u>	<u>4,225,930</u>	<u>4,929,215</u>
<b>Noncurrent Liabilities:</b>				
Compensated absences payable	179,463	121,192	-	300,655
OPEB obligation payable	39,632	30,137	7,553	77,322
<b>Total noncurrent liabilities</b>	<u>219,095</u>	<u>151,329</u>	<u>7,553</u>	<u>377,977</u>
<b>Total liabilities</b>	<u>597,103</u>	<u>476,606</u>	<u>4,233,483</u>	<u>5,307,192</u>
<b>Net Assets</b>				
Invested in capital assets	4,471,750	9,959,639	17,760	14,449,149
Unrestricted	1,996,759	10,564,512	12,264,101	24,825,372
<b>Total net assets</b>	<u>\$ 6,468,509</u>	<u>\$ 20,524,151</u>	<u>\$ 12,281,861</u>	<u>\$ 39,274,521</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, 2009**

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Fees and rentals	\$ 6,799,284	\$ 4,967,205	\$ 1,731,248	\$ 13,497,737
City insurance contributions	-	-	11,559,220	11,559,220
Employee insurance contributions	-	-	3,400,818	3,400,818
Other	391,141	348,314	299,013	1,038,468
Total operating revenues	<u>7,190,425</u>	<u>5,315,519</u>	<u>16,990,299</u>	<u>29,496,243</u>
<b>Operating Expenses:</b>				
Fleet management	-	3,662,110	-	3,662,110
Purchasing and warehousing	900,960	-	-	900,960
Information technology and central services	2,853,697	-	-	2,853,697
Facilities maintenance	2,100,500	-	-	2,100,500
Insurance, administration and other	-	-	12,404,865	12,404,865
Depreciation	437,337	1,688,159	551	2,126,047
Other	459,572	72,745	-	532,317
Total operating expenses	<u>6,752,066</u>	<u>5,423,014</u>	<u>12,405,416</u>	<u>24,580,496</u>
<b>Operating income (loss)</b>	<u>438,359</u>	<u>(107,495)</u>	<u>4,584,883</u>	<u>4,915,747</u>
<b>Non-Operating Revenues:</b>				
Investment income	95,424	744,097	860,082	1,699,603
Total non-operating revenues	<u>95,424</u>	<u>744,097</u>	<u>860,082</u>	<u>1,699,603</u>
<b>Income before operating transfers</b>	<u>533,783</u>	<u>636,602</u>	<u>5,444,965</u>	<u>6,615,350</u>
<b>Transfers:</b>				
Transfers out	(84,000)	-	-	(84,000)
Total transfers	<u>(84,000)</u>	<u>-</u>	<u>-</u>	<u>(84,000)</u>
<b>Change in net assets</b>	449,783	636,602	5,444,965	6,531,350
<b>Net assets - beginning</b>	<u>6,018,726</u>	<u>19,887,549</u>	<u>6,836,896</u>	<u>32,743,171</u>
<b>Net assets - ending</b>	<u>\$ 6,468,509</u>	<u>\$ 20,524,151</u>	<u>\$ 12,281,861</u>	<u>\$ 39,274,521</u>

**CITY OF OCALA, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from employees	\$ -	\$ -	\$ 3,324,322	\$ 3,324,322
Cash paid to suppliers for goods and services	(3,592,852)	(2,516,914)	(10,194,201)	(16,303,967)
Cash paid to employees for services	(3,088,253)	(1,610,667)	(562,085)	(5,261,005)
Cash received from other funds	7,190,371	5,345,736	13,589,481	26,125,588
Cash paid for insurance claims	-	-	(2,211,785)	(2,211,785)
Net cash provided by operating activities	<u>509,266</u>	<u>1,218,155</u>	<u>3,945,732</u>	<u>5,673,153</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers out	(84,000)	-	-	(84,000)
Net cash used in non-capital financing activities	<u>(84,000)</u>	<u>-</u>	<u>-</u>	<u>(84,000)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(189,441)	(2,124,743)	-	(2,314,184)
Net cash used in capital and related financing activities	<u>(189,441)</u>	<u>(2,124,743)</u>	<u>-</u>	<u>(2,314,184)</u>
<b>Cash Flows from Investing Activities:</b>				
Investment income	108,243	749,223	843,294	1,700,760
Net cash provided by investing activities	<u>108,243</u>	<u>749,223</u>	<u>843,294</u>	<u>1,700,760</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	344,068	(157,365)	4,789,026	4,975,729
<b>Cash and cash equivalents, beginning</b>	<u>2,234,134</u>	<u>10,887,763</u>	<u>11,062,447</u>	<u>24,184,344</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 2,578,202</u>	<u>\$ 10,730,398</u>	<u>\$ 15,851,473</u>	<u>\$ 29,160,073</u>

(Continued)

**CITY OF OCALA, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS (Continued)  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 438,359	\$ (107,495)	\$ 4,584,883	\$ 4,915,747
Adjustment to reconcile operating income to cash flows provided by operating activities:				
Depreciation	437,337	1,688,159	551	2,126,047
Loss (gain) on capital asset disposal	(356)	107,906	-	107,550
(Increase) decrease in assets:				
Accounts and notes receivable	(54)	30,217	(92,468)	(62,305)
Inventories	25,526	76,778	-	102,304
Other current assets	498	-	(225,689)	(225,191)
Increase (decrease) in liabilities:				
Accounts payable	(470,358)	(632,570)	71,329	(1,031,599)
Compensated absences payable	58,111	37,252	-	95,363
OPEB obligation payable	20,203	17,908	3,214	41,325
Claims payable	-	-	(412,060)	(412,060)
Unearned revenue	-	-	15,972	15,972
Net cash provided by operating activities	<u>\$ 509,266</u>	<u>\$ 1,218,155</u>	<u>\$ 3,945,732</u>	<u>\$ 5,673,153</u>

## **OTHER REPORTS**

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

**CITY OF OCALA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<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>
<b><u>FEDERAL AWARDS:</u></b>				
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grants	14.218	B-07-MC-12-0029	347,057	
Community Development Block Grants	14.218	B-08-MC-12-0029	<u>279,486</u>	86,385
				626,543
<b>U.S. Department of Justice Passed through State Office of Attorney General</b>				
Crime Victim Assistance	16.575	V8108	40,478	
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	2006BUBX06132868	249	
Bulletproof Vest Partnership Program	16.607	2007BUBX07038035	3,344	
Bulletproof Vest Partnership Program	16.607	2009BUBX08043720	1,255	
Bulletproof Vest Partnership Program	16.607	2009BUBX09046292	<u>3,841</u>	8,689
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX 0504	2,303	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1105	2,015	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-JAGC-MARI-2-T7-128	<u>15,738</u>	20,056
<b>U.S. Department of Justice Passed through Department of Law Enforcement</b>				
Community Prosecution & Project Safe Neighborhood	16.609	2008-PMAG-MARI-1-R6-007	28,617	
<b>U.S. Department of Transportation Passed through State Department of Transportation</b>				
Highway Planning & Construction	20.205	FM#416355-1-14-01	572,281	
Ocala Streetscape	20.205	FM#419439-1-58-01	<u>300,000</u>	872,281
<b>U.S. Department of Transportation</b>				
Federal Transit Formula Grants	20.507	FL-90-X667	494,827	
Federal Transit Formula Grants	20.507	FL-90-X635	<u>540,074</u>	1,034,901
<b>U.S. Environmental Protection Agency</b>				
Brownsfield Assessment & Cleanup Cooperative Agreement	66.818	BF-96411006	23,275	
<b>U.S. Federal Aviation Administration</b>				
Airport Improvement Program	20.106	3-12-0055-020-2008	2,106,997	
Airport Improvement Program	20.106	3-12-0055-021-2008	<u>55,800</u>	2,162,797
<b>TOTAL FEDERAL AWARDS:</b>			<u>\$ 4,817,638</u>	<u>\$ 86,385</u>

CITY OF OCALA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009  
(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>
<b>STATE FINANCIAL ASSISTANCE:</b>				
<b>Florida Department of Law Enforcement</b>				
Lights Out	71.005	2008-00005545	10,000	
<b>Florida Department of Environmental Protection</b>				
Silver Springs River Pollution Reduction Project	37.039	LP6779	774,248	
<b>Florida Department of State - Division of Historical Resources</b>				
Fort King Park: Phase I Project	15.904	F0801	45,450	
<b>Florida Housing Finance Corporation</b>				
State Housing Initiatives Partnership Program	52.901	FY 06/07 SHIP	27,872	
State Housing Initiatives Partnership Program	52.901	FY 07/08 SHIP	91,977	
State Housing Initiatives Partnership Program	52.901	FY 08/09 SHIP	<u>390,162</u>	510,011
Hurricane Housing Recovery Program	52.902	HHRP	40,148	
<b>Department of Transportation</b>				
Aviation Development Grants	55.004	FM#414444-1-94-01	240,137	
Aviation Development Grants	55.004	FM#422449-1-94-01	1,610,707	
Aviation Development Grants	55.004	FM#416329-2-94-01	175,097	
Aviation Development Grants	55.004	FM#418298-1-94-01	88,868	
Aviation Development Grants	55.004	FM#418298-1-94-01	<u>448,732</u>	2,563,541
Child Occupant Protection Program	20.602	K2-09-17-15	10,951	
City-wide Intersection Signal Controller Upgrades	n/a	FM#405021-1-88-06	385,706	
Public Transit Block Grant Program	55.010	FM#423557-1-94-01	86,209	
Public Transit Block Grant Program	55.010	FM#404615-1-84-01	<u>230,509</u>	316,718
<b>TOTAL STATE FINANCIAL ASSISTANCE:</b>			<u>\$ 4,656,773</u>	<u>\$ -</u>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 9,474,411</u>	<u>\$ 86,385</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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2010. 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 2008-5 to be significant deficiencies in internal control over financial reporting.

**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

**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 September 14, 2010.

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*

September 14, 2010  
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, 2009. 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 for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

**Certified Public Accountants**

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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)

**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 items 2009-1 through 2009-8 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. Of the significant deficiencies described above, we believe that all are material weaknesses.

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.

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*

September 14, 2010  
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
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 2008-5. 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 Findings 2009-1 through 2009-8. Audit Findings 2009-1 through 2009-8 were identified as material weaknesses.
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. Audit findings were disclosed relative to the major federal award programs and state financial assistance projects for the City. These findings are described in Part C as item 2009-1 through 2009-8.
7. The programs/projects tested as major programs/projects included the following:
  - **Federal Programs**
    - U.S. Department of Housing and Urban Development:  
Community Development Block Grants, CFDA No. 14.218
    - U.S. Department of Transportation:  
Federal Transit Formula Grants, CFDA No. 20.507
    - 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 Housing Finance Corporation:  
State Housing Initiatives Partnership Program, CSFA No. 52.901
    - Florida Department of Transportation:  
Public Transit Block Grant Program, CSFA No. 55.010

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART A - SUMMARY OF AUDIT RESULTS (Concluded)**

8. The threshold for distinguishing Type A and Type B programs/projects was \$4,817,638 for both major federal award programs and major state financial assistance projects.
9. The City did not qualify as a low-risk auditee pursuant to OMB Circular A-133.

**PART B - FINDINGS - FINANCIAL STATEMENTS**

**Status Update on Prior Year Findings and Recommendations**

**Prior Year 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.

**2009 Update on Audit Finding 2008-1**

This condition persisted through the 2009 fiscal year and into the 2010 fiscal year. As of the date of this report's issuance, the City's Council has overtaken the Audit Committee responsibilities and the City is in the process of developing a process for tracking corrective actions and managements responses to both internal and external audits and ensuring that proper actions are taken timely.

**Prior Year 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:

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)**

**Status Update on Prior Year Findings and Recommendations (Continued)**

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

- 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.
- 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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)**

**Status Update on Prior Year Findings and Recommendations (Continued)**

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

- **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 2009, 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 2010 year.

- **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.

**2009 Update on Audit Finding 2008-2**

- **Monthly Closing Routines and Timetables**

This condition persisted through the 2009 fiscal year and into the 2010 fiscal year. During 2009, this condition resulted in the City's noncompliance with Florida Statutes (FS) 166.241 and FS 218.32, which require the City's financial and audit reports to be filed with the Auditor General and Department of Banking and Finance within the lesser of 45 days after delivery to the City's council or 12 months after the end of the fiscal year. During 2009, the City's 2008 financial and audit reports were presented to council in August; however, the City's financial and audit reports were not filed until November 4. The 2009 financials and audit report have been completed in September 2010 and should meet the statute requirements.

Additionally, this condition has resulted in technical noncompliance with the City's bond resolutions and continuing bond disclosures reporting, which require the financial and audit reports and other bond information to be issued within 180 days of the City's fiscal year-end. The City's 2008 financial and audit reports were issued on July 31, 2009, and the 2010 financial and audit reports were issued during September 2010, making this an ongoing concern, however we expect that personnel changes within the department during 2010 should adequately address this issue.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)**

**Status Update on Prior Year Findings and Recommendations (Continued)**

**2009 Update on Audit Finding 2008-2 (Continued)**

■ **Monthly Closing Routines and Timetables (Concluded)**

Additionally, this condition has resulted in the City's noncompliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* filing requirements for the City's Data Collection Form, which includes the financial and audit reports. OMB Circular A-133 requires this form to be filed within the earlier of 30 days after receipt of the auditors' reports, or nine months after the end of the audit period. The 2008 Data Collection Form was filed on September 9, 2009. This has resulted in the City no longer being considered a low risk auditee for OMB Circular A-133 audits for a period of two years; thereby, doubling the percentage of federal award funds expended that must be audited from 25% to 50%. Since the City's 2009 Data Collection Form will be filed after the deadline, this has extended the period that the City will have to be considered a high risk auditee through the City's 2011 fiscal year. This may also have an impact on the City's ability to obtain future grants, as well.

During the preparation of the 2009 financial statements, which extended deep into the 2010 fiscal year, the Finance Department (the Department) began learning what changes can be made to reconcile and close more timely each month. We encourage the Department to continue this process and begin implementing more timely accounting and closing routines as quickly as possible.

■ **Delegation of Work Among Staff**

This condition persisted through the 2009 fiscal year and deep into the 2010 fiscal year. Some of the staffing changes occurring in 2010, noted below have reduced the dependence on one individual; however, further cross training of the new staff remains an in process item, with specific attention needed for year-end financial reporting.

■ **Finance Department Staffing and Training**

This condition persisted through the 2009 fiscal year. We also believe that this condition was exacerbated by the 2008 financial application implementation (as noted under the Financial Application Implementation comment below) and the major turnover at the upper and mid levels of the Department through the early retirement program during 2009 and most recently in early 2010 with the resignation of the appointed Department Director, who had been the only CPA in the Department and had been expected to lead the Department back to acceptable performance levels. This turnover left no one in the Department who had the in-depth knowledge and experience with the City's operations and the training on the new accounting application and knowledge of the other older applications that fed into the new accounting application.

During 2010, the City hired a Department Director and two staff accountants who appear to have the financial and accounting experience and leadership and management skills that the Department has needed. Under this new leadership the department appears to be moving forward and addressing the problems of the past. However, we believe that the Department is in need of at least one additional higher level accounting staff member (i.e., a Certified Government Finance Office, CGFO, and/or CPA) to fully round out the new departmental staffing.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)**

**Status Update on Prior Year Findings and Recommendations (Continued)**

**2009 Update on Audit Finding 2008-2 (Continued)**

■ **Streamlining Fund and Account Structure**

The Finance Department and Budget Department began reviewing this area during 2009; however, due to the staff turnover and need to get the financial statements done, this process had not been completed as of the time of this report.

Furthermore, it has been noted that although the City may be following the state chart of accounts in spirit, it may not be doing so to the fullest extent, further complicating the City's financial reporting. We encourage the Department to review this area for improvements.

■ **Financial Application Implementation**

Fiscal year 2008 saw the implementation of the City's new financial application (Eden). It was thought that implementation of Eden would lead the Department and the City to reengineer some of the business processes (including those noted above) around Eden's functionality. However, it has been noted that the Department instead left many of the business processes in place and required the City's IT Department and the application developer (Tyler Technologies) to customize Eden to perform functions similar to the City's old accounting application. These customizations appear to have altered the functionality of the program and have contributed to the problems encountered with the Eden system.

Additionally, it does not appear that sufficient resources were designated to ensure that the City's other applications interfaced correctly with Eden. For example, the City's work order and inventory applications do not currently interface well with Eden; thereby, requiring manual journal entries and extensive efforts on the part of the Department to ensure that all work orders are properly capitalized at the appropriate amounts.

Furthermore, the Department did not work effectively and timely with the City's IT Department to enhance reporting out of the Eden application. For example, the auditor worked extensively with the City's IT Department this year to obtain a working trial balance (a basic report that all accounting applications should have), as opposed to the three reports provided in the Eden application that required extensive manual manipulation and grouping to arrive at a similar report.

■ **Bank Account Reconciliation**

This condition persisted through the 2009 fiscal year and into the 2010 fiscal year. As of March 2010, the bank account reconciliations had not been completed, and the City reallocated the task of reconciling the bank statements back to a more experienced individual. The September 30, 2009 bank reconciliation was completed on June 30, 2010, and the following issues were encountered throughout the process of performing these reconciliations: pension posting and related withholding errors, duplicate entries, problems with the transactions codes (as noted under the Financial Application Implementation comment below), missing postings of wire activity, missing cash deposit postings, and incorrect postings of sales tax entries. As of this report, the bank reconciliations for the 2010 fiscal year-end are in process and management expects to be completed by October 31, 2010.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)**

**Status Update on Prior Year Findings and Recommendations (Continued)**

**2009 Update on Audit Finding 2008-2 (Concluded)**

■ **Utility Accounts Receivable Reconciliation**

The Department was reconciling the Utility Accounts Receivable balance per the general ledger to the Utility Accounts Receivable balance per a screen in the utility billing application during the 2009 fiscal year; however, it did not appear that the Department was ensuring that the screen in the utility billing application was agreeing with the aged accounts receivable trial balance report from the utility billing application.

As a result, the aged accounts receivable trial balance report for September 30, 2009, was not reviewed at year-end and did not agree with the Utility Accounts Receivable balance per the general ledger by approximately \$300,000.

Further analysis showed that this difference was reasonably consistent going forward into the 2010 fiscal year. The Department was made aware of this issue and as of the date of this report is investigating what is causing the difference. As a result of the uncertainty about this difference, an adjustment has been made to increase the City's Allowance for Doubtful Accounts and Bad Debt Expense accounts by \$300,000.

■ **Capital Asset Conversion and Reconciliation**

This condition persisted through the 2009 fiscal year and into the 2010 fiscal year. Although some progress has been made, this area continued to play a significant role in the delay of closing year-end and preparing 2009 financial statements.

■ **Payroll - 941 Reconciliation**

This condition persisted through the 2009 fiscal year and into the 2010 fiscal year and continues to be an arduous process to reconcile the 941's for the entire fiscal year. We recommend that this reconciliation be performed semi annually to allow for time to investigate differences.

■ **Other Reconciliations**

There are other account reconciliations that were not performed during 2009 and into 2010 that the new staffing is addressing, including; Other Accounts Receivable, Deferred Transportation Credits and various other miscellaneous assets and liability accounts.

**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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)**

**Status Update on Prior Year Findings and Recommendations (Continued)**

**Audit Finding 2008-3, Transportation and Fire Impact Fee Calculations (Concluded)**

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.

**2009 Update on Audit Finding 2008-3**

The City has implemented a monitoring process by recalculating a sample of impact fees periodically.

**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.

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 2009. 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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Continued)**

**Status Update on Prior Year Finding and Recommendations (Continued)**

**2009 Update on Audit Finding 2008-4**

The City's Utility Department with Council's approval developed and has implemented several preventive steps, such as changing the criteria to assess credit risks and thereby changing customer security deposit requirements, establishing criteria for installment payments of the deposit, and improving cutoff time for past due accounts. During early 2010, the City's Utility Department began looking at the bad debt accrual and write off methodologies; however, the City's Finance and Utility Departments were not meeting periodically to assess the adequacy and reasonableness of the City's bad debt accrual for a period (i.e., monthly or quarterly) prior to posting of the accruing journal entry by Finance. However, we are encouraged that a key contact in each department has now been designated to act as a liaison to the other department, and we encourage these liaisons and their respective Department Directors or their designees to meet periodically to assess the adequacy and reasonableness of the City's bad debt accrual for the period (i.e., monthly or quarterly) prior to Finance's posting of the accruing journal entry.

**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, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART B - FINDINGS - FINANCIAL STATEMENTS (Concluded)**

**Status Update on Prior Year Findings and Recommendations (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.

**2009 Update on Audit Finding 2008-5**

These conditions appeared to persist through the 2009 fiscal year and into the 2010 fiscal year and are being reviewed by the new department head. The Accounts Payable access has since been removed, and access to enter vendor, change, and delete information from the vendor master file has been restricted to an accountant in the Finance Department that does not have access to approve transactions and process payments.

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

**CFDA No. 14.218 - Community Development Block Grant (CDBG)**

**Audit Finding 2009-1, Sub-recipient Monitoring** - The City has several sub-recipients of CDBG funds, however our audit indicates that the City did not have a sub-recipient monitoring system in place to ensure program compliance at the sub-recipient level. Appropriate monitoring procedures would include, site visits to review activities and documentation, receiving periodic interim reports of activity from the sub-recipient and obtaining and reviewing copies of the audit reports of the sub-recipients. We were unable to locate documentation of any of these items for the 2009 fiscal year-end.

**Audit Finding 2009-2, Permits and Inspections** - The nature of the City's CDBG grant was to improve housing conditions for low income citizens through the repair and improvement of deficient housing conditions. Our audit indicates that the City did not have a control system in place to ensure that all activities requiring permitting were appropriately permitted and that protective inspections were performed to ensure the adequacy of the actual work performed with the grant funds.

**Audit Finding 2009-3, Contracts and Liens** - The City did not have a control system in place to ensure that contracts were entered into with all vendors employed and liens filed on all improvement projects undertaken with the CDBG funds. This resulted in liens not being filed and contracts with vendors not being entered into in several projects that we examined.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AND MAJOR STATE FINANCIAL ASSISTANCE PROJECTS (Continued)**

**CFDA No. 14.218 - Community Development Block Grant (CDBG) (Concluded)**

**Audit Finding 2009-4, Procurement** - The City did not follow its own procurement policy in all cases when hiring contractors to perform housing improvement work. This is evidenced by several projects files not containing the appropriate bid documents, or being deemed to be emergency purchases not requiring bids. In the case of several items deemed to be emergency bids, the work was actually performed within the normal time frame of 1-2 months later, calling into question the designation of the project as an actual emergency that did not require bidding.

**CSFA No. 52.901 - State Housing Initiative Partnership Program (SHIP)**

**Audit Finding 2009-5, Filing of Liens** - SHIP housing loans require the filing of liens to evidence the claim of repayment of funds advanced if the property acquired using SHIP money is sold within a certain time period after purchased. Our audit indicates that the City did not have a system in place to ensure that liens were obtained and filed on all properties for which SHIP money was advanced, resulting in several unsigned and unfiled liens on hand.

**Audit Finding 2009-6, Filing of Liens Appraisals of Property Purchased** - While it is clear that all homes purchased using SHIP moneys were within the required 90% of median home value of the area, we noted a single instance where property was acquired using SHIP money where the purchase price exceeded the appraised value of the property. Because the bank mortgage has priority over the SHIP liens, this leaves the SHIP program at risk, in the event of default or foreclosure on the property. SHIP money should not be used to acquire property in excess of the appraised value of the property.

**Audit Finding 2009-7, Filing of Liens Protective Inspections** - It was noted that housing purchased using seller financing did not have protective inspections performed on the property prior to purchase to ensure that the home meets minimum SHIP housing standards. All property purchases using SHIP money should have protective inspections performed prior to purchase.

**All Federal Award Programs and State Financial Assistance Projects**

**Audit Finding 2009-8, Timeliness of Grant Billing** – The City is the beneficiary of many federal and state grants. Most of these grants are administered by individual departments across the City; however, all grants are centrally accounted for and are subject to the Federal and State Single Audit Acts.

This dichotomy of decentralized grant management and the need for centralized accounting and monitoring often creates communication issues between the grant administering department and the Finance Department. This often creates additional communication issues between the City and its grantors over grant terms, extensions, reimbursement requests, project costs, internal controls, compliance issues, and overall grant management.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
CITY OF OCALA, FLORIDA  
(Continued)**

**PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AND MAJOR STATE FINANCIAL ASSISTANCE PROJECTS (Concluded)**

**All Federal Award Programs and State Financial Assistance Projects (Concluded)**

**Audit Finding 2009-8, Timeliness of Grant Billing (Concluded)**

During 2009, the City continued to have issues with the timeliness of grant reimbursement billings and fell behind in its billing for grant reimbursements. At one point, the City was owed approximately \$2 million in grant reimbursements from the state and federal governments that had not been billed in a timely manner. As a result, the City had approximately \$84,000 of expenditures that are no longer reimbursable due to untimeliness of billing. We believe that better communication between the departments' grant coordinators and the Finance Department could improve the timeliness of billings and ensure that all grants are properly accounted for and reported.

We recommend that the City develop a process to improve communication between the departments grant coordinators and Finance Department to ensure that all information is complete and accurate. A periodic review of grant accounts should be performed to ensure the timeliness of grant reimbursements and improve the accuracy of grant financial accounting and reporting.

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

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

**2009 Update on Audit Finding 2008-6**

The City was able to prepare an accurate and complete schedule of expenditures of federal and state programs; therefore, this finding is considered resolved.

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

### PART B – FINDINGS – FINANCIAL STATEMENTS

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#### **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 senior management personnel on a weekly and semi-weekly basis.

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

A well documented, functioning monthly and year-end closing routine to clearly identify and assign task that are necessary for a timely monthly and year-end closing and preparation of year-end financial statements for audit is being developed. This routine will include:

- 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 delegations of work among accounting staff to avoid undue dependence on any one individual.
- Improved training and skills of all accounting department employees in the accounting system, governmental accounting and key financial reporting requirements.
- Continued cross training among staff with specific attention to year-end financial reporting.

#### ***Bank Reconciliations:***

Emphasis is being made on the importance of timely and accurate bank reconciliations. A well documented monthly bank reconciliation process is being developed to ensure bank reconciliations are completed on a monthly basis as part of the monthly close-out process. Significant progress has been made in this area as past general ledger posting errors have been corrected and it is expected that the general ledger will drive the bank reconciliation process as opposed to the bank statement driving that process.

#### ***Utility Accounts Receivable:***

A reconciliation between the Utility Accounts Receivable balance per the general ledger to the Utility Accounts Receivable balance per a screen in the utility billing application will be done on a monthly basis. Any differences between the aged accounts receivable trial balance report from the utility billing application and the general ledger will be researched and corrected.

#### ***Capital Asset Conversion:***

Although much progress has been made in this area, the accounting for capital assets played a significant role in the delay of closing year-end and preparing financial statements. Continued effort to complete the system conversion of capital assets and update and test the new system reporting is a priority to eliminate delays in delaying year-end closing and financial statement preparation.

#### ***Payroll 941 Reconciliation:***

A quarterly reconciliation will be performed to reconcile the IRS Form 941 – Employer's Quarterly Federal Tax Return to the general ledger totals for payroll and payroll tax expense. This will document the completeness of payroll and payroll tax expense in the financial reports of the City.

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

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

Staff has developed and implemented an Excel spreadsheet to provide automation of the calculation to improve accuracy and steps to improve the billing and collection process. There will be a continued effort to review internal controls over the impact fee billing process and develop and implement internal controls that will prevent or detect errors in the process. This process will include periodically recalculating a sample of impact fees to ensure accuracy.

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

Staff will routinely look at subsequent aging reports and incorporate qualitative factors into the process of estimating the allowance for doubtful accounts and bad debt expense. The Finance Department will work in conjunction with the 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.

### **Audit Finding 2008-5, Segregation of Duties:**

Management will review all internal controls to ensure that duties are segregated among employees so that individuals do not perform all accounting functions for a single area of the financial management system beyond what is necessary to perform their specific job. Specific attention will be focused on pay rate changes for payroll and the approval process for payroll.

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

### **PART C – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AND MAJOR STATE FINANCIAL ASSISTANCE PROJECTS:**

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#### **Audit Finding 2009-1, Sub-recipient Monitoring**

The City will put into place a sub-recipient monitoring system to ensure program compliance at the sub-recipient level to include site visits to review activities and documentation, review periodic interim reports of activity from sub-recipients and obtaining and review copies of the audit reports of the sub-recipients.

#### **Audit Finding 2009-2, Permits and Inspections**

The City will put into place a control system to ensure that all activities requiring permitting are properly permitted and that protective inspections are performed to ensure adequacy of the actual work performed with grant funds.

#### **Audit Finding 2009-3, Contract and Liens**

The City will put into place a control system to ensure that contracts are entered into with all vendors employed and liens filed on all improvement projects undertaken with CDBG funds.

#### **Audit Finding 2009-4, Procurement**

The City will ensure the procurement policy is being followed in all cases and that all project files will contain the appropriate bid documents. Project files will be properly documented for emergency purchases not requiring bids.

#### **Audit Finding 2009-5, Filing of Liens**

The City will put into place a system to ensure liens are obtained and filed on all properties for which SHIP money was advanced.

#### **Audit Finding 2009-6, Filing of Liens Appraisals of Property Purchased**

The City will ensure that homes purchased using SHIP money are within the required 90 percent of the home value of the area and that SHIP money will not be used to acquire property in excess of the appraised value of the property.

#### **Audit Finding 2009-7, Filing of Liens Protective Inspections**

The City will ensure that protective inspections are performed prior to purchase on housing purchased using seller financing to ensure that the home meets minimum SHIP standards.

#### **Audit Finding 2009-8, Timeliness of Grant Billing**

The City has developed a process to improve communication between the department grant coordinators and the Finance Department to ensure that all information is complete and accurate. The City will also perform a periodic review of grant accounts to ensure the timeliness of grant reimbursements and the accuracy of grant financial accounting and reporting.

**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, 2009, and have issued our report thereon dated September 14, 2010.

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 independent auditors' 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 September 14, 2010, 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 2008-1 through 2008-5.
- 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 – Internal Control" and "Investment Policy – Compliance".
- 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. 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, 2009, 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, 2009. 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 "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*

September 14, 2010  
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**

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.

### **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.

### **Investment Policy - Internal Controls**

The City has developed an Investment Policy in accordance with Florida Statute 218.415, which calls 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.

### **Certified Public Accountants**

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

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

**Current Year Comments and Recommendations**

**Investment Policy - Compliance**

During the year, the city had an investment which fell below the ratings allowed under the investment policy of the City. The investment policy requires investments which complied with the investment policy at the time of purchase, but fell below investment policy compliance be disposed of in a prudent manner. It appears that the investment was disposed of in a prudent manner; however, the policy further requires that an action plan for disposal be presented to the City Council immediately, which did not occur. We recommend that all investment policy deviations be reviewed and approved by the investment committee and such discussions and decisions be fully documented in the minutes of the committee or some other similar approval documentation process. We further recommend that all matters requiring presentation to the City Council be made in a timely manner.

**Crystal River III (CRIII) Nuclear Decommissioning**

The City is a minority owner in the CRIII nuclear electric generation facility. The Nuclear Regulatory Commission (NRC) requires owners of nuclear facilities to fund an escrow account to ensure that sufficient money has been set aside for the future decommissioning of the plant at the end of its useful life. Additionally, Generally Accepted Accounting Principles require accruing a liability in its financial statements over the useful life of the facility for this future cost. To-date the City has based the funding of the escrow account and the liability accrual based upon the current license expiration date of 2016 for the plant and a decommissioning cost study of several years ago. The primary owner of the plant has made substantial refurbishments of the plant, has applied to NRC for a license extension for an additional 20 years, and performed a new decommissioning cost study based upon these new facts. The NRC application is expected to be approved soon at which time the City will need to review and revise its funding and accrual schedule for the future decommissioning. It is expected that the City will be over funded and over accrued, which may require adjustment in the financial statements for the over accrual.

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*

September 14, 2010  
Ocala, Florida



*City of Ocala*

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OCALA, FLORIDA 34471  
(352) 629-CITY (2489)

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

**Prior Year Comments:**

**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 plans to maintain a current funding position in the future.

**Investment Policy – Internal Control:**

The City will review its investment policy and complete the documentation of the internal control system and procedures.

**Response to Current Year Comments:**

**Investment Policy Compliance:**

The City will comply with its investment policy whereby all deviations will be reviewed and approved by the investment committee and such discussions will be fully documented in the minutes of the committee or some other similar approval documentation process. All matters requiring presentation to the City Council will be made in a timely manner.

**Crystal River III (CRIII) Nuclear Decommissioning:**

The City will monitor the licensing process and upon approval will review and revise its funding and accrual schedule for future decommissioning.

Ricky Horst  
City Manager