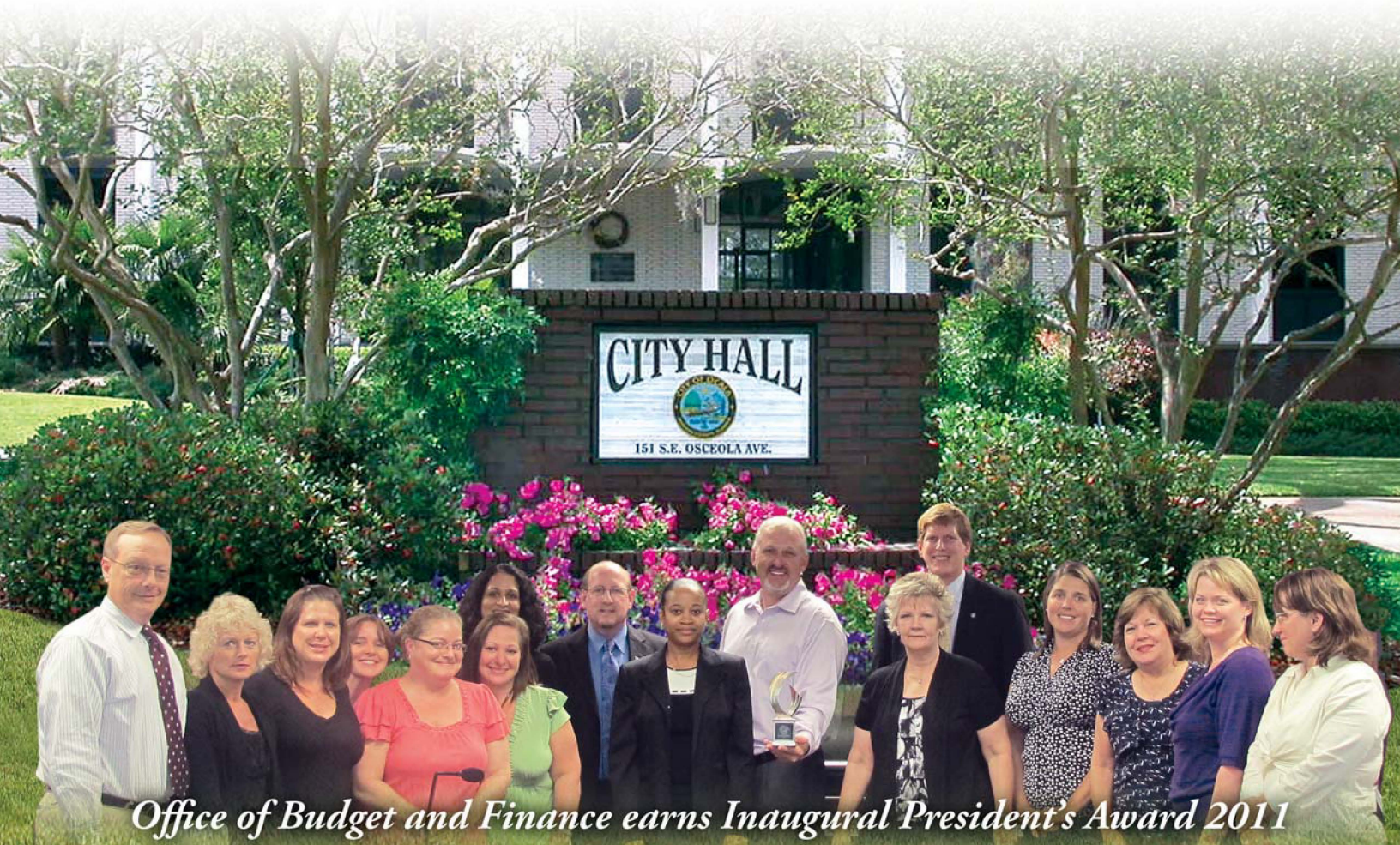
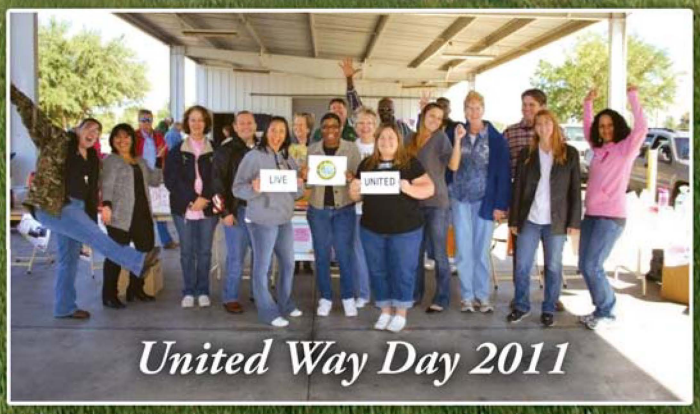
City of Ocala, Florida
Comprehensive Annual Financial Report
for September 30, 2011



Office of Budget and Finance earns Inaugural President's Award 2011

"All Hands" Conference 2011



United Way Day 2011

Working Together for the Community

CITY OF OCALA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Prepared by:

Office of Budget and Finance

CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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City of Ocala
OFFICE OF BUDGET AND FINANCE
151 SE OSCEOLA AVENUE
OCALA, FLORIDA 34471
(352) 629-CITY (2489)

March 27, 2012

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

It is our pleasure to submit this *Comprehensive Annual Financial Report* for the City of Ocala, Florida for the fiscal year ended September 30, 2011. The report fulfills the requirements set forth in the *Florida Statutes*, Chapter 166.241 and the *Rules of the Florida Auditor General,* Chapter 10.550. The organization, form and content of this report plus the accompanying financial statements and statistical tables are formulated in accordance with the principals prescribed by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the State of Florida and the Government Finance Officers Association.

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

Purvis, Gray and Company, a firm of licensed certified public accountants, has audited the City of Ocala's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements for the year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended September 30, 2011, as fairly presented in conformity with GAAP. The

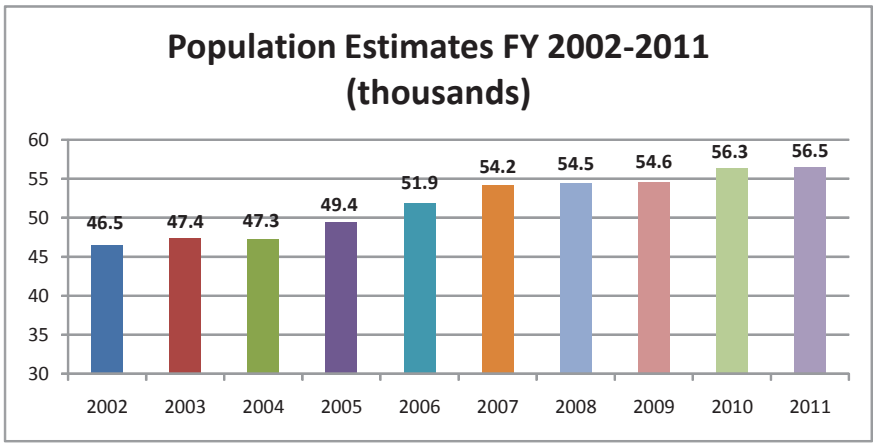
independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the City

The City of Ocala is the most populous city in and serves as the county seat of Marion County. Ocala is located in north central Florida approximately 67 miles northwest of Orlando and approximately 40 miles east of the Gulf of Mexico near the site of Ocale, a major Timucua village and chiefdom during the 16th century. The City takes its name from the historical village, the name of which is believed to mean "Big Hammock" in the Timucua language. There are approximately 40 square miles of land included within the corporate boundaries of the City. The City's population has been trending upwards for the last ten years and as of April 1, 2011, the official population estimate was 56,545.



The City of Ocala was established in 1846 and operates under a Council-Manager form of government. The City Council consists of six elected officials (the Mayor and five Council members) who are responsible for enacting the ordinances and resolutions which

govern the City. The Council appoints the City Manager, City Auditor, City Attorney, and the City Clerk. The City Charter states the City Manager shall be the Chief Administrative Officer of the City and shall be responsible to the Council for the administration of all City affairs placed in his charge by or under the Charter.

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

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

Internal support services include the following:

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

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

In addition to these activities, the City exercises oversight responsibility for the Community Redevelopment Agency. Accordingly, these activities are included in the reporting entity and reflected in this report. Note 1 in the *Notes to the Financial Statements* lists specific criteria used for establishing oversight responsibility.

The City also maintains budgetary controls. The objective of these is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council. Annual budgets are legally adopted for activities of the *general fund*, *special revenue funds*, and *debt service funds*. *Capital projects funds* and certain *special revenue funds* (such as multi-year grant funds and tax increment funds) are appropriated on a project basis. Budgets are controlled at the department level and total expenditures may not legally exceed appropriations for each budgeted funds without Council approval. Encumbrances accounting is utilized in order to reserve the encumbered portion of the appropriation. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget.

Factors Affecting the City's Financial Condition

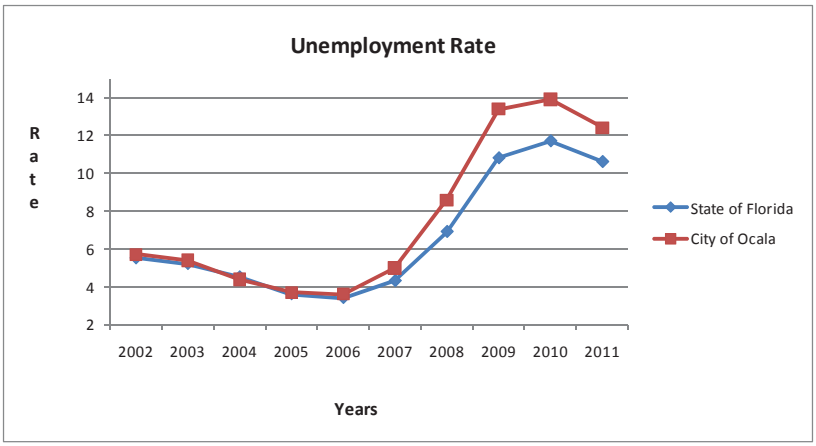
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

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

Several economic development projects have been approved by City Council including the Ocala 489 LLC Project, the White Challis Redevelopment Project, and the American Fresh Farms Development.

The City and County entered into a contract with developer Ocala 489 LLC to launch a $20 million industrial park. The project will feature up to four million square feet of warehouse space and other buildings, and by the time it is built out in 2025, could generate 4800 new jobs. The White Challis Redevelopment Project will be a mix of lofts, townhomes and commercial space built on two city-owned lots and will be built in four phases. The development will be built on the former Sprint and Chamber of Commerce sites in downtown Ocala and will feature a mix of both residential and commercial uses. Additionally, the City approved an agreement with American Fresh Farms to build two greenhouses on Ocala Airport property to grow hydroponic tomatoes. American Fresh Farms will make a significant capital investment and anticipate bringing at least 160 jobs to Ocala.

The City's unemployment rate is 12.4%, which is higher than the state and national averages but has decreased from 13.9% from the same time last year. This is due to a slight boost to the local economy.



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

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

- Construction of a general aviation terminal
- Construction of an airport maintenance building
- Implementation of recurring annual funding for the following areas:
    - Annual City-wide resurfacing and sidewalk program
    - Facilities maintenance
    - Fleet management
    - Information technology upgrades
- Fort King Street electric improvements
- Telecommunications network equipment replacement
- City Hall courtyard renovations
- Water and sanitary sewer main improvements and extensions
- Re-discover Tuscawilla Park improvements

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

- **General Fund Reserve Policy** – The General Fund will maintain an operating reserve of not less than 20 percent of planned budget expenditures.

- **Debt Management Policy** – Outlines allowable debt issuance purposes, debt structure, limitations on debt levels, allowable types of debt, promotes sound financial management and enhances the City's credit ratings.
- **Capital Improvement Plan** – Requires the City to develop and implement a five-year capital improvement plan to anticipate long-term capital needs.
- **Electric Rate Stabilization Reserve (ERSR)** – The targeted maximum funding level for the ERSR is 25% of projected annual fuel costs and the minimum funding level is 15% of projected annual fuel costs.
- **Three-year Budget Model** – The City will develop and maintain a comprehensive three-year budget model to assist in making financial decisions regarding long-term revenue and expenditure requirements.

Acknowledgements

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

We would also like to acknowledge the leadership and support of the City Council, whose continued interest is to maintain a fiscally sound government. This has proven to be an invaluable asset to our staff in the preparation of this report which is geared toward reflecting the financial health of the community while complying with the City's fiduciary responsibility.

Respectfully submitted,

Matthew J. Brower
City Manager

John Lege
Chief Financial Officer

CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

ELECTED OFFICIALS

CITY COUNCIL

Randall Ewers, Mayor
Daniel Owen, President
Suzy Heinbockel. President Pro-Tem
R. Kent Guinn
Mary S. Rich
John Priester

APPOINTED OFFICIALS

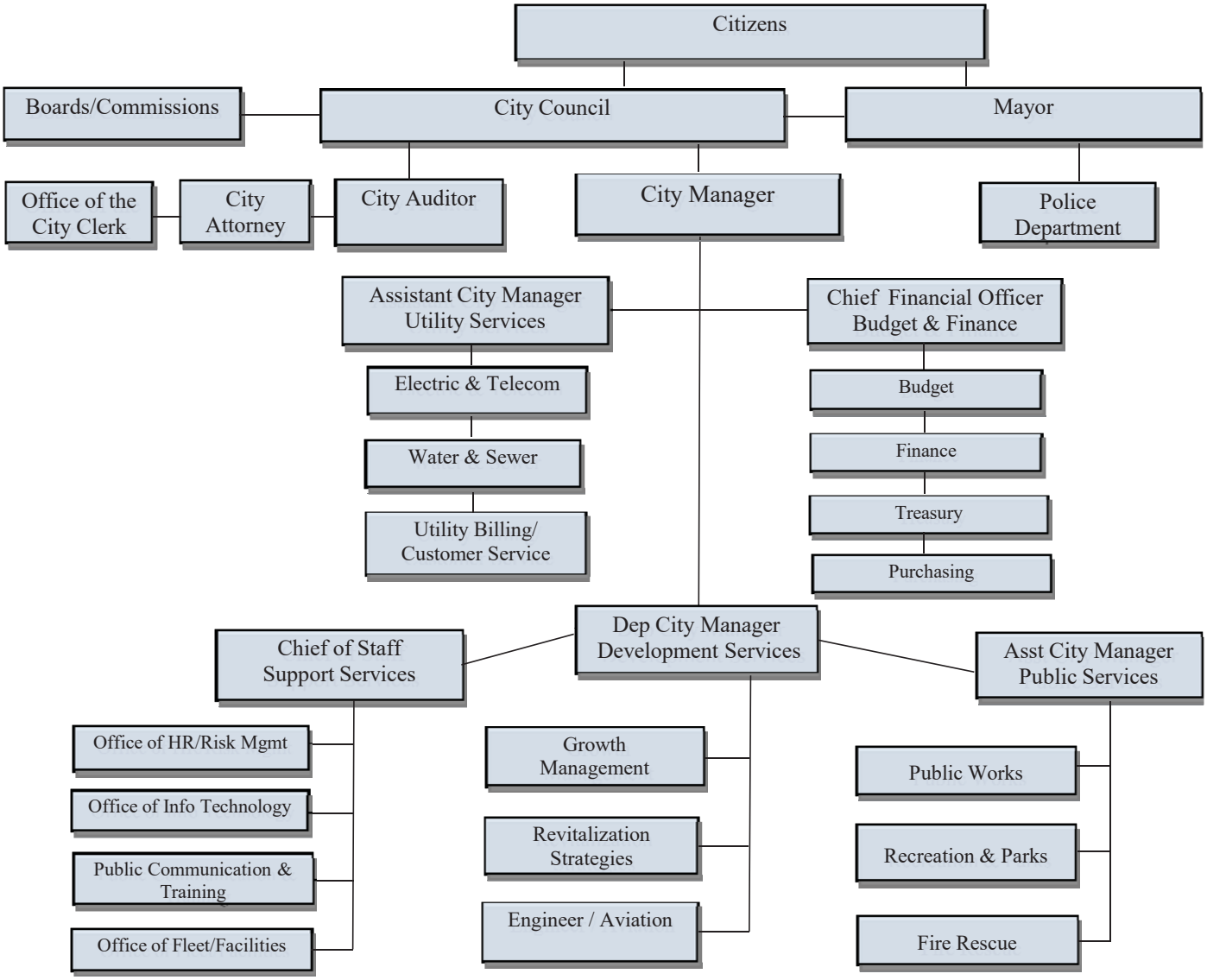
City Manager	Matthew J. Brower
City Attorney	Patrick G. Gilligan
City Clerk	Angel Jacobs
Internal Auditor	Oscar Claudio
Internal Auditor	Jeanne Covington

CABINET MEMBERS

Deputy City Manager, Development Services	John Zobler
Assistant City Manager Public Services	Catherine Cameron
Assistant City Manager Utility Services	Larry Novak
Chief Financial Officer	John Lege
Chief of Staff Support Services	Sandra R. Wilson

CITY OF OCALA

Organizational Chart



FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

Purvis Gray & Company

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocala, Florida (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis, and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Purvis, Gray and Company, LLP
March 27, 2012
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

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, 2011. 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 $561,536,441 *(net assets).* Of this amount, $125,324,094 *(unrestricted net assets)* may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by $14,384,805 as a result of fiscal year 2011 operations..
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of $65,681,859, a decrease of $86,301 in comparision with the prior year.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was $15,065,839, which equals 21% of total general fund expenditures and transfers out.
- The City's total outstanding long-term debt decreased $2,161,316 during the current fiscal year. The reduction in long-term debt is due to principal payments made offset by the addition of a new capital lease and an increase in compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, 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 seven enterprise funds to account for the following operations: electric utility, water and sewer, sanitation, golf course, airport, telecommunications and transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds to account for fleet and facilities management and self-insurance programs. Because these services benefit governmental more than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 through 79 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 80 to 85 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 86 to 117 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $561,536,441 at the close of the most recent fiscal year. Approximately 69.7% 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 112,325,679	$ 112,941,676	$ 192,449,282	$ 194,491,285	$ 304,774,961	$ 307,432,961
Capital assets (net)	186,607,738	187,604,697	376,937,629	381,203,850	563,545,367	568,808,547
Total Assets	298,933,417	300,546,373	569,386,911	575,695,135	868,320,328	876,241,508
Current and other liabilities	9,880,827	10,808,883	65,484,696	55,931,698	75,365,523	66,740,581
Long-term liabilities	62,064,495	58,228,813	169,353,869	175,350,868	231,418,364	233,579,681
Total Liabilities	71,945,322	69,037,696	234,838,565	231,282,566	306,783,887	300,320,262
Net Assets:						
Invested in capital assets, net of related debt	139,025,810	141,149,863	252,616,203	257,326,336	391,642,013	398,476,199
Restricted	21,083,016	19,911,292	23,487,318	38,519,090	44,570,334	58,430,382
Unrestricted	66,879,269	70,447,522	58,444,825	48,567,143	125,324,094	119,014,665
Total Net Assets	$ 226,988,095	$ 231,508,677	$ 334,548,346	$ 344,412,569	$ 561,536,441	$ 575,921,246

An additional portion of the City's net assets -- $44,570,334 or 8.1% -- represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* -- $125,324,094 -- may be used to meet the City's ongoing obligations to its citizens and creditors.

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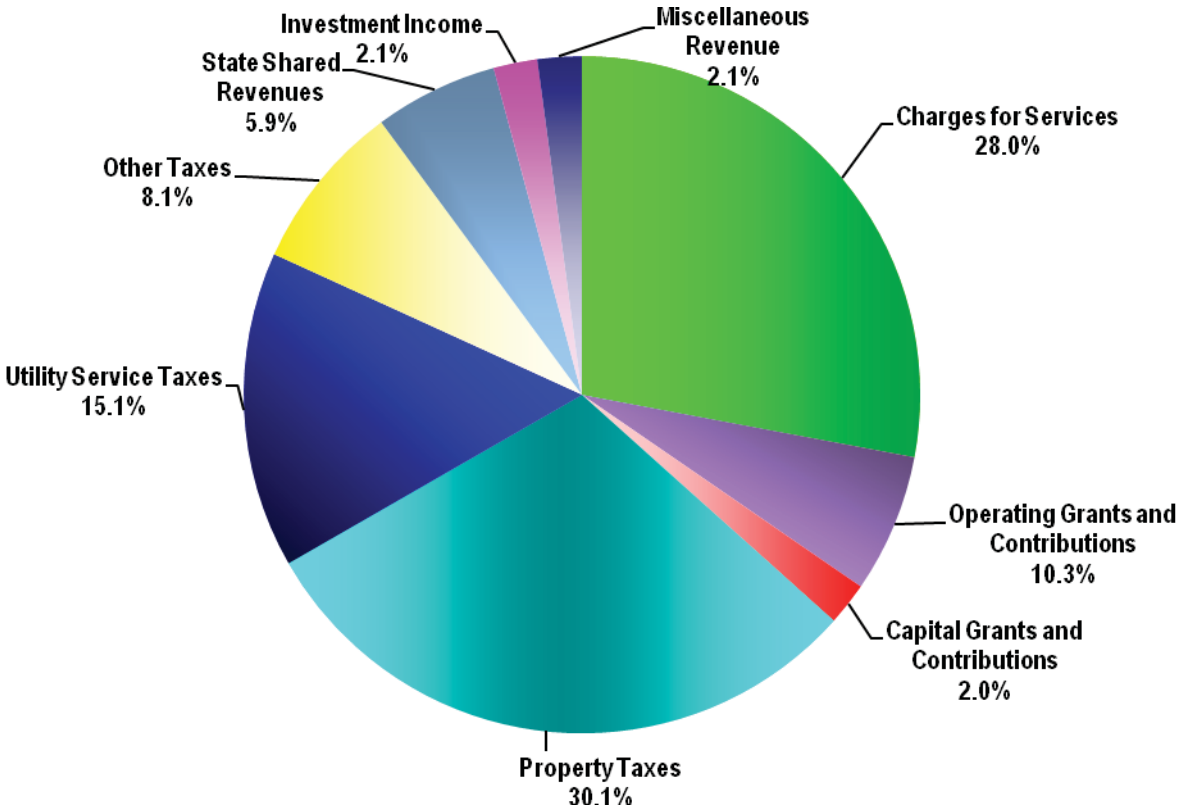
CITY OF OCALA CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES:						
Program revenues:						
Charges for services	$ 20,109,324	$ 19,535,980	$ 181,029,821	$ 214,987,482	$ 201,139,145	$ 234,523,462
Operating grants and contributions	4,768,303	4,274,901	2,084,740	2,124,323	6,853,043	6,399,224
Capital grants and contributions	1,474,530	3,540,911	2,582,497	2,042,164	4,057,027	5,583,075
General revenues:						
Taxes	38,305,533	40,723,644	-	-	38,305,533	40,723,644
State shared revenues	4,250,585	4,341,188	-	-	4,250,585	4,341,188
Other	3,026,117	3,826,921	2,643,391	3,217,987	5,669,508	7,044,908
Total Revenues	71,934,392	76,243,545	188,340,449	222,371,956	260,274,841	298,615,501
EXPENSES:						
General government	24,264,441	16,752,242	-	-	24,264,441	16,752,242
Public safety	38,347,627	34,749,900	-	-	38,347,627	34,749,900
Culture and recreation	5,688,221	4,459,167	-	-	5,688,221	4,459,167
Economic Environment	1,693,471	1,141,505	-	-	1,693,471	1,141,505
Human services	344,194	210,689	-	-	344,194	210,689
Physical environment	2,926,147	95,797	-	-	2,926,147	95,797
Transportation	15,289,841	16,703,469	-	-	15,289,841	16,703,469
Interest on long term debt	1,973,381	2,130,575	-	-	1,973,381	2,130,575
Electric	-	-	141,265,888	159,685,595	141,265,888	159,685,595
Water and sewer	-	-	26,910,447	24,979,015	26,910,447	24,979,015
Sanitation	-	-	8,300,875	9,226,066	8,300,875	9,226,066
Municpal golf courses	-	-	1,864,304	2,750,571	1,864,304	2,750,571
Municipal trailer park	-	-	-	1,585	-	1,585
International airport	-	-	1,319,583	1,065,738	1,319,583	1,065,738
Communications	-	-	1,918,905	1,692,881	1,918,905	1,692,881
Suntran	-	-	2,552,321	2,424,357	2,552,321	2,424,357
Total Expenses	90,527,323	76,243,344	184,132,323	201,825,808	274,659,646	278,069,152
Change in net assets before transfers	(18,592,931)	201	4,208,126	20,546,148	(14,384,805)	20,546,349
Transfers	14,072,349	11,032,532	(14,072,349)	(11,032,532)	-	-
Change in net assets	(4,520,582)	11,032,733	(9,864,223)	9,513,616	(14,384,805)	20,546,349
Net assets - beginning	231,508,677	220,475,944	344,412,569	347,876,629	575,921,246	568,352,573
Prior period adjustment	-	-	-	(12,977,676)	-	(12,977,676)
Net assets - ending	$ 226,988,095	$ 231,508,677	$ 334,548,346	$ 344,412,569	$ 561,536,441	$ 575,921,246

Net assets for the City's business-type activities decreased by $9,864,223 during fiscal year 2011, while net assets for governmental activities decreased $4,520,582 for the same period. Overall, the City's net assets decreased to $561,536,441.



Key Elements of Revenues of Governmental Activities:

- Property taxes, which provided 30.1% of governmental revenues, decreased by $46,380. In fiscal year 2011, the City's millage rate was 5.6183 per $1000 of taxable property. This rate was the rolled-back rate. The City's total taxable property valuation for fiscal year 2011 was $3.9 billion which represents a 11.3% decrease over fiscal year 2010 taxable property value. The property tax levy collection rate decreased to 96.9% of taxes levied in FY 2011.
- Charges for services provided 28.0% of governmental revenues. Charge for services increased $573,344, an increase of 2.9%.
- Investment income was $1,504,673, an decrease of $1,644,478 from the prior year. The City contunues to work with three professional management firms in order to successfully meet its investment objectives.
- Utility services taxes provided 15.1% of governmental revenues. Utility services taxes totalled $10,866,055 for Fiscal Year 2011.
- Operating grants and contributions continued to account for 10.3% of governmental revenues.

Key Element of Expenses of Governmental Activities

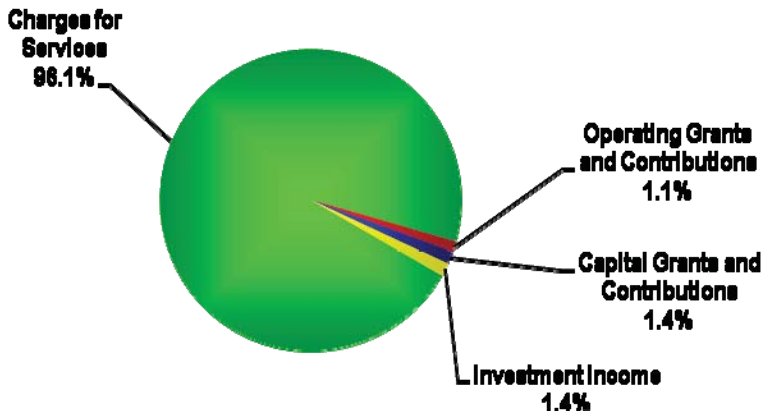
In FY 2011, expenses for Governmental Activities increased 18.7%% to $90,527,323. Increases in General Government and Public Safety made up the biggest increase while expenses for Culture and Recreation, Economic Enironment, Human Services, Physical Environment, and Transportation increased at a much lessor amount.

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

Functions/Programs	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
General Government	$ 24,264,441	26.8%	$ 14,505,738	11.2%	$ (9,758,703)
Public Safety	38,347,627	42.4%	9,781,598	37.1%	$ (28,566,029)
Physical Environment	2,926,147	3.2%	-	0.0%	$ (2,926,147)
Transportation	15,289,841	16.9%	677,554	2.6%	$ (14,612,287)
Economic Environment	1,693,471	1.9%	938,174	3.6%	$ (755,297)
Human Services	344,194	0.4%	-	0.0%	$ (344,194)
Culture and Recreation	5,688,221	6.3%	449,093	1.7%	$ (5,239,128)
Interest On Long Term Debt	1,973,381	2.2%	-	0.0%	$ (1,973,381)
	$ 90,527,323	100.0%	$ 26,352,157	100.0%	$ (64,175,166)

Key Elements of Revenues of Business-type Activities:

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Key Element of Expenses of Business-type Activities

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES

Functions/Programs	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
Electric	$ 141,265,888	76.7%	$ 140,345,079	75.6%	$ (920,809)
Water and Sewer	26,910,447	14.6%	27,519,424	14.8%	608,977
Sanitation	8,300,875	4.5%	10,143,158	5.5%	1,842,283
Municipal Golf Courses	1,864,304	1.0%	1,167,391	0.6%	(696,913)
International Airport	1,319,583	0.7%	2,151,955	1.2%	832,372
Communications	1,918,905	1.0%	2,297,997	1.2%	379,092
Suntran	2,552,321	1.4%	2,072,054	1.1%	(480,267)
	$ 184,132,323	100.0%	$ 185,697,058	100.0%	$ 1,564,735

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 expense of $920,809 in FY 2011 as shown in the Statement of Activities. That compares to net revenue of $14,066,805 in the prior year, which represents an decrease of $14,987,614 in FY 2011. Electric Utility Fund operating expenses decreased from $159,685,595 in FY 2010 to $141,265,888 in FY 2011. However, program revenues decreased from $173,752,400 in FY 2010 to $140,345,079 in FY 2011. This resulted in a $11,552,160 loss in the Electric Fund. The cause of the loss appears to be due to multiple factors, including a decrease in sales, an increase in expenses, a decrease in other revenue sources and the transfer of the Economic Improvement Progran to the General Fund.

The net revenue of the Water and Sewer Fund decreased from $2,287,110 in FY 2010 to $608,977 in fiscal year 2011. This decrease of $1,678,133 represented a 73.3% decrease from FY 2010. Capital contributions decreased from $1,054,106 in FY 2010 to $932,973 in FY 2011.

The highest priority of the Municipal Golf Course Fund continues to be self-sufficiency. City Management continues to look at ways to reduce operating expenses and enhance revenues. In FY 2011, program expenses exceeded revenue by $696,913. Golf Course Fund expenses decreased $886,267 in FY 2011, which represents a 32% decrease from FY 2010. The City continues to explore options, including outsourcing management operations to reduce expenes with the goal in mind to make the golf opperations self-sufficient.

The Ocala International Airport operation showed an operating gain for the fiscal year. Operating revenues exceeded expenses by $832,372 in FY 2011. The City Council is evaluating industrial and commercial development on the airport's 1,500 acres.

The City's public mass transit system, SunTran's program expenses exceeded revenues by $480,267. Expenses totaled $2,552,321 as compared to $2,072,054 in program revenues. Expenses increased 5.2% in fiscal year 2011 while program revenues decreased 14.9%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $65,681,859, a decrease of $86,301 in comparison with the prior year. Approximately 66.4% of this total amount, $43,614,968, is the total unrestricted fund balance. The *unassigned fund balance* of $15,065,839 is available for spending at the government's discretion. A portion of the funds balance or $296,457 is *nonspendable* and represents $87,277 for prepaid items and $209,180 for inventories. The *assigned fund balance*, the amount constrained by the City to be used for specific purposes, totaled $20,392,709. The *restricted* amount of $21,770,434 can only be used as legally allowed including $4,213,872 to pay debt service; and various amounts in the General Fund, Special Revenue Funds, and Capital Projects Fund.

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

	General	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Total
Nonspendable	$ 296,457	$ -	$ -	$ -	$ 296,457
Restricted	2,623,303	9,198,620	4,213,872	5,734,639	21,770,434
Unrestricted					
Committed	2,757,930	5,398,490	-	-	8,156,420
Assigned	20,392,709				20,392,709
Unassigned	15,065,839				15,065,839
Total Fund Balance	$ 41,136,238	$ 14,597,110	$ 4,213,872	$ 5,734,639	$ 65,681,859

The General Fund is the City's chief operating fund. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was $15,065,839, while total fund balance was $41,136,238. As a measure of the General Funds liquidity, it may be useful to compare *unassigned fund balance* to total General Fund expenditures and transfers out. *Unassigned fund balance* represents nearly 21.4% of total General Fund expenditures and transfers out.

The fund balance of the City's General Fund increased $2,131,090 during fiscal year 2011, compared to an increase of $7,726,626 in fiscal year 2010. The transfer of the City's Economic Improvement Program from the Electric Fund to the General Fund accounted for $2,773,204 of this increase.

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

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

Fund	Unrestricted Net Assets
Electric System Revenue	$ 13,624,126
Water and Sewer	34,572,302
Sanitation	5,927,497
Municipal Golf Course	17,206
Ocala International Airport	544,385
Communications	3,948,288
SunTran	(188,979)
Total	$ 58,444,825

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget totaled $75,047,793. Various budget amendments were approved by City Council. During the year, appropriations increased $11,818,350 from the original to the final budget in the General Fund. Actual expenditures were $16,483,483 lower than the final budget.

GENERAL FUND ORIGINAL/FINAL BUDGET

	Original	Final
REVENUES:		
Taxes	$ 36,348,590	$ 36,348,590
State shared revenues	4,544,165	5,954,058
Intergovernmental revenues	1,501,669	4,544,165
Permits and fees	1,889,400	1,889,400
Fines and forfeitures	369,200	369,200
Charges for services	12,743,386	12,746,368
Investment income	1,000,000	1,000,000
Miscellaneous	1,257,837	1,394,331
Total Revenues	59,654,247	64,246,112
EXPENDITURES		
General government	20,234,644	22,542,423
Public safety	35,510,790	36,722,676
Transportation	4,469,185	7,622,990
Economic environment	1,195,817	2,358,573
Human services	2,330	424,526
Culture and recreation	5,966,691	5,962,149
Capital Outlay	3,438,473	6,952,385
Principal payments	9,221	59,779
Interest and paying agent fees	3,290	3,290
Total Expenditures	70,830,441	82,648,791
Excess(deficiency) of revenues over expenditures	(11,176,194)	(18,402,679)
Other Financing Sources (Uses)		
Transfers in	9,520,960	9,609,983
Transfers out	(4,217,352)	(4,217,352)
Total other financing sources(uses)	5,303,608	5,392,631
Net change in fund balance	(5,872,586)	(13,010,048)
Fund balance - beginning	5,872,586	13,010,048
Fund balance - ending	$ -	$ -

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, 2011 totaled $563,545,367 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, leasehold improvements, equipment, infrastructure, and construction in progress. The City's investment in capital assets decreased $5,263,180. This represents a .9%.decrease from FY2010.

Major capital asset additions in FY 2011 included the following:

Governmental Activities:

- The NW 44th Avenue Project was completed at a cost of $3,153,152.
- The ATMS Implementation and Signal Synchronization Project was completed at a cost of $2,678,517.
- The East Fort King Street Project was completed at a cost of $1,127,533.
- The NW/SW 27th Avenue Project was completed at a cost of $765,086.

CITY OF OCALA, FLORIDA
CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 20,810,043	$ 18,782,257	$ 23,417,982	$ 22,084,743	$ 44,228,025	$ 40,867,000
Buildings	35,024,194	35,821,427	28,715,070	28,747,171	63,739,264	64,568,598
Improvements Other Than Buildings	-	-	514,581,040	469,687,516	514,581,040	469,687,516
Crystal River Unit # 3	-	-	16,168,423	16,168,423	16,168,423	16,168,423
Equipment	47,213,291	39,668,922	11,580,677	10,606,420	58,793,968	50,275,342
Infrastructure	302,037,760	291,784,091	-	-	302,037,760	291,784,091
Construction in Progress	4,460,851	14,323,777	10,988,270	44,898,691	15,449,121	59,222,468
	409,546,139	400,380,474	605,451,462	592,192,964	1,014,997,601	992,573,438
Less: Accumulated Depreciation	(222,938,401)	(212,775,777)	(228,513,833)	(210,989,114)	(451,452,234)	(423,764,891)
Capital Assets, Net	$ 186,607,738	$ 187,604,697	$ 376,937,629	$ 381,203,850	$ 563,545,367	$ 568,808,547

Business-type Activities:

- In accordance with the City's Comprehensive Plan, a number of improvements and extensions were made to the City's utility infrastructure. Operating revenues and available utility bond revenues funded these improvements.
- The East Ocala Water Project was completed at a cost of $4,963,623.
- The East Ocala Water Project was completed at a cost of $3,969,060.
- The Ergle Subdivision Breaker Project was completed at a cost of $1,651,275.
- The Integrated Water Resources Project was completed at a cost of $1,174,551.

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

Long-term debt. At the end of fiscal year 2011, outstanding long-term debt of the City was $231,418,364. That was a decrease of $2,161,317 or .9% from outstanding long-term debt of $233,579,681 at the end of FY 2010. 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 2011, the City issued no new bonds.

In FY 2011 the City's bonded debt decreased 5.0% from the prior year. This was due to principal bond payments made during the fiscal year. During the year, the City refunded the 2001A Water and Sewer Bonds resulting in an approximate $895,000 net present valus savings. The City had no outstanding general obligation debt at the close of FY 2011. The City maintains excellent bond ratings from the major ratings agencies.

Additional information on the City's debt is present in Notes to Financial Statements on pages 71 to 76 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 2012 budget:

- The fiscal year 2012 budget has been prepared as the City continues on its prescribed flight path of embracing change, reform and a culture of discipline intended to achieve new elevations and heights in organizational effectiveness and fiscal reform.
- The City's leadership, lead by the City Council and Mayor, recognizes the critical role it must play in establishing the appropriate tenor and investment required for economic transformation of our local economy. The City has aggressively, but strategically, began sowing the seeds for tomorrow's recovery. To date the signature investments include Ocala 489 (i.e. Magna), American Fresh Farms, Ocala Business Park at Ocala International Airport, White-Challis, and establishing a state-of-the-art business incubator. The FY 2012 budget continues strategic funding for these projects while preserving flexibility for pursuing additional economic opportunities.
- The budget is balanced with no tax or fee increases and no reduction in service levels. The General Fund Expenditure Budget for FY 2012 totals $86,277,994.
- The City Comprehensive FY 2012 Budget totals $626,303,508.
- The FY 2011 Budget was based on four strategies. These strategies are: operational efficiencies, tempering escalating personnel cost, a refocus on the core mission of the City and financial transformation. These strategies remained a vital cornerstone in the development of the FY 2012 budget.
- Each department continues to review its operations comprehensively and is putting together strategies to reduce expenditures without significantly impacting services. These efficiencies to date have included reorganization of some department and/or divisions, the consolidation of service functions, re-assignment of staff to more critical tasks, reductions in personnel needs, fleet needs,

facility needs, and better utilization of technology. Each department will continue to focus on all areas of their operation to reduce costs while maintaining operational efficiency.

- Through strong financial policies, as adopted by the City Council, the City was able to present stakeholders with an adopted budget that is balanced, addresses priority needs, maintains or enhances service levels and did not require an increase in property taxes or user fees.
- With the adoption of this budget, the City is adopting new key management polices intended to provide formal policy statement designed to establish the financial goals of the organization and the principles that will govern budget management.
- The unemployment rate for the City continues to be higher than the state-wide average. This is primarily due to a sharp downturn in housing construction and manufacturing markets.
- The taxable value of commercial and residential property decreased 5% in FY 2011, falling from $3.902 billion to $3.706 billion. This decrease was due to the continued downturn in the housing market.
- Building permit activity continued to decrease during the 2011 fiscal year.
- Population increased slightly to an estimated 56,545.

REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 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, 2011

Assets	Governmental Activities	Business Type Activities	Total
Cash and Investments	$ 2,437	$ 9,539,036	$ 9,541,473
Equity In pooled cash fund	99,237,570	152,464,935	251,702,505
Accounts and notes receivable	411,584	23,276,674	23,688,258
Accrued interest receivable	210,927	272,858	483,785
Internal balances	2,062,942	(2,062,942)	-
Due from other governments	2,934,737	1,044,600	3,979,337
Pension asset	6,634,250	-	6,634,250
Prepaids	87,277	319,701	406,978
Inventories	209,180	5,783,461	5,992,641
Other assets	534,775	1,810,959	2,345,734
Capital assets not being depreciated:			
Land	20,810,043	23,417,982	44,228,025
Construction in progress	4,460,851	10,988,270	15,449,121
Capital assets, net of accumulated depreciation:			
Buildings	15,097,296	14,669,277	29,766,573
Improvements other than buildings	11,216,886	321,394,459	332,611,345
Machinery and equipment	19,903,304	6,467,641	26,370,945
Infrastructure	115,119,358	-	115,119,358
Total assets	298,933,417	569,386,911	868,320,328
Liabilities			
Accounts payable and accrued liabilities	7,786,959	34,612,264	42,399,223
Accrued interest payable	983,873	3,394,585	4,378,458
Unearned revenue	1,109,995	21,420,520	22,530,515
Other liabilities	-	6,057,327	6,057,327
Noncurrent liabilities:			
Due within one year	7,103,778	2,820,272	9,924,050
Due in more than one year	54,960,717	166,533,597	221,494,314
Total liabilities	71,945,322	234,838,565	306,783,887
Net Assets			
Invested In capital assets, net of related debt	139,025,810	252,616,203	391,642,013
Restricted for:			
Transportation	5,728,102	-	5,728,102
Capital projects	5,734,637	21,817,318	27,551,955
Debt service	3,230,000	1,670,000	4,900,000
Development district improvements	3,391,665	-	3,391,665
Public safety	2,492,646	-	2,492,646
Grants	209,509	-	209,509
Inventory/prepaids	296,457	-	296,457
Unrestricted	66,879,269	58,444,825	125,324,094
Total net assets	$ 226,988,095	$ 334,548,346	$ 561,536,441

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, 2011

		Program Revenues		
Functions/Programs	**Expenses**	**Charges For Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 24,264,441	$ 11,554,007	$ 1,477,201	$ 1,474,530
Public safety	38,347,627	8,132,401	1,649,197	-
Physical environment	2,926,147	-	-	-
Transportation	15,289,841	-	677,554	-
Economic environment	1,693,471	29,006	909,168	-
Human services	344,194	-	-	-
Culture and recreation	5,688,221	393,910	55,183	-
Interest on long term debt	1,973,381	-	-	-
Total governmental activities	90,527,323	20,109,324	4,768,303	1,474,530
Business-type activities:				
Electric	141,265,888	139,919,007	200,775	225,297
Water and sewer	26,910,448	26,417,073	169,378	932,973
Sanitation	8,300,874	10,143,158	-	-
Municipal golf courses	1,864,304	1,167,391	-	-
International airport	1,319,583	727,728	-	1,424,227
Communications	1,918,905	2,297,997	-	-
Suntran	2,552,321	357,467	1,714,587	-
Total business-type activities	$ 184,132,323	$ 181,029,821	$ 2,084,740	$ 2,582,497

General Revenues:
- Taxes
- State shared revenues - unrestricted
- Investment income
- Miscellaneous

Transfers
- Transfers

Total general revenues and transfers
Change In net assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Change In Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (9,758,703)	$ -	$ (9,758,703)
(28,566,029)	-	(28,566,029)
(2,926,147)	-	(2,926,147)
(14,612,287)	-	(14,612,287)
(755,297)	-	(755,297)
(344,194)	-	(344,194)
(5,239,128)	-	(5,239,128)
(1,973,381)	-	(1,973,381)
(64,175,166)	-	(64,175,166)
-	(920,809)	(920,809)
-	608,976	608,976
-	1,842,284	1,842,284
-	(696,913)	(696,913)
-	832,372	832,372
-	379,092	379,092
-	(480,267)	(480,267)
-	1,564,735	1,564,735
38,305,533		38,305,533
4,250,585	-	4,250,585
1,504,673	2,643,391	4,148,064
1,521,444	-	1,521,444
14,072,349	(14,072,349)	-
59,654,584	(11,428,958)	48,225,626
(4,520,582)	(9,864,223)	(14,384,805)
231,508,677	344,412,569	575,921,246
$ 226,988,095	$ 334,548,346	$ 561,536,441

CITY OF OCALA, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	$ 2,435	$ 2	$ 2,437
Equity in pooled cash fund	41,627,017	25,728,719	67,355,736
Accounts and notes receivable	272,050	-	272,050
Accrued interest receivable	142,285	68,642	210,927
Due from other funds	1,552,445	510,497	2,062,942
Due from other governments	1,989,483	945,254	2,934,737
Prepaids	87,277	-	87,277
Inventories	209,180	-	209,180
Other assets	4,368	-	4,368
Total assets	45,886,540	27,253,114	73,139,654
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	4,396,736	1,953,541	6,350,277
Unearned revenue	353,566	753,952	1,107,518
Total liabilities	4,750,302	2,707,493	7,457,795
Fund Balances:			
Nonspendable	296,457	-	296,457
Restricted	2,623,303	19,147,131	21,770,434
Committed	2,757,930	5,398,490	8,156,420
Assigned	20,392,709	-	20,392,709
Unassigned	15,065,839	-	15,065,839
Total fund balances	41,136,238	24,545,621	65,681,859
Total liabilities and fund balances	$ 45,886,540	$ 27,253,114	$ 73,139,654

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, 2011

Total fund balances of governmental funds	$ 65,681,859
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 $ 379,559,763 and the accumulated depreciation is $ 206,372,370.	173,187,393
The net pension asset is an asset for the government-wide statement of net assets. A net pension asset is not considered to represent a financial asset and, therefore, is not reported in the governmental funds.	6,634,250
The internal service fund is used by management to charge the costs of fleet & facilities management and risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	32,851,572
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	(44,815,000)
Less: Deferred charge on refunding (to be amortized as interest expense).	204,796
Deferred charge for issuance costs (to be amortized over life of debt)	530,407
Bond (premium) discount (to be amortized over life of debt)	(351,151)
Accrued interest payable	(983,873)
Compensated absences	(4,671,125)
OPEB liability payable	(1,281,033)
Total net assets of governmental activities	$ 226,988,095

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, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 33,097,521	$ 5,208,012	$ 38,305,533
State shared revenues	4,250,585	-	4,250,585
Intergovernmental revenues	4,650,308	1,592,525	6,242,833
Permits and fees	2,127,999	-	2,127,999
Fines and forfeitures	493,956	-	493,956
Charges for services	12,879,710	4,607,659	17,487,369
Investment income	671,588	356,779	1,028,367
Miscellaneous	1,383,855	137,589	1,521,444
Total revenues	59,555,522	11,902,564	71,458,086
Expenditures			
Current:			
General government	18,151,799	1,372,564	19,524,363
Public safety	35,713,344	-	35,713,344
Physical environment	-	2,540,183	2,540,183
Transportation	4,634,627	3,206,560	7,841,187
Economic environment	1,421,859	201,657	1,623,516
Human services	252,015	-	252,015
Culture and recreation	5,018,121	104,581	5,122,702
Capital outlay	1,835,064	5,198,893	7,033,957
Debt service:			
Principal payments	-	3,135,000	3,135,000
Interest and fees	3,290	2,020,031	2,023,321
Total expenditures	67,030,119	17,779,469	84,809,588
Excess (deficiency) of revenues over expenditures	(7,474,597)	(5,876,905)	(13,351,502)
Other financing sources (uses)			
Transfers in-Economic Improvement Program	2,773,204	-	2,773,204
Transfers in	10,185,024	6,186,392	16,371,416
Transfers out	(3,352,541)	(2,526,878)	(5,879,419)
Total other financing sources (uses)	9,605,687	3,659,514	13,265,201
Net change In fund balances	2,131,090	(2,217,391)	(86,301)
Fund balances - beginning	39,005,148	26,763,012	65,768,160
Fund balances - ending	$ 41,136,238	$ 24,545,621	$ 65,681,859

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ (86,301)
Governmental funds report capital purchases as expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which depreciation expense of $9,646,594 exceeded capital purchases of $4,978,301	(4,668,293)
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:	
Principal repayments:	
Bonds and Certificates	3,135,000
Amortization of bond discount, premium, issuance costs and deferred amounts on refunding	10,064
Some expenses reported in the statement of activities such as compensated absences, accrued interest and OPEB liability payable, do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Compensated absences	(1,161,832)
Accrued interest on long term debt	49,334
OPEB liability payable	(356,016)
A net pension asset does not represent a use of current financial resources and, therefore, is not an asset for the governmental funds. Payments made contributing to the net pension asset are therefore expenditures for the governmental funds. In the statement of net assets, however, these payments increase the net pension asset.	(392,611)
The internal service fund is used by management to charge the costs of activities that benefit the entire government. The net income (expense) of the internal service fund is reported with governmental activities.	(1,049,927)
Change in net assets of governmental activities	$ (4,520,582)

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, 2011

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Assets				
Current Assets:				
Cash and investments	$ 2,750	$ 250	$ 175	$ 920
Equity in pooled cash and investment fund	30,605,464	32,593,644	5,827,717	161,368
Restricted assets available for current liabilities	2,172,913	4,605,141	-	-
Accounts and notes receivable	13,840,997	2,888	-	19,777
Accrued interest receivable	133,701	104,831	18,441	769
Accrued unbilled revenues	9,174,832	-	-	-
Due from other funds	-	3,090,298	1,084,310	-
Prepaids	295,089	-	-	19,172
Inventories	4,758,952	925,769	-	22,484
Due from other governments	-	-	-	-
Other current assets	-	117,076	-	-
Total current assets	60,984,698	41,439,897	6,930,643	224,490
Noncurrent Assets:				
Restricted Assets:				
Cash and investments:				
Crystal river decommissioning trust	9,534,741	-	-	-
Equity in pooled cash and investment fund:				
Construction accounts	17,612,476	12,956,973	-	-
Debt service accounts	1,986,005	3,078,580	-	-
Impact fee accounts	-	16,047,841	-	-
Rate stabilization	20,990,192	-	-	-
Renewal and replacement	2,105,476	3,982,744	-	-
Accrued interest receivable:				
Construction accounts	50,918	35,314	-	-
Impact fee accounts	-	49,450	-	-
Renewal and replacement	29,095	10,542	-	-
Less: Portion classified as current	(2,172,913)	(4,605,141)	-	-
Total restricted assets	50,135,990	31,556,303	-	-
Issuance costs on long-term debt	671,531	1,022,352	-	-
Capital assets, net:				
Land	6,074,305	11,059,074	22,359	394,678
Buildings	4,480,018	2,246,733	686,280	879,554
Improvements other than buildings	116,136,908	184,222,110	3,835	3,352,614
Machinery and equipment	2,978,297	946,471	457,477	14,139
Construction in process	6,239,275	3,011,318	-	-
Total capital assets (net)	135,908,803	201,485,706	1,169,951	4,640,985
Total noncurrent assets	186,716,324	234,064,361	1,169,951	4,640,985
Total assets	$ 247,701,022	$ 275,504,258	$ 8,100,594	$ 4,865,475

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

ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
Ocala International Airport	Communi-cations	SunTran	Total	Internal Service Funds
$ 100	$ -	$ 100	$ 4,295	$ -
626,036	3,881,870	8,549	73,704,648	31,881,834
-	-	-	6,778,054	-
47,080	4,131	11,650	13,926,523	38,206
2,565	12,551	-	272,858	101,328
-	-	-	9,174,832	-
-	89,553	-	4,264,161	-
440	5,000	-	319,701	-
-	76,256	-	5,783,461	-
186,379	-	858,221	1,044,600	-
-	-	-	117,076	-
862,600	4,069,361	878,520	115,390,209	32,021,368
-	-	-	9,534,741	-
-	-	-	30,569,449	-
-	-	-	5,064,585	-
-	-	-	16,047,841	-
-	-	-	20,990,192	-
-	-	-	6,088,220	-
-	-	-	86,232	-
-	-	-	49,450	-
-	-	-	39,637	-
-	-	-	(6,778,054)	-
-	-	-	81,692,293	-
-	-	-	1,693,883	-
5,867,566	-	-	23,417,982	-
5,144,770	-	1,231,922	14,669,277	-
12,754,649	4,924,343	-	321,394,459	284,578
56,088	76,034	1,939,135	6,467,641	13,135,767
1,683,299	54,378	-	10,988,270	-
25,506,372	5,054,755	3,171,057	376,937,629	13,420,345
25,506,372	5,054,755	3,171,057	460,323,805	13,420,345
$ 26,368,972	$ 9,124,116	$ 4,049,577	$ 575,714,014	$ 45,441,713

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Liabilities				
Current Liabilities:				
Payable from unrestricted assets:				
Accounts payable and accrued liabilities	$ 11,051,395	$ 417,711	$ 406,939	$ 177,274
Deferred cost of power adjustment	20,458,348	-	-	-
Claims payable	-	-	-	-
Compensated absences payable	651,564	269,015	181,265	2,976
Due to other funds	5,764,929	-	-	-
Customer deposits	6,023,351	-	-	7,673
Unearned revenue	7,928	-	-	2,920
Total current liabilities payable from unrestricted assets	43,957,515	686,726	588,204	190,843
Payable from restricted assets:				
Accounts payable and accrued liabilities	186,908	1,118,731	-	-
Accrued interest payable	1,356,005	2,038,580	-	-
Unearned revenue	-	407,830	-	-
Revenue bonds payable within one year	630,000	1,040,000	-	-
Total current liabilities payable from restricted assets	2,172,913	4,605,141	-	-
Total current liabilities	46,130,428	5,291,867	588,204	190,843
Noncurrent Liabilities:				
Nuclear decommissioning costs	9,534,741	-	-	-
Compensated absences payable	725,904	311,698	262,662	1,513
Capital lease payable	-	-	-	-
OPEB obligation payable	317,332	145,299	152,280	14,928
Unearned revenue-rate stabilization	20,990,192	-	-	-
Revenue bonds and notes payable after one year	57,404,392	97,596,598	-	-
Total noncurrent liabilities	88,972,561	98,053,595	414,942	16,441
Total liabilities	135,102,989	103,345,462	1,003,146	207,284
Net Assets				
Invested in capital assets, net of related debt	96,209,336	116,863,747	1,169,951	4,640,985
Restricted for debt service	630,000	1,040,000	-	-
Restricted for capital projects	2,134,571	19,682,747	-	-
Unrestricted (accumulated deficit)	13,624,126	34,572,302	5,927,497	17,206
Total net assets	$ 112,598,033	$ 172,158,796	$ 7,097,448	$ 4,658,191

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

ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
Ocala International Airport	Communi-cations	SunTran	Total	Internal Service Funds
$ 256,599	$ 44,684	$ 493,675	$ 12,848,277	$ 1,436,682
-	-	-	20,458,348	-
-	-	-	-	8,000,000
13,532	31,920	-	1,150,272	-
-	-	562,174	6,327,103	-
26,303	-	-	6,057,327	-
-	-	11,650	22,498	2,477
296,434	76,604	1,067,499	46,863,825	9,439,159
-	-	-	1,305,639	-
-	-	-	3,394,585	-
-	-	-	407,830	-
-	-	-	1,670,000	-
-	-	-	6,778,054	-
296,434	76,604	1,067,499	53,641,879	9,439,159
-	-	-	9,534,741	-
12,768	32,458	-	1,347,003	-
-	-	-	-	3,150,982
9,013	12,011	-	650,863	-
	-	-	20,990,192	
-	-	-	155,000,990	-
21,781	44,469	-	187,523,789	3,150,982
318,215	121,073	1,067,499	241,165,668	12,590,141
25,506,372	5,054,755	3,171,057	252,616,203	10,269,363
-	-	-	1,670,000	-
-	-	-	21,817,318	-
544,385	3,948,288	(188,979)	58,444,825	22,582,209
$ 26,050,757	$ 9,003,043	$ 2,982,078	$ 334,548,346	$ 32,851,572

CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Operating Revenues:				
Charges for services	$ 142,884,260	$ 26,354,472	$ 10,109,678	$ 1,109,514
Less: Rate stabilization transfer	(5,490,192)	-	-	-
Other	2,524,939	62,601	33,480	57,877
Total operating revenues	139,919,007	26,417,073	10,143,158	1,167,391
Operating Expenses:				
Purchase of electricity	102,902,219	-	-	-
Distribution	14,529,812	2,154,086	-	-
Operation and maintenance	4,451,564	-	7,742,790	1,076,005
Water and sewer treatment	-	5,621,202	-	-
Sewer collection	-	2,670,962	-	-
Internal service	-	-	-	-
Administration	5,813,802	3,377,476	439,032	283,651
Depreciation and amortization	7,607,938	9,302,263	119,052	504,648
Other	3,840,703	139,800	-	-
Total operating expenses	139,146,038	23,265,789	8,300,874	1,864,304
Operating income (loss)	772,969	3,151,284	1,842,284	(696,913)
Non-Operating Revenues (Expenses):				
Investment income	1,405,378	1,077,308	88,277	2,908
Interest expense	(2,119,850)	(3,644,659)	-	-
Other non-operating revenue	200,775	169,378	-	-
Total non-operating revenues (expenses)	(513,697)	(2,397,973)	88,277	2,908
Income (loss) before capital contributions and transfers	259,272	753,311	1,930,561	(694,005)
Capital Contributions	225,297	932,973	-	-
Transfers:				
Transfers in	531,489	-	-	66,000
Transfers out-Economic Impv Program	(2,773,204)	-	-	-
Transfers out	(9,765,014)	(912,155)	(632,407)	(173,000)
Total transfers	(12,006,729)	(912,155)	(632,407)	(107,000)
Change in net assets	(11,522,160)	774,129	1,298,154	(801,005)
Net assets - beginning	124,120,193	171,384,667	5,799,294	5,459,196
Net assets - ending	$ 112,598,033	$ 172,158,796	$ 7,097,448	$ 4,658,191

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

ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
Ocala International Airport	Communi-cations	SunTran	Total	Internal Service Funds
$ 722,099	$ 2,289,980	$ 330,266	$ 183,800,269	$ 12,746,821
-	-	-	(5,490,192)	-
5,629	8,017	27,201	2,719,744	1,676,312
727,728	2,297,997	357,467	181,029,821	14,423,133
-	-	-	102,902,219	-
-	-	-	16,683,898	-
615,134	1,458,672	2,338,861	17,683,026	-
-	-	-	5,621,202	-
-	-	-	2,670,962	-
-	-	-	-	14,826,680
89,239	69,527	-	10,072,727	-
615,210	383,923	213,460	18,746,494	1,929,834
-	6,783	-	3,987,286	-
1,319,583	1,918,905	2,552,321	178,367,814	16,756,514
(591,855)	379,092	(2,194,854)	2,662,007	(2,333,381)
12,046	57,474	-	2,643,391	476,306
-	-	-	(5,764,509)	-
-	-	1,714,587	2,084,740	-
12,046	57,474	1,714,587	(1,036,378)	476,306
(579,809)	436,566	(480,267)	1,625,629	(1,857,075)
1,424,227	-	-	2,582,497	-
68,008	-	411,483	1,076,980	1,408,978
-	-	-	(2,773,204)	-
(527,809)	(365,740)	-	(12,376,125)	(601,830)
(459,801)	(365,740)	411,483	(14,072,349)	807,148
384,617	70,826	(68,784)	(9,864,223)	(1,049,927)
25,666,140	8,932,217	3,050,862	344,412,569	33,901,499
$ 26,050,757	$ 9,003,043	$ 2,982,078	$ 334,548,346	$ 32,851,572

CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Cash Flows from Operating Activities:				
Cash received from customers	$ 158,123,603	$ 28,785,042	$ 9,602,000	$ 1,136,621
Cash paid to suppliers for goods and services	(116,538,407)	(7,742,383)	(4,542,219)	(1,033,575)
Cash paid to employees for services	(12,830,061)	(5,443,529)	(3,893,636)	(223,413)
Net cash provided by (used in) operating activities	28,755,135	15,599,130	1,166,145	(120,367)
Cash Flows from Non-Capital Financing Activities:				
Transfers in	531,488	-	-	66,000
Transfers out	(12,538,218)	(912,155)	(632,407)	(173,000)
Operating grants	-	-	-	-
Principal received on loans to other funds	54,143	-	-	-
Principal paid on loans from other funds	-	-	-	-
Net cash provided by (used in) non-capital financing activities	(11,952,587)	(912,155)	(632,407)	(107,000)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of bonds	-	13,875,000	-	-
Bond issuance costs	-	38,538	-	-
Principal paid on bonds and notes	(610,000)	(20,650,000)	-	-
Interest paid on bonds and notes	(2,233,055)	(4,236,026)	-	-
Proceeds from sale of capital assets	7,502	78,342	-	-
Acquisition and construction of capital assets	(3,773,445)	(8,611,688)	-	-
Contributions received from other governments and developers	461,893	20,629	-	-
Net cash provided by (used in) capital and related financing activities	(6,147,105)	(19,485,205)	-	-
Cash Flows from Investing Activities:				
Purchase of investments	(860)	(1,000)	-	-
Proceeds from sales and maturities of investments	3,367,093	6,370,770	-	-
Investment income	1,277,568	1,242,135	98,649	2,139
Net cash provided by investing activities	4,643,801	7,611,905	98,649	2,139
Net increase (decrease) in cash and cash equivalents	15,299,244	2,813,675	632,387	(225,228)
Cash and cash equivalents, beginning	57,707,795	65,846,357	5,195,505	387,516
Cash and cash equivalents, ending	$ 73,007,039	$ 68,660,032	$ 5,827,892	$ 162,288

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

ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
Ocala International Airport	Communi-cations	SunTran	Total	Internal Service Funds
$ 680,207	$ 2,204,314	$ 357,467	$ 200,889,254	$ 12,848,228
(108,628)	(959,363)	(3,352,797)	(134,277,372)	(8,883,660)
(352,695)	(644,401)	(5,634)	(23,393,369)	(12,574)
218,884	600,550	(3,000,964)	43,218,513	3,951,994
68,008	-	411,484	1,076,980	1,408,978
(527,809)	(365,740)	-	(15,149,329)	(601,830)
-	-	2,744,953	2,744,953	-
-	-	-	54,143	-
(1,447,157)	-	-	(1,447,157)	-
(1,906,958)	(365,740)	3,156,437	(12,720,410)	807,148
-	-	-	13,875,000	-
-	-	-	38,538	-
-	-	-	(21,260,000)	-
-	-	-	(6,469,081)	-
-	-	-	85,844	122,650
(1,548,961)	(346,899)	(146,924)	(14,427,917)	(2,481,781)
1,494,282	-	-	1,976,804	-
(54,679)	(346,899)	(146,924)	(26,180,812)	(2,359,131)
-	-	-	(1,860)	-
-	-	-	9,737,863	-
21,117	67,797	-	2,709,405	552,525
21,117	67,797	-	12,445,408	552,525
(1,721,636)	(44,292)	8,549	16,762,699	2,952,536
2,347,772	3,926,162	100	135,411,207	28,929,298
$ 626,136	$ 3,881,870	$ 8,649	$ 152,173,906	$ 31,881,834

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Total current cash and investments per the balance sheet	$ 30,608,214	$ 32,593,894	$ 5,827,892	$ 162,288
Total noncurrent cash and investments per the balance sheet	52,228,890	36,066,138	-	-
Total cash and investments	82,837,104	68,660,032	5,827,892	162,288
Less: Investments not meeting the definition of cash equivalents	(9,830,065)	-	-	-
Cash and cash equivalents, end of year	73,007,039	68,660,032	5,827,892	162,288
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	772,969	3,151,284	1,842,284	(696,913)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation	7,663,058	9,287,930	119,052	504,648
Amortization	(55,120)	14,333	-	-
Loss(gain) on capital asset disposal	26,145	-	-	-
(Increase) decrease in assets:				
Accounts and notes receivable	1,560,182	(29,505)	2,613	3,259
Accrued unbilled revenue	4,617,029	-	-	-
Due from other funds	-	2,653,831	(543,773)	-
Inventories	180,030	(237,170)	-	4,285
Due from other governments	151,534	-	-	-
Other current assets	(48,418)	(70,349)	-	262
Increase (decrease) in liabilities:				
Accounts payable	3,572,038	576,522	(414,544)	61,576
Compensated absences payable	393,912	230,414	109,626	1,962
OPEB obligation payable	89,605	40,378	50,887	553
Due to other funds	3,073,770	-	-	-
Customer deposits	938,789	-	-	-
Unearned revenue	5,490,192	(18,538)	-	-
Nuclear decommissioning costs	329,420	-	-	-
Net cash provided by (used in) operating activities	$ 28,755,135	$ 15,599,130	$ 1,166,145	$ (120,368)
Noncash Capital and Related Financing Activities:				
Plant and equipment contributed by developers	$ 461,893	$ 20,629	$ -	$ -
Noncash Investing Activities:				
Change in fair value of investments	$ 17,778	$ 3,418	$ -	$ -

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

ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
Ocala International Airport	Communi-cations	SunTran	Total	Internal Service Funds
$ 626,136	$ 3,881,870	$ 8,649	$ 73,708,943	$ 31,881,834
-	-	-	88,295,028	-
626,136	3,881,870	8,649	162,003,971	31,881,834
-	-	-	(9,830,065)	-
626,136	3,881,870	8,649	152,173,906	31,881,834
(591,855)	379,092	(2,194,854)	2,662,007	(2,333,381)
615,210	383,923	213,460	18,787,281	1,813,082
-	-	-	(40,787)	-
-	297	-	26,442	25,697
(47,520)	(4,131)	(11,650)	1,473,248	101,407
-	-	-	4,617,029	-
-	(89,553)	-	2,020,505	-
-	(2,368)	-	(55,223)	-
-	-	-	151,534	-
-	(5,000)	-	(123,505)	857,356
226,099	(97,080)	(196,020)	3,728,591	3,492,909
14,738	32,051	-	782,703	-
2,212	3,319	-	186,954	(7,553)
-	-	(823,550)	2,250,220	-
-	-	-	938,789	-
-	-	11,650	5,483,304	2,477
-	-	-	329,420	-
$ 218,884	$ 600,550	$ (3,000,964)	$ 43,218,512	$ 3,951,994
$ -	$ -	$ -	$ 482,522	$ -
$ -	$ -	$ -	$ 21,196	$ -

CITY OF OCALA, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	PENSION TRUST FUNDS
Assets	
Cash and cash equivalents	$ 7,536,144
Receivables:	
Interest and dividends receivable	189,029
Accounts receivable	34,110
Due from other governments	1,131
Total receivables	224,270
Investments, at fair value	139,538,269
Total assets	147,298,683
Liabilities	
Accounts payable	9,430,628
Total liabilities	9,430,628
Net assets held in trust for pension benefits	$ 137,868,055

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, 2011

	PENSION TRUST FUNDS
Additions	
Contributions:	
Employer	$ 12,856,702
State	822,567
Employee	3,702,565
Total contributions	17,381,834
Investment income:	
Investment gain	870,302
Less: Investment management fees	(670,516)
Net investment gain	199,786
Total additions	17,581,620
Deductions	
Pension payments	14,609,829
Refunds to employees	153,697
Administration	291,287
Total deductions	15,054,813
Net (decrease)	2,526,807
Net assets held in trust for pension benefits - beginning	135,341,248
Net assets held in trust for pension benefits -ending	$ 137,868,055

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City Of Ocala (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement 20 *Accounting and Financial Reporting for Proprietary funds and other Government Entities that use Proprietary Fund Accounting.* The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these policies are described below.

A. REPORTING ENTITY

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

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

1. *Blended Component Unit*

The Community Redevelopment Agency (CRA) was created pursuant to Chapter 163.356, Florida Statutes, City Ordinance 2009 and City Resolutions 88-37, 88-52 and 89-44. The City Council serves as the CRA Board. Although legally separate, the CRA is appropriately blended as a governmental fund type component unit into the primary government. 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.

2. *Related Organizations*

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

Ocala Housing Authority (OHA) - Although the City is responsible for appointing the OHA's board, the City does not exercise the other prerequisites for inclusion as a component unit. The City's accountability for this organization does not extend beyond making these appointments. The OHA was established in 1973 and is funded primarily by the United States Department of Housing and Urban Development. The OHA service area is Marion County. The OHA assists over 1,200 low-income families, seniors and persons with disabilities and also

manages four housing developments, containing 185 units. It currently controls 1.492 rental units of which 228 are located within the City of Ocala. The annual operating budget (for the fiscal year ended September 30, 2011) was $11,298,878 of which the Federal Government provided $ 10,969,149.

B. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

- Enterprise Funds
- Internal Service Fund

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

- Pension Trust Funds

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension trust funds within the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

Ad Valorem Taxes	*Intergovernmental Revenue*
Sales & Franchise Taxes	*Interest Earned*

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

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

Fees	*Licenses and Permits*
Miscellaneous Charges	*Rents*

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

.

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major governmental funds are combined in a single column in the fund financial statements and detailed in the combining statements section.

The City reports one major governmental fund:

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

The City reports seven major proprietary funds:

The Electric System Revenue Fund accounts for the construction, operation and maintenance of the City-owned portion of CR-3 and the City-owned electric system as well as sales of electricity and other services to the general public. Electricity rates charged to customers are set by the City Council within the rate structure established by the Florida Public Service Commission.

The Water and Sewer System Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water, along with the collection,

treatment and disposal of sewage waste with the City. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges.

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

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

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

The Communications Fund accounts for the construction, operations and maintenance of the City's broadband communications (fiber optics) network.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The principal operating revenues for the City's internal service funds related to general insurance and fleet and facilities management are charges to other funds for sales and services. For the internal service fund related to health insurance, the principal operating revenues are employer and employee contributions. Operating expense for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, depreciation on capital assets, and benefits paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Additionally, the City reports the following fund types:

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

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

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

Internal Service Funds account for the activities of the City's risk management and fleet and facilities management. The City's risk management program includes amounts collected and the claims paid for workers' compensation, property, general liability, health, dental and prescription medicine self-insurance.

The fleet and facilities management fund is charged with acquiring and maintaining of approximately 930 units of gas-driven vehicles and equipment, as well as approximately 100 facilities.

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

D. BUDGETARY DATA

1. *Budgeting Policy*

An annual budget is prepared for all governmental and proprietary funds. The City Council annually adopts the budget through a Budget Resolution. Budgetary control is legally maintained at the fund level. The budget amounts presented in the accompanying financial statements for the governmental funds are as originally adopted, or as legally amended, by the City Council during the year ended September 30, 2011.

The City's Budget Resolution provides transfer authority to the City Manager to transfer budgeted amounts between departments within any fund; however, any budget amendments that alter the total expenditures of any fund must be approved by the City Council. During 2011, 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, 2011, no expenditures exceeded the budget at the fund level.

2. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable budget appropriation, is utilized by the governmental funds of the City. Encumbrances lapse at year end.

E. ASSETS, LIABILITIES, AND FUND EQUITY

1. *Cash & Cash Equivalents*

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

2. *Equity in Pooled Cash Investments*

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

3. *Investments*

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

4. *Accounts Receivable*

Accounts receivable are recorded in the Governmental, Business-type, and Fiduciary funds. Where appropriate, an associated allowance for doubtful accounts has been established in the related fund. As of September 30, 2011 the allowance for doubtful accounts in the Governmental and Business-type funds was $121,622 and $1,577,328, respectively. Utility receivables are shown net of the allowance for uncollectible accounts. For the most part, receivables and the related revenues are recognized when determined and billed – either for services rendered, grant entitlements, or reimbursements due, or otherwise measurable and available. Utility service receivables are recorded at year end for services rendered but unbilled.

5. *Due From/Due to Other Funds*

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

6. *Inventories and Prepaid Items*

All City inventories, excluding golf, are maintained on a consumptions basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Golf inventory is expensed as purchased and after year-end inventory is adjusted on balance sheet. Inventories held by the General Fund consist of maintenance supplies. Inventories included in the Enterprise Funds consists of chemicals, fuels, food concessions, golf retail merchandise, and equipment and supplies held for maintenance use or for capital improvements and are stated at the lower of average cost or market. Obsolete and unusable items have been reduced to estimated salvage values. Allowances for obsolete or unusable items have been set at 7.5% of inventory values and are as follows:

Golf	$ (1,823)
Water & Sewer	(75,062)
Electric	(385,861)
Communcations	(6,183)
Fleet and Facilities	(16,869)
Recreation	(92)

Certain payments to vendors for services that will benefit periods beyond September 30, 2011 are recorded as prepaid items and are recorded as prepaid items in both the government-wide and fund financial statements.

7. *Restricted Assets*

Certain proceeds of the City’s revenue bonds (enterprise funds), as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants or other legal agreements. The revenue bond debt service funds are used to segregate resources accumulated for debt service payments over the next twelve months. The renewal and replacement funds are used to report resources set aside to meet unexpected contingencies or to fund asset

renewals and replacements. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project of replacement equipment acquisition.

8. *Capital Assets*

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

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. For intangible assets, the capital outlay must be greater than $5,000. For software costs, the capital outlay must be greater than $5,000 per user license. Other costs incurred for repairs and maintenance are expensed as incurred. Amortization of intangible assets including software costs is included with depreciation expense in the financial statements.

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

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

	YEARS
Buildings	15-40
Improvements Other than Buildings	20-30
Machinery and Equipment	5-15
Infrastructure	15-40

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

Capitalization of Interest

In accordance with FASB Statement No. 62, the Electric and Water and Sewer System enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. For the year ended September 30, 2011, capitalization of net interest costs was as follows:

	Water and Sewer System	Electric System	Total
Interest expense	$ 1,533,618	$ 594,935	$ 2,128,553
Amortization of bond issuance costs	(45,077)	(15,061)	(60,138)
Interest income	(8,503)	(169,707)	(178,210)
Increase in construction in progress	$ 1,480,038	$ 410,167	$ 1,890,205

Capital Leases and Installment Purchase Contracts - The acquisition or construction of general capital assets under a capital lease agreement or installment purchase contract is recognized as an expenditure and other financing source and principal and interest expenditures in the governmental funds. Property and equipment and the liabilities associated with capital leases and installment purchase contracts of proprietary funds are accounted for and reported in the financial statements of the respective proprietary fund.

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

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

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

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

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

11. *Deferred Revenue*

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

12. *Self-Insurance Claims*

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

13. *Compensated Absences*

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

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

14. *Interfund Activity*

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

15. *Accrued Revenue*

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

16. *Rate Stabilization Account*

A Rate Stabilization account was created by the City which allows current income to be deferred to a future time in order to stabilize electric rates. The City implemented the accounting standard formerly known as the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 71 (SFAS 71), which allows for the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process. Deferred revenues are recorded as Net Power Costs Recovered in Advance or Net Power Costs Recoverable from Future Billings. The revenues are set aside for rate stabilization and revenue is recognized from the deferred revenue account as rate stabilization funds are used to “stabilize” the customers’ utility bills.

17. *Deferred Cost of Power Adjustment*

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

18. *Cost Allocations*

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

The City's General Fund also incurs certain expenditures on behalf of other funds 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.

19. *Fund Equity*

The City implemented the provisions of GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in 2011, as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement

establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

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

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

Unrestricted:

Committed – This fund balance represent amounts that have internally imposed restrictions mandated by formal action of the government's highest level of decision-making authority. These amounts cannot be used for other purposes unless the same type of formal action is taken by the highest level of decision-making authority to reverse or modify the previously imposed restriction.

Assigned – This fund balance reports amounts that are constrained by the government's intent that they will be used for specific purposes. Decision-making with regard to these amounts may be made by a committee or other governmental official.

Unassigned – This fund balance is the residual fund balance for the General Fund. It reflects the resources that are available for further appropriation and expenditure for general governmental purposes. There is an exception to the use of this fund. If there is a negative fund balance in the Special Revenue, Capital Project or Debt Service due to expenditures incurred exceeding the amounts restricted, committed or assigned for specific purposes in these funds, then it is possible that those funds would report a negative Unassigned Fund Balance.

Fund balance details are as follows:

Fund Balance Details

NONSPENDABLE			
Inventory	$ 87,277		
Prepaids	209,180		
Total Nonspendable			$ 296,457
RESTRICTED			
Transportation			
Gas Tax Revenues from State	5,728,102	$ 5,728,102	
Capital Projects			
Bond Proceeds -Cap Impv Bonds 2002	1,747,868		
Bond Proceeds -Cap Impv Bonds 2007A	3,986,771	5,734,639	
Debt Service			
Resv for Cap Impv Bonds 2007A	350,103		
Resv for Cap Impv Bonds 2003	973,284		
Resv for Cap Impv Bonds 2002	850,453		
Resv for Optional Gas Tax Bonds 2002	1,816,145		
Resv for Cap Impv Bonds 2007B	223,888	4,213,873	
Public Safety			
Fire Impact Fees	533,407		
Police Automation	662,933		
Police Education & Training	196,731		
Local Confiscations	223,787		
Federal Confiscations	441,328		
Reserves for Public Safety Programs	434,460	2,492,646	
Development District Improvements			
Downtown Development Board	249,043		
Community Redevelopment Trust	3,142,622	3,391,665	
Grants			
Reserves for Tree Mitigation	122,841		
State Housing Impv Project (SHIP)	78,853		
Transportation Planning Organization (TPO)	6,781		
Community Development Block Grant (CDBG)	1,034	209,509	
Total Restricted			21,770,434
UNRESTRICTED			
Committed			
Stormwater Utility	5,398,489		
Payroll	21,907		
Economic Improvement Progam	2,736,024		
Total Committed		8,156,420	
Assigned			
Subsequent year budget	5,944,341		
Public safety-reserve for special investigations	20,776		
Reserves for Fire/Streets/Sidewalks	14,427,592		
Total Assigned		20,392,709	
Unassigned		15,065,839	
Total Unrestricted			43,614,968
Total Fund Balances			$ 65,681,859

F. REVENUES, EXPENDITURES, AND EXPENSES

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

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

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

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

1. *Property Taxes*

The City is permitted under its charter to levy taxes up to $10 per $1,000 of assessed valuation for general government services other than the payment of principal and interest on general long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. Additional taxes assessed for the payment of general long-term debt issues of the City must be approved by the public. The tax rate assessed by the City for the year ended September 30, 2011 was $5.6183 per $1,000 of assessed property value. Current tax collections (inclusive of legally available early payment discounts) for the City were approximately 96.9% of the total tax levy. The property tax calendar provides for the tax revenue to be billed and collected within the applicable fiscal year.

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

The property tax calendar for revenues billed, received, and accrued for fiscal year ended September 30, 2011 is shown as follows:

Lien Date	January 1, 2010
Certification of Taxable Value	July 1, 2010
Final public hearing to adopt proposed millage rate	September 21, 2010
Certification of final Taxable Value	October 6, 2010
Beginning of fiscal year for tax assessment	October 1, 2010

Tax bills rendered	November 1, 2010
Property Tax Payable:	
Maximum Discount by	November 30, 2010
Due Date	March 31, 2011
Delinquent on	April 1, 2011
Tax Certificates issued for delinquent taxes by	May 31, 2011

2. *Operating Subsidies, Grants, and Impact Fees*

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

Capital grants received by proprietary funds are also recorded as revenues and receivables when reimbursable project costs are incurred or as deferred credits if the grant money is received in advance of project expenditures.

Subsidies and grants to proprietary funds, which finance either capital or current operations, are recorded as non-operating revenue when earned.

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

The City has no excess of expenditures over appropriations in the General Fund or major special revenue funds.

The non-major governmental funds may reflect immaterial excesses of expenditures over appropriations (less than $15,000)

NOTE 3 - DETAIL NOTES –ALL FUNDS

A. ASSETS

1. *Pooling of Cash and Investments*

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

several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other City funds.

At September 30, 2011, the carrying amount of the City's deposits was $49,308,607. These deposits, consisting of interest bearing and non-interest bearing demand accounts, were entirely insured by federal depository insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of the City.

The city maintains a liquid pooled cash fund in order to meet its obligation needs. Funds not prohibited by bond covenants have pooled their cash balances in order to maximize investment earnings. The City's banking arrangement provides that the City will maintain a compensating/floor balance of $15 million which is used to offset any monthly direct service charges. During most of 2011, an interest rate floor was in place due to a low interest rate environment. As of September 30, 2011, the interest rate floor was .17%.

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 $35,490,865 is reported at amortized cost. The Florida PRIME investment pool had a weighted average days to maturity of 38 days as of September 30, 2011. Florida PRIME is rated AAAm by Standard & Poor’s. Details on Fund B are in the Investment Portfolio section of this note.

2. *Restricted Assets*

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

	Enterprise
Debt Service	$ 5,064,585
Capital Projects	46,752,972
Renewal and Replacement	6,127,857
Rate Stabilization	20,990,192
CR#3 Decommissioning Trust	9,534,741
Total Restricted Assets	$ 88,470,347

3. *Investments*

The City’s investment guidelines, except for pension fund and deferred compensation assets (see Notes on pages 13 and 20, respectively) are defined by City Ordinance and a written investment policy that is approved by the City Council. The investment policy specifies limits by instrument and issuer (within instrument) and establishes a diversified investment strategy, minimum credit quality, and authorized institutions available as counterparties. Implementation and direction of investment strategies, within policy limits, are established by an internal Investment Committee and managed by external money managers.

The fair values of the City’s fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in the fair values of those instruments.

Fair values of interest rate-sensitive instruments may also be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, duration of the instrument, and other general market conditions.

a. Derivatives

GASB Statement No. 53 (GASB 53), Accounting and Financial Reporting for Derivative Instruments established accounting and reporting requirements for derivative instruments. The City has no derivative investments in its portfolio at September 30, 2011. As noted below, the City has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized, but limited in use only if the Chief Financial Officer has sufficient understanding or expertise.

b. General Investment Guidelines

On December 8, 1992, as amended September 5, 1995 and further amended on April 5, 2011, the City of Ocala adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits, issuer limits, credit ratings requirements, and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds.

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

The City's investment policy also requires that investments be rated as follows: Corporate notes, State and local government debt, General obligation or revenue bonds rated A by Moody's or A by Standard & Poor's (S&P); Commercial paper rated at least Prime-1 by Moody's or A-1 by S&P; Mortgage and asset backed securities rated AAA or equivalent by Moody's or S&P; CMO's backed by an agency of the U.S. Government; Money market mutual funds comprised only of those investment instruments authorized in the policy. The City's policy does not require a minimum rating for U. S. Government securities, agencies or federal instrumentalities.

c. Third Party Portfolio Managers

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

Pool 1 (short-term investments) durations of 1 to 3 years,
Pool II (Short intermediate investments) durations of 1 to 5 years,
Pool III (Intermediate investments) durations of 3 to 5 years.

The City uses an independent advisor that provides performance measurement service, which (a) compares individual manager performances to their respective index monthly, (b) compares manager performance to their respective industry peer group quarterly, and (c) reviews portfolio compliance. Each manager has a goal of exceeding their respective benchmark, net of fees, over a market cycle.

Each manager has an individual policy limitation that, when combined, does not exceed 10% for each sector. The effective duration of the portfolio shall not exceed 120%, nor be less that 60% of the target benchmark.

The benchmarks for each portfolio were chosen to better reflect the investments held in the account. Pool I is measured against Bank of America Merrill Lynch 1-2 Year Unsubordinated U.S. Treasury/Agencies index, Pool II is benchmarked against Bank of America Merrill Lynch 1-5 Year Government/Corporate "A" rated and above index, and Pool III is compared to the Bank of America Merrill Lynch 1-10 Year Domestic Master "A" rated and above index.

POOL I – Short-Term Investments:

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	$ 12,400,326	1.03
Federal Agency Bond / Note	AA+	10,035,654	1.69
Mortgage Backed Pass-through Security	AA+	2,414,173	2.69
GNMA Collateralized Mortgage Obligation	AA+	573,344	0.82
Corporate Notes	AA	19,789,990	1.89
Commercial Paper	A-1	2,229,840	0.01
Municipal Bond / Note	AA+	1,028,000	3.83
Money Market Mutual Fund	AAAm	144,132	0.00
		$ 48,615,459	1.61

POOL II – Short Intermediate Investments:

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA	$ 14,827,590	2.20
Federal Agency Bond / Note	AA	16,863,722	2.32
Mortgage Backed Pass-through Security	AAA	1,484,771	2.28
Corporate Notes	A	33,647,025	3.50
Money Market Mutual Fund	A-1	1,919,813	0.08
		$ 68,742,921	2.81

POOL III – Intermediate Investments:

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	$ 11,504,526	3.96
Federal Agency Bond / Note	AA+	3,703,230	3.68
Mortgage Backed Securities	AA+	11,603,964	9.94
Corporate Notes	A	13,046,503	5.27
Commercial Paper	AAA	1,671,523	4.19
Municipal Bond / Note	AA+	318,851	0.67
Money Market Mutual Fund	A-1	7,270,819	0.00
		$ 49,119,416	5.10

d. Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value.

The City's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed seven (7) years. No more than 50% of the City's total investment portfolio shall be placed in securities maturing more than three years.

The City utilizes "effective duration" as a measurement of interest rate risk and as of September 30, 2011 the Treasury investment portfolio had an overall effective duration of 3.14 years. As of September 30, 2011, the Treasury investment portfolio had the following investment types and effective duration presented in terms of years:

Treasury Portfolio

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	$ 38,732,442	2.35
Federal Agency Bond / Note	AA	30,602,606	2.28
Mortgage Backed Pass-through Security	AA+	15,502,908	8.08
GNMA Collateralized Mortgage Obligation	AA+	573,344	0.82
Corporate Notes	A	66,483,518	3.37
Commercial Paper	A-1	3,901,363	2.36
Municipal Bond / Note	AA+	1,346,851	2.65
Money Market Mutual Fund	A-1	9,334,764	0.02
		$ 166,477,796	3.14

The federal instrumentalities pass-through securities or MBS/CMO 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, 2011 was $16,076,252 and is detailed in the following schedule:

Mortgage Obligations:

Security Type	Maturity Date	Fair Value	Average Life (Years)
FNMA MBS POOL #869247	3/1/2021	$ 290,555	3.00
GNMA MBS POOL #696538	8/1/2038	629,293	2.90
FHLMC MBS POOL# G04921	9/1/2038	1,494,325	2.54
GNMA MBS SERIES 2003-39	4/1/2032	573,344	0.82
FHLMC GOLD POOL - J02621	10/01/2020	257,004	0.37
FNMA POOL - 455341	02/01/2014	31,774	0.05
FNMA POOL - 611012	01/01/2017	121,609	0.18
FNMA POOL - 625996	01/01/2017	46,365	0.07
FNMA POOL - 896851	02/01/2022	323,341	0.47
FNMA POOL - 973905	03/01/2023	704,679	1.02
FEDERAL NAT'L MTGE ASSN POOL # 386638	12/01/2013	801,829	2.05
FEDERAL NAT'L MTGE ASSN POOL # 386802	01/01/2014	448,610	1.62
FEDERAL NAT'L MTGE ASSN POOL # 545378	12/01/2011	164,844	0.07
FEDERAL NAT'L MTGE ASSN POOL # 545547	03/01/2012	446,053	0.23
FEDERAL NAT'L MTGE ASSN POOL # 745061	03/01/2035	169,151	4.68
FEDERAL NAT'L MTGE ASSN POOL # 873612	06/01/2013	668,112	1.10
FEDERAL NAT'L MTGE ASSN POOL # 874123	12/01/2016	407,154	4.07
FEDERAL NAT'L MTGE ASSN POOL # 874207	01/01/2014	323,811	1.62
FEDERAL NAT'L MTGE ASSN POOL # 957225	04/01/2018	516,129	4.81
FHLMC PC GUAR ADJ 30YR	04/01/2034	45,106	5.62
FNMA PASS-THRU BLLN MULTI 7-	03/01/2014	506,423	1.86
FNMA PASS-THRU BLLN MULTI 7-	11/01/2015	478,516	2.05
FNMA PASS-THRU BLLN MULTI 7-	11/01/2015	316,774	3.48
FNMA PASS-THRU BLLN MULTI 7+	01/01/2015	508,754	2.45
FNMA PASS-THRU BLLN MULTI 7+	03/01/2015	457,881	2.62
FNMA PASS-THRU BLLN MULTI 7+	09/01/2015	394,805	3.06
FNMA PASS-THRU BLLN MULTI 7+	10/01/2019	1,493,440	6.02
FNMA PASS-THRU MEGA BLN 7	05/01/2016	820,964	3.83
FNMA PASS-THRU MEGA MULTI 7	12/01/2011	61,630	0.07
FNMA PASS-THRU MEGA MULTI 7	10/01/2013	247,282	1.70
FNMA PASS-THRU MEGA MULTI 7	09/01/2014	251,527	2.46
FNMA PASS-THRU MEGA MULTI 7	07/01/2016	334,908	3.74
FNMA PASS-THRU MEGA MULTI 7	08/01/2016	888,701	3.96
FNMA PASS-THRU SHRT 10 YEAR	04/01/2019	449,092	2.22
FNMA POOL #874333 5.62% DUE 02-01-2012	02/01/2012	284,846	0.39
FNMA REMIC TRUST 2009-37	04/25/2019	117,621	2.07
		$ 16,076,252	

In addition to the investment portfolio, the City has a Crystal River #3 Decommissioning Trust Fund. The balance as of September 30, 2011 was as follows:

CR #3 Decommissioning Trust:

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Cash	n/a	$ 5,818,606	n/a
Corporate Debt	AAA	2,613,138	0.76
Treasury Bill	AAA	1,102,997	1.20
Total		$ 9,534,741	0.35

The City's investment in Fund B Surplus Funds Trust Fund in the amount of $431,968 is reported at fair value. The Fund B Surplus Trust Funds investment pool had a weighted average life of 4.82 years as of September 30, 2011.

Total Funds Recap:

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Carrying Value of Cash	n/a	$ 49,308,607	n/a
Treasury Investment Portfolio	AAA\AA	166,477,796	3.14
SBA Fund B	not rated	431,968	4.82
SBA Florida PRIME	AAAm	35,490,865	38 Days
CR-3 Decommissioning Trust	AAA	9,534,741	0.35
Total	AAA	$ 261,243,978	1.91

e. Credit Risk

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

f. Custodial Credit Risk

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

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

As of September 30 2011 the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

g. Concentration of Credit Risk

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

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

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

As of September 30, 2011, the City's investment portfolio was in compliance with all diversification requirements of the City's investment policy.

h. Foreign Currency Risk

The City is not exposed to this type of risk.

4. *Pension Trust Funds*

The City maintains single-employer, Defined Benefit (DB) pension plans which cover its full-time certified law enforcement officers (the Police Officers' Retirement System); its full-time certified firefighters (the Firefighters' Retirement Plan); and the rest of the City's full-time employees (the General Employees' Retirement System). The provisions of each of the Plans are established by City Ordinance. During fiscal year 2000 the City's pension plans were restructured, which addressed the changes in the requirements of the Florida Statutes, Chapters 175 and 185.

The Florida Constitution requires local governments to make the actuarially determined contributions to their DB plans. The Florida Division of Retirement reviews and approves each local government's actuarial report to ensure its appropriateness for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Firefighter Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirements for the most recently complete fiscal year. These on-behalf payments received from the State are

recognized as revenue and expense in the General Fund and are used to reduce the City's contribution to the Police and Fire Pensions. On-behalf payments to the City totaled $ 822,567 for the fiscal year ended September 30, 2011.

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

These plans do not participate in the City's equity in pooled cash and investment fund. The deposits and investments of each plan are held separately from those of other City funds.

a. Cash and Deposits

At September 30, 2011, the carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	$ 835,422
Police Officers' Retirement System	487,406
Firefighters' Retirement Plan	516,325
Total Pension Trust Funds	$ 1,839,153

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

b. Investment Guidelines

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

Section 215.47, Florida Statutes, limits the types of investments that a government pension plan can invest in unless specifically authorized in an investment policy. The investment policies of the City's various pension plans generally allow for cash and fixed-income instruments very similar to those permitted for the City's investment pool, i.e., the Florida State Board of Administration's Local Government Surplus Funds Trust Fund, United States government securities, United States government agency securities, federal instrumentalities, non-negotiable interest bearing time certificates of deposit or saving accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations or corporate notes, mortgage-backed securities (MBS), asset-backed securities (ABS), and bond funds. Unlike

the investment pool, the General Employees' plan and the Firefighters plan are permitted to invest corporate bonds and asset or mortgage-backed securities rated at investment grade, BBB or better.

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

As of September 30, 2011, the investments of the City's pension plans are as follows:

Investment Type	Market Value	% of Portfolio	Credit Rating	Duration (In Years)
General Employees Retirement System:				
Cash Checking	$ 835,422	n/a	n/a	n/a
Cash and Cash Equivalents	2,201,369	2.85%	n/a	n/a
Fixed Income	16,206,214	21.02%	A+	4.61
Real Estate	6,074,654	7.88%	n/a	n/a
Common Stock	36,293,259	47.07%	n/a	n/a
Hedge Fund (mutual fund)	4,016,535	5.21%	n/a	n/a
International Equities	12,318,179	15.97%	n/a	n/a
Fund total	$ 77,945,632	100.00%		
Police Officers Retirement System:				
Cash Checking	$ 487,406	n/a	n/a	n/a
Cash and Cash Equivalents	992,678	2.57%	n/a	n/a
Domestic Equities	19,711,212	51.10%	n/a	n/a
Fixed Income	13,361,315	34.64%	AA	4.20
International Equities	4,509,010	11.69%	n/a	n/a
Fund total	$ 39,061,621	100.00%		
Firefighters Retirement Plan:				
Cash Checking	$ 516,325	n/a	n/a	n/a
Cash and Cash Equivalents	2,502,944	8.47%	n/a	n/a
Fixed Income	7,446,120	25.20%	AA	5.09
Domestic Equities	13,083,726	44.28%	n/a	n/a
Real Estate	2,416,873	8.18%	n/a	n/a
International Equities	4,101,172	13.88%	n/a	n/a
Fund total	$ 30,067,160	100.00%		
Total pension plan cash and investments	$ 147,074,413			

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, 2011, the securities in the City's pension plans had the effective durations presented above and were in compliance with their respective investment policies.

d. Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each debt security by a nationally recognized credit rating agency. Each of the plans provides guidelines for the credit ratings of specific types of investments. All of the investment policies permit investment only in fully marketable securities rated at institutional investment grade quality or higher by Standard & Poor's or Moody's, with higher quality rating required for specific asset classes. As of September 30, 2011, 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, 2011, 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 16% as of September 30, 2011. According to F.S. 215.47, general employee pension plans may have up to 25% of assets allocated to international equities. The Firefighters' Retirement Plan had an allocation of 13% to international equities as of September 30, 2011. According to F.S. 175.071, firefighter pension plans may have up to 25% of assets allocated to international equities. The Police Officers' Retirement System had an allocation of 12% to international equities as of September 30, 2011. According to F.S. 185.06, police pension plans may have up to 25% of assets allocated to international equities.

5. *Due from Other Governments*

The following amounts were due from other governments as of September 30, 2011:

	General Government	Business-Type	Totals
Federal Government	$ 304,988	$ 737,360	$ 1,042,348
State of Florida	2,310,568	198,033	2,508,601
Marion County, Florida	319,181	109,207	428,388
Total	$ 2,934,737	$ 1,044,600	$ 3,979,337

6. *Interfund Transactions*

The composition of interfund balances as of September 30, 2011 is a follows:

	Interfund Receivables/ Payables
Due to General Fund from:	
Electric System Revenue Fund	$ 990,271
SunTran Fund	562,174
Total due to General Fund from other funds	$ 1,552,445
Due to nonmajor governmental funds from:	
Electric System Revenue Fund	$ 510,497
Due to Water and Sewer Fund from:	
Electric System Revenue Fund	$ 3,090,298
Due to Sanitation Fund from:	
Electric System Revenue Fund	$ 1,084,310
Due to Telecommunication Fund from:	
Electric System Revenue Fund	$ 89,553
Totals at the fund level	$ 6,327,103

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.

Interfund transfers for the year ended September 30, 2011 consisted of the following:

Transfers to General Fund from:	
Electric System Revenue Fund	$ 10,822,954
Water and Sewer Fund	506,500
Sanitation Fund	505,000
Internal Service Fund	601,830
General Fund	430,131
Non-major Funds	91,813
Total transfers to General Fund	$ 12,958,228
Transfers to nonmajor governmental funds from:	
Electric System Revenue Fund	$ 306,286
Water and Sewer Fund	173,907
Airport Fund	527,809
Sanitation Fund	127,407
Municipal Golf Course Fund	173,000
General Fund	2,892,093
Non-major Funds	1,985,890
Total transfers to nonmajor governmental funds	$ 6,186,392
Transfers to SunTran Fund from:	
Nonmajor governmental funds	$ 411,484
Transfers to Ocala International Airport Fund from:	
Nonmajor governmental funds	$ 37,691
General Fund	30,317
Total transfers to Ocala International Airport Fund	$ 68,008
Transfers to Municipal Golf Course Fund from:	
Water and Sewer Fund	$ 66,000
Transfers to Electric System Revenue Fund from:	
Water and Sewer Fund	$ 165,749
Communications Fund	365,740
Total transfers to Electric System Revenue Fund	$ 531,489
Transfers to Internal Service Fund from:	
Electric System Revenue Fund	$ 1,408,978
Total transfers at the fund level	$ 21,630,579

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

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

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

	In	Out	
	Governmental	Business-Type	
General Fund	$ 10,822,954	$ (10,822,954)	Electric Fund
General Fund	506,500	(506,500)	Water & Sewer Fund
General Fund	505,000	(505,000)	Sanitation Fund
General Fund	(30,317)	30,317	Airport Fund
General Fund	601,830	(601,830)	Internal Service Funds
Non-major Funds	306,286	(306,286)	Electric Fund
Non-major Funds	173,907	(173,907)	Water & Sewer Fund
Non-major Funds	127,407	(127,407)	Sanitation Fund
Non-major Funds	173,000	(173,000)	Golf Fund.
Non-major Funds	(411,484)	411,484	SunTran Fund
Non-major Funds	490,118	(490,118)	Airport Fund
Internal Service Funds	1,408,978	(1,408,978)	Electric Fund
Internal Service Funds	(601,830)	601,830	General Fund
TOTAL TRANSFERS	$ 14,072,349	$ (14,072,349)	

7. *Capital Assets*

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land and improvements	$ 18,782,257	$ 2,632,417	$ (604,631)	$ -	$ 20,810,043
Construction In progress	14,323,777	6,216,605	(16,079,531)	-	4,460,851
Total capital assets not being depreciated	33,106,034	8,849,022	(16,684,162)	-	25,270,894
Capital assets being depreciated:					
Buildings and improvements	35,821,427	1,957,871	(2,755,104)	-	35,024,194
Equipment	39,668,922	8,840,754	(1,413,137)	116,752	47,213,291
Infrastructure (roads and streets)	291,784,091	10,253,669	-	-	302,037,760
Total capital assets being depreciated	367,274,440	21,052,294	(4,168,241)	116,752	384,275,245
Less accumulated depreciation:					
Buildings and improvements	(7,491,540)	(1,252,624)	34,152	-	(8,710,012)
Equipment	(25,577,259)	(2,995,627)	1,379,651	(116,752)	(27,309,987)
Infrastructure (roads and streets)	(179,706,977)	(7,211,425)	-	-	(186,918,402)
Total accumulated depreciation	(212,775,776)	(11,459,676)	1,413,803	(116,752)	(222,938,401)
Total capital assets being depreciated-net	154,498,664	9,592,618	(2,754,438)	-	161,336,844
Governmental activities capital assets-net	$ 187,604,698	$ 18,441,640	$ (19,438,600)	$ -	$ 186,607,738
Business Type Activities:					
Capital assets not being depreciated:					
Land and improvements	$ 22,084,743	$ 771,129	$ -	$ 562,110	$ 23,417,982
Construction In progress	44,898,691	9,454,851	(43,365,272)	-	10,988,270
Total capital assets not being depreciated	66,983,434	10,225,980	(43,365,272)	562,110	34,406,252
Capital assets being depreciated:					
Buildings	28,747,171	-	(32,101)	-	28,715,070
Improvements and extensions	469,687,516	46,679,166	(1,223,532)	(562,110)	514,581,040
Equipment	10,606,420	1,142,734	(51,725)	(116,752)	11,580,677
Crystal river unit no.3	16,168,423	-	-	-	16,168,423
Total capital assets being depreciated	525,209,530	47,821,900	(1,307,358)	(678,862)	571,045,210
Less accumulated depreciation:					
Buildings	(13,125,788)	(948,043)	28,038	-	(14,045,793)
Improvements and extensions	(177,596,359)	(16,890,175)	1,079,797	(2,120,368)	(195,527,105)
Equipment	(6,699,126)	(689,005)	37,975	2,237,120	(5,113,036)
Crystal river unit no.3	(13,567,841)	(260,058)	-	-	(13,827,899)
Total accumulated depreciation	(210,989,114)	(18,787,281)	1,145,810	116,752	(228,513,833)
Total capital assets being depreciated-net	314,220,416	29,034,619	(161,548)	(562,110)	342,531,377
Business-type activities capital assets-net	$ 381,203,850	$ 39,260,599	$ (43,526,820)	$ -	$ 376,937,629

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

	Depreciation Expense
Governmental activities:	
General government	$ 722,625
Public safety	914,128
Physcial environment	351,278
Transportation	5,758
Human services	96,513
Economic environment	25,828
Infrastructure	7,211,425
Culture and recreation	319,039
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,813,082
Total depreciation expense - governmental activities	$ 11,459,676
Business-type activities:	
Electric	$ 7,663,058
Water and sewer	9,287,930
Sanitation	119,052
Golf Course	504,648
Airport	615,210
Communications	383,923
SunTran	213,460
Total depreciation expense - business-type activities	$ 18,787,281

B. Liabilities

1. *Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Risk Management attempts to identify, define, and evaluate the areas of potential loss to the City so as to reduce their occurrences. Acknowledging that some loss is inevitable, routine or predictable losses are self-insured, while other more unpredictable or catastrophic losses are transferred to insurance companies.

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

The City has general liability insurance with a $200,000 retention per claimant and $300,000 retention per occurrence with limits of $1,000,000. The City has workers' compensation insurance with a $500,000 deductible per occurrence with limits of $5,000,000. The disability income replacement, dental programs and auto liability programs are fully self-insured. The City's employee health insurance program was fully self-insured through February, 1994, after which it is fully insured except for the prescription program which was fully self-insured through December, 1997. Beginning October 1, 2010, the City’s employee health insurance program was

partially self-insured, with a pooling limit of $150,000. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2011.

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, 2011 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of $8,000,000 reported in the Fund at September 30, 2011 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
2008-2009	$4,392,924	$1,799,725	$2,211,785	$3,980,864
2009-2010	3,980,864	5,477,971	3,850,835	5,608,000
2010-2011	5,608,000	5,726,850	3,334,850	8,000,000

2. *Leases*

Operating – The City has no operating leases as of September 30, 2011.

Capital – The City has entered into a lease agreement with Motorola for radio equipment. This lease qualifies as a capital lease in Governmental activities for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. As of year-end, equipment leased under capital assets consisted of machinery and equipment in the governmental activities of $3,150,982, with accumulated depreciation of $ 236,324.

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

3. *Pension Plans*

The City maintains a single-employer, defined benefit pension plan which covers substantially all of the City's full-time employees excluding certified law enforcement officers and certified firefighters (General Employees' Retirement System), a single-employer defined benefit pension plan which covers all of its full-time certified law enforcement officers (Police Officers' Retirement System) and a single-employer defined benefit pension plan which covers all of its full-time certified firefighters (Firefighters' Retirement Plan). The provisions of each of the Plans are established by City Ordinance. All benefit provisions, including changes in contribution requirements, can be amended only by City Ordinance. Administrative costs are financed through investment earnings.

Benefits and Refunds are recognized when due and payable in accordance with the terms of the plan. During fiscal year 2000, the City's pension plans were restructured, which addressed the changes in the requirements of the Florida Statutes, Chapters 175 and 185.

a. Plan Descriptions and Provisions

General Employees' Retirement System - The General Employees' Retirement System is a contributory defined benefit pension plan covering substantially all full-time employees of the City excluding certified law enforcement officers and certified firefighters. The City is required to contribute 32.01% 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 2011 fiscal year the amount of these contributions totaled $429,239, all of which is available to the plan for the provision of benefits, in accordance with Chapter 185, Florida Statutes. The City is required to contribute 26.79% 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 2011 fiscal year the amount of these contributions totaled $393,628; however, the amount available to the plan for the provision of benefits is frozen, in accordance with Chapter 175, Florida Statutes at $240,401. The City is required to contribute 23.1% and the firefighters contribute 8.42% of their salaries or wages to the Firefighters' Retirement Plan.

b. Participation

At September 30, 2011, participation in the plans consisted of the following:

	General	Police	Fire
Retirees and beneficiaries currently receiving benefits	523	75	59
DROP retirees	24	13	8
Terminated employees entitled to benefits not yet receiving them	205	12	3
	752	100	70
Current employees:			
Vested	463	81	69
Nonvested	173	61	56
Total	636	142	125

c. Investments

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

d. Contributions Required and Contribution Made

The contribution requirement for the General Employees' Retirement System for the 2011 fiscal year, established through an actuarial valuation performed as of October 1, 2009, was $9,287,951 (40.19% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled $2,375,313 (8.18% of current covered payroll); actual employer contributions to the General Employees' Retirement System amounted to $9,118,960 (32.01% 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 2011 fiscal year, established through an actuarial valuation performed as of October 1, 2009, was $3,331,186 (40.26% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled $665,437 (8.00% of current covered payroll), actual City contributions were $2,114,469 (25.85% of current covered payroll) plus state contributions deposited directly to the plan amounted to $429,239 (6.41% of current covered payroll).

Accumulated excess contributions in the Funding Standard (Contribution Surplus) Account were available to assist in funding the City's contribution requirement for the year.

The contribution requirement for the Firefighters' Retirement Plan for the 2011 fiscal year, determined through an actuarial valuation performed as of October 1, 2009, was $1,740,053 (20.49% of current covered payroll). Actual employee contributions totaled $661,815 (8.39% of current covered payroll), actual City contributions were $1,623,273 (23.10% of current covered payroll) plus an additional contribution of $234,000 and actual state contributions deposited directly to the plan amounted to $393,628 (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.

e. Annual Pension Costs and Net Pension Obligation

The City's annual pension cost and net pension obligation to the three plans for the most recent actuarial report dated October 1, 2011, are as follows:

	General	Police Officers	Firefighters	Totals
Annual Required Pension Contribution	$ 9,287,951	$ 2,669,252	$ 1,999,430	$ 13,956,633
Interest on Net Pension Obligation	(554,522)	(39,790)	-	(594,312)
Actuarial Adjustment	819,358	66,485	(15,630)	870,213
Annual Pension Cost	9,552,787	2,695,947	1,983,800	14,232,534
(Actual Pension Contributions)	9,287,951	2,688,298	1,863,674	13,839,923
Increase (Decrease) in NPO	264,836	7,649	120,126	392,611
Net Pension Obligation(Asset)-Beginning	(6,523,793)	(479,392)	(23,676)	(7,026,861)
Net Pension (Asset)-Ending	$ (6,258,957)	$ (471,743)	$ 96,450	$ (6,634,250)

f. Actuarial Valuation Information

Actuarial information as of the latest valuation is as follows:

	General	Police Officers	Firefighters
Valuation Date	October 1, 2011	October 1, 2011	October 1, 2011
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	26 Years **	26 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%	7.75%
Projected Salary Increases*	6.0%	6.0%	0.0 - 3.25 %
*Includes Inflation at	3.0%	3.0%	3.5%
Cost of Living Adjustments	3.0%	0.0%	0.0%

** As of 10/1/2011

g. Four-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
General Plan:			
9/30/08	$ 5,213,030	233.00%	$ (7,189,065)
9/30/09	5,896,981	95.36%	(6,915,256)
9/30/10	6,683,254	94.14%	(6,523,793)
9/30/11	9,552,787	97.23%	(6,258,957)
Police Officers' Plan:			
9/30/08	$ 1,194,413	105.00%	$ (532,915)
9/30/09	1,346,148	98.00%	(505,603)
9/30/10	2,238,883	99.00%	(479,392)
9/30/11	2,695,947	100.00%	(471,743)
Firefighters' Plan:			
9/30/08	$ 1,258,041	111.00%	$ 14,276
9/30/09	1,293,087	107.00%	(4,700)
9/30/10	1,795,369	86.00%	(23,676)
9/30/11	1,999,430	93.00%	96,450

h. Other Pension Plan Information

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

General Employees' Retirement System:

(1) Valuation Date	(2) Acturial 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)
10/1/2011	$81,479,454	$ 17,417,205	$ 92,692,581	46.78	$ 28,551,898	324.65

Police Officers' Retirement System:

(1) Valuation Date	(2) Acturial 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)
10/1/2011	$43,766,063	$ 66,426,400	$ 22,660,337	65.89	$ 8,489,320	266.93

Firefighters' Retirement Plan:

(1) Valuation Date	(2) Acturial 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)
10/1/2011	$31,045,811	$ 46,906,422	$ 15,860,611	86.19	$ 7,204,930	220.14

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.

i. Combining Statements

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

The following is the combining statement of plan net assets for the pension trust funds at September 30, 2011:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Assets				
Cash and cash equivalents	$ 3,036,791	$ 1,480,084	$ 3,019,269	$ 7,536,144
Receivables:				
Accrued interest receivable	23,887	135,862	29,280	189,029
Accounts receivable	34,110	-	-	34,110
Prepaid expense	681	-	450	1,131
Total receivables	58,678	135,862	29,730	224,270
Investments, at fair value	74,908,841	37,581,537	27,047,891	139,538,269
Total Assets	78,004,310	39,197,483	30,096,890	147,298,683
Liabilities				
Accounts payable	6,239,825	1,860,557	1,330,246	9,430,628
Total liabilities	6,239,825	1,860,557	1,330,246	9,430,628
Net Assets				
Net assets reserved for employees' pension benefits	$ 71,764,485	$ 37,336,926	$ 28,766,644	$ 137,868,055

The following is the combining statement of changes in plan net assets for the pension trust funds for the fiscal year ended September 30, 2011:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Additions:				
Contributions:				
Employer	$ 9,118,960	$ 2,114,469	$ 1,623,273	$ 12,856,702
State	-	429,239	393,328	822,567
Employee	2,375,313	665,437	661,815	3,702,565
Total contributions	11,494,273	3,209,145	2,678,416	17,381,834
Investment income:				
Investment income (loss)	974,701	(78,576)	(25,823)	870,302
Less: Investment management fees	(422,581)	(175,755)	(72,180)	(670,516)
Net investment income (loss)	552,120	(254,331)	(98,003)	199,786
Total additions (reductions)	12,046,393	2,954,814	2,580,413	17,581,620
Deductions:				
Pension payments	9,424,909	3,257,312	1,927,608	14,609,829
Refunds to employees	123,189	18,284	12,224	153,697
Administration	154,706	73,133	63,448	291,287
Total deductions	9,702,804	3,348,729	2,003,280	15,054,813
Net Increase (Decrease)	2,343,589	(393,915)	577,133	2,526,807
Net Assets Reserved for Employees' Pension Benefits:				
Beginning of year	69,420,896	37,730,841	28,189,511	135,341,248
End of year	$ 71,764,485	$ 37,336,926	$ 28,766,644	$ 137,868,055

4. *Long-Term Obligations*

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

a. Long-term liability activity for the fiscal year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Revenue Bonds and Certificates					
2002 Optional Gas Tax Bonds	$ 6,145,000	$ -	(1,685,000)	$ 4,460,000	$ 1,740,000
2002 Capital improvement Certificates	10,330,000	-	(635,000)	9,695,000	655,000
2003 Capital improvement Certificates	11,575,000	-	(670,000)	10,905,000	690,000
2007A Capital improvement Certificates	15,870,000	-	-	15,870,000	-
2007B Capital improvement Certificates	4,030,000	-	(145,000)	3,885,000	145,000
Subtotal	47,950,000	-	(3,135,000)	44,815,000	3,230,000
Net deferred refundings and discounts	228,950	-	(82,595)	146,355	-
Total Revenue Bonds and Certificates	48,178,950	-	(3,217,595)	44,961,355	3,230,000
Other liabilites					
Capital Lease Contract Payable	-	3,150,982	-	3,150,982	-
Compensated Absences	3,509,293	5,027,819	(3,865,987)	4,671,125	2,140,778
OPEB Liability	932,570	348,463	-	1,281,033	-
Claims and Judgements	5,608,000	5,726,869	(3,334,869)	8,000,000	1,733,000
Total other liabilities	10,049,863	14,254,133	(7,200,856)	17,103,140	3,873,778
Total Governmental Activities	$ 58,228,813	$ 14,254,133	$ (10,418,451)	$ 62,064,495	$ 7,103,778
Business-type Activities:					
Revenue Bonds					
1996 Water and Sewer Bonds	$ 770,000	$ -	$ (770,000)	$ -	$ -
2001A Water and Sewer Bonds	19,805,000	-	(19,805,000)	-	-
2005A Utility Systems Bonds	24,235,000	-	(75,000)	24,160,000	75,000
2005B Utility Systems Bonds	30,675,000	-	(610,000)	30,065,000	630,000
2007A Utility Systems Bonds	64,025,000	-	-	64,025,000	-
2007B Utility Systems Bonds	23,925,000	-	-	23,925,000	965,000
2011 Utility Systems Bond	-	13,875,000	-	13,875,000	-
Subtotal	163,435,000	13,875,000	(21,260,000)	156,050,000	1,670,000
Net deferred refundings and discounts	532,066	88,924	-	620,990	-
CR#3 decommissioning costs payable	9,205,321	329,420	-	9,534,741	-
Compensated Absences	1,714,571	2,374,845	(1,592,141)	2,497,275	1,150,272
OPEB Liability	463,909	186,954	-	650,863	-
Total Business-type Activities	$ 175,350,867	$ 16,855,143	$ (22,852,141)	$ 169,353,869	$ 2,820,272

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

b. Bonds Payable Collateral

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

c. Pledged Revenue

The City has pledged certain revenues, to repay certain bonds and notes outstanding as of September 30, 2011. 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, 2011 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, 2011:

Description Of Bonds	Purpose Of Issue	Amount Issued	Amount Outstanding	Interest Rates
Governmental Activities:				
2002 Optional Gas Tax Bonds	Road Projects	$ 17,565,000	$ 4,460,000	3.25%-3.65%
2002 Capital Improvement Certificates	Capital Projects	14,340,000	9,695,000	2.80%-4.50%
2003 Capital Improvement Certificates	Refunding	15,310,000	10,905,000	2.70%-5.375%
2007A Capital Improvement Certificates	Capital Projects	15,870,000	15,870,000	4.25%-4.50%
2007B Capital Improvement Certificates	Refunding	4,290,000	3,885,000	3.50%-4.125%
Total Governmental Activities			$ 44,815,000	
Business-Type Activities:				
2005A Utility Systems Bonds	Refunding	$ 24,625,000	$ 24,160,000	3.84%-5.25%
2005B Utility Systems Bonds	Capital Projects	33,355,000	30,065,000	2.70%-5.25%
2007A Utility Systems Bonds	Capital Projects	64,025,000	64,025,000	4.00%-5.00%
2007B Utility Systems Bonds	Refunding	23,925,000	23,925,000	4.00%-4.50%
2011 Utility Systems Bond	Refunding	13,875,000	13,875,000	1.51%
Total Business-Type Activities			$ 156,050,000	

The principal and interest payments during the fiscal year 2011 for governmental activities were $ 3,135,000 and $2,017,081, respectively. The principal and interest payments during the fiscal year 2011 for business-type activities were $ 4,430,000 and $7,607,129, respectively.

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:

	Governmental Activities			
	Capital Improvement Certificates		Optional Gas Tax Bonds	
Fiscal Year	Principal	Interest	Principal	Interest
2012	$ 1,490,000	$ 1,791,234	$ 1,700,000	$ 161,622
2013	1,930,000	1,722,655	2,760,000	103,228
2014	2,015,000	1,631,418	-	-
2015	2,110,000	1,534,152	-	-
2016	2,210,000	1,430,350	-	-
2017-2021	10,870,000	5,485,218	-	-
2022-2026	7,930,000	3,414,757	-	-
2027-2031	8,055,000	1,776,505	-	-
2032-2033	3,745,000	170,439	-	-
Total	$ 40,355,000	$ 18,956,728	$ 4,460,000	$ 264,850
Pledged revenue description	Local government half-cent sales tax, franchise fees, occupational licenses, fines and forfeitures, local communications services tax, guaranteed entitlement portion of state revenue sharing, mobile home licenses.		Sixth cent optional gas tax	
Fiscal year 2011 pledged revenues		$ 8,223,166		$ 2,664,586
Fiscal year 2011 principal and interest paid		$ 3,287,357		$ 1,864,724
Outstanding principal and interest		$ 59,311,728		$ 4,724,850
Pledged through fiscal year		2033		2013
Estimated percentage pledged		32.70%		88.60%

	Business-Type Activities	
	Utility Systems Revenue Bonds	
Fiscal Year	Principal	Interest
2012	$ 1,670,000	$ 6,758,852
2013	5,095,000	6,880,763
2014	5,245,000	6,763,870
2015	5,360,000	6,642,627
2016	5,485,000	6,515,641
2017-2021	28,905,000	28,737,505
2022-2026	36,575,000	20,931,152
2027-2031	46,015,000	11,249,486
2032-2033	21,700,000	1,098,250
Total	$ 156,050,000	$ 95,578,146
Pledged revenue description	Net revenues of the combined Electric Revenue System and the Water and Sewer System (as defined in bond resolutions)	
Fiscal year 2011 pledged revenues		$ 22,289,946
Fiscal year 2011 principal and interest paid		$ 12,037,129
Outstanding principal and interest		$ 251,628,146
Pledged through fiscal year		2033
Estimated percentage pledged		51.31%

d. Conduit Debt

In January, 1994, $3,500,000 Student Housing Revenue Bonds were issued. The proceeds of the bonds are being used by the Central Florida College Foundation to acquire real property and to construct student housing facilities. The bonds, which mature in 2014, do not represent debt or an obligation of the City and are collateralized solely from the gross revenues of the completed project. The completed project and all revenues derived there from, subsequent to the payment of all debt service requirements, belong exclusively to the Foundation. The outstanding balance at September 30, 2011 is $ 725,000.

e. Bond Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates or pay a calculated penalty. Rebates are paid to the Internal Revenue Service every fifth year after the year of issuance. Within the five-year period, any positive arbitrage (liability) can be offset by any negative arbitrage (non-liability). At September 30, 2011, the City had no arbitrage liability.

f. Refunding Issued by the City

On July 21, 2011 the City issued $13,875,000 Utility System Refunding Bond, Series 2011. Proceeds were used to current refund the Water and Sewer Refunding Bonds, Series 2001A.

Bond Series	True Interest Cost	Average Coupon Rate	Maturity Date	Net Proceeds	Cost of Issuance
2011	1.509%	1.51%	10/1/2015	$ 13,834,699	$ 40,301

g. Economic Reasoning for Refunding Bonds

Refunding provides for an irrevocable deposit with an escrow agent (a third party banking institution) of sufficient funds to pay the principal and interest when due, on the refunded bonds to the earliest call date.
On the earliest call date, all bonds outstanding are redeemed, and interest subsequent to the refunding date will cease. Bonds are typically refunded for either economic gain to the governmental unit or enterprise or to eliminate restrictive and antiquated covenants. The economic rationale to initiate the current year current refunding is shown in the following schedule.

The reacquisition price was lower than the net carrying amount of the 2001A bonds by $570,236. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the old refunded debt.

2010-2011 Bond Refunding
Economic Reasoning

	Water and Sewer Refunding Bonds, Series 2001A
Bond Size	
Old Bonds (Outstanding)	$ 13,735,000
New Bonds (Series 2011)	$ 13,875,000
Average Annual Savings	$ 208,660
Net Present Value Savings	$ 894,875
% Savings of refunding bonds	6.45%
Future Value Savings	$ 934,340

h. Current Refunded Bonds

The following schedule reflects the current refunded bonds as of September 30, 2011:

Type	Series	Date Refunded	Payment/ Call Date	Outstanding as of Refunding	Outstanding as of 9/30/2011
Water/Sewer	2001A,Ref	7/21/2011	10/1/2011	$ 13,735,000	$ -

i. 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, 2011, $36,205,000 of bonds outstanding is considered defeased, as follows:

Governmental Activities	$ -
Business-Type Activities:	
Water and Sewer:	
Water and Sewer Revenue Bonds, Series 2001	$ 36,205,000
Total	$ 36,205,000

j. Disclosure of Legal Debt Margin

The City has no legal debt margin requirements set forth by State Statute however; the City's charter limits the aggregate amount of general obligation bonds outstanding to twenty percent (20%) of the assessed valuation of the taxable real and personal property in the City. At September 30, 2011, there was no general obligation debt outstanding.

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

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

5. FUND DEFICITS

At September 30, 2011 there were no funds with deficits in total net assets.

6. 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. The estimated cost for the pollution remediation obligation is $30,375 and has been recorded at September 30, 2011.

The City has been contacted by the law firm of F. Bryan Brice, Jr., 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 Carolina Transformer site located in Fayetteville, Cumberland County, North Carolina. The estimated cost for the pollution remediation obligation is $12,500 and has been recorded at September 30, 2011.

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

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

Other Commitments – The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2011, in the respective funds are as follows:

General Fund	$ 946,701
Electric System Revenue Fund	157,296
Water and Sewer Fund	25,867
Total	$ 1,129,864

FMPA All-Requirements Power Supply Project (ARP): The City purchases power exclusively from Florida Municipal Power Agency (FMPA) through the State-wide bulk power system. The City has an All-Requirements Power Supply Project Contract (effective 10/1/2002) with FMPA which requires FMPA to sell and deliver to the City and the City to purchase from FMPA all electric power that the City requires in excess of the amount the City receives from its percentage ownership interest in Crystal River 3. The contract shall remain in effect until

October 1, 2025, and is subject to automatic five-year extensions each fifth anniversary unless either party notifies the other in writing at least two years prior to such automatic extension date of its decision not to extend the contract. The City pays for electric power under the contract at the rates set forth in the applicable rate schedule of FMPA, which FMPA may revise from time to time. The contract provides the option for the City to leave the FMPA after notice and making the remaining project participants whole. This is generally understood to mean paying off its portion of the project's long-term debt.

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

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

  During an outage, CR3 was found to have cracking or delamination in the upper portions of the concrete containment structure. The Nuclear Regulatory Commission has been notified and an engineering plan for repair has been submitted by Progress Energy. Repairs are expected to be complete by 2015. An agreement between Progress Energy and the minority owners, that include City, requires that 87% of replacement power is delivered annually until the end of 2013. Replacing this small amount of energy following 2013 is not expected to have a major rate impact. Additional costs for repairs are expected to be paid by insurance according to Progress Energy. However, this has not been finalized. Progress Energy has been communicating with the minority owners as updates are available.

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

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Post-employment benefits extended to retirees include the continued coverage for the retiree and dependent in the City's health insurance plan, dental plan, vision plan and life insurance plan. A portion of the health insurance benefits for family coverage is currently being subsidized by the City, but the subsidy is being phased out over a period of time. No other form of direct subsidy is offered to retirees accepting medical coverage. There are currently 182 retirees participating in the plan. Premiums for insurances other than health insurance are fully paid by the retiree.

a. Plan Description

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

Retirees and their dependents are permitted to remain covered under the City's respective medical and insurance plans as long as they pay a full premium applicable to coverage elected, subject to direct subsidies discussed above. The post-employment benefits are extended to retirees and continued at the discretion of

the City, which reserves the right (subject to State Statute and any collective bargaining agreements) to change or terminate benefits, and to change contributions required from retirees in the future as circumstances change. This conforms to the minimum required of Florida governmental employers per Ch. 112.08, F.S. The Other Postemployment Benefit Plan does not issue a stand-alone report.

b. Funding Policy

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

c. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. Since the City's OPEB is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution and equals the total age-adjusted costs paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year).

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

Annual required contribution (ARC)	$ 1,275,600
Interest on net OPEB obligation	55,859
Adjustment to ARC	(51,721)
Annual OPEB cost (expense)	1,279,738
Contributions made	(744,321)
Increase in net OPEB obligation	535,417
Net OPEB obligation - beginning of year	1,396,479
Net OPEB obligation - end of year	$ 1,931,896

d. Schedule of Funding Process

Actuarial Valuation Date	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
10/1/2010	$ -	$17,630,491	$17,630,491	0.00%	$41,400,677	42.59%

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

e. Trend Information:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percent Contributed	Net OPEB Obligation
9/30/2009	$ 1,218,236	$ 749,304	61.51%	$ 884,732
9/30/2010	1,283,038	771,291	60.11%	1,396,479
9/30/2011	1,279,738	744,321	58.16%	1,931,896

f. Actuarial Methods and Assumptions

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

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

The actuarial methods are:

Actuarial Valuation Date	October 1, 2010
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll
Amortization period	27 years
Asset valuation method	Unfunded
Investment rate of return *	4.0%
Projected annual salaries increase *	3.5% - 7.5%
Inflation rate	3.0%
Mortality	RP-2000 Health White Collar Tables for male and female
Healthcare cost trend	9% initial trend rate dropping to 5% ultimate trend rate after 10 Years

- Includes general price inflation at 3.0%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OCALA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	$ 36,348,590	$ 36,348,590	$ 33,097,521	$ (3,251,069)
State shared revenues	4,544,165	5,954,058	4,250,585	(1,703,473)
Intergovernmental revenues	1,501,669	4,544,165	4,650,308	106,143
Permits and fees	1,889,400	1,889,400	2,127,999	238,599
Fines and forfeitures	369,200	369,200	493,956	124,756
Charges for services	12,743,386	12,746,368	12,879,710	133,342
Investment income	1,000,000	1,000,000	671,588	(328,412)
Miscellaneous	1,257,837	1,394,331	1,383,855	(10,476)
Total revenues	59,654,247	64,246,112	59,555,522	(4,690,590)
Expenditures				
Current:				
General government	20,234,644	22,542,423	18,151,799	4,390,624
Public safety	35,510,790	36,722,676	35,713,344	1,009,332
Transportation	4,469,185	7,622,990	4,634,627	2,988,363
Economic Environment	1,195,817	2,358,573	1,421,859	936,714
Human services	2,330	424,526	252,015	172,511
Culture and recreation	5,966,691	5,962,149	5,018,121	944,028
Capital outlay	3,438,473	6,952,385	1,835,064	5,117,321
Intergovernmental				
Debt service:				
Principal payments	9,221	59,779	-	59,779
Interest and paying agents' fees	3,290	3,290	3,290	-
Total expenditures	70,830,441	82,648,791	67,030,119	15,618,672
Excess (deficiency) of revenues over expenditures	(11,176,194)	(18,402,679)	(7,474,597)	10,928,082
Other Financing Sources (Uses)				
Transfers in-Economic Improvement Program	-	-	2,773,204	2,773,204
Transfers in	9,520,960	9,609,983	10,185,024	575,041
Transfers out	(4,217,352)	(4,217,352)	(3,352,541)	864,811
Total other financing sources (uses)	5,303,608	5,392,631	9,605,687	4,213,056
Net change in fund balance	(5,872,586)	(13,010,048)	2,131,090	15,141,138
Fund balance - beginning	5,872,586	13,010,048	39,005,148	25,995,100
Fund balance - ending	$ -	$ -	$ 41,136,238	$ 41,136,238

CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2011

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
2011	$81,479,454	$174,172,015	$92,692,561	46.78%	$28,551,898	324.65%
2010	78,822,879	163,287,975	84,465,096	48.27%	28,187,278	299.66%
2009	70,490,375	155,927,480	85,437,105	45.21%	29,513,234	289.49%
2008	80,419,973	144,739,017	64,319,044	55.56%	31,347,437	205.18%
2007	69,472,693	108,825,377	39,352,684	63.84%	30,588,569	128.65%
2006	61,718,687	101,457,732	39,739,045	60.83%	29,319,149	135.54%
2005	56,309,688	95,784,179	39,474,491	58.79%	29,361,461	134.44%
2004	53,517,767	76,064,649	22,546,882	70.36%	27,782,381	81.16%
2003	52,181,215	62,420,895	10,239,680	83.60%	26,845,342	38.14%

(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
2011	$ 43,766,063	$ 66,426,400	$22,660,337	65.89%	$ 8,489,320	266.93%
2010	43,555,290	64,578,493	21,023,203	67.45%	8,191,982	256.63%
2009	41,964,844	61,496,292	19,531,448	68.24%	8,024,059	243.41%
2008	42,305,347	58,618,208	16,312,861	72.17%	8,198,176	198.98%
2007	41,782,661	55,343,645	13,560,984	75.50%	7,993,687	169.65%
2006	38,128,985	50,121,660	11,992,675	76.07%	7,687,278	156.01%
2005	35,831,611	46,959,093	11,127,482	76.30%	7,631,572	145.81%
2004	34,313,287	39,757,936	5,444,649	86.31%	7,337,563	74.20%
2003	32,838,390	32,838,390	-	100.00%	7,298,837	-

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

(Continued)

CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2011

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
2011	$ 31,045,811	$ 46,906,422	$ 15,860,611	66.19%	$ 7,204,930	220.14%
2010	29,401,977	42,581,331	13,179,354	69.05%	6,872,487	191.77%
2009	27,621,397	39,919,029	12,297,632	69.19%	7,166,031	171.61%
2008	27,253,578	37,573,342	10,319,764	72.53%	7,134,279	144.65%
2007	26,910,188	33,034,201	6,124,013	81.46%	6,100,211	100.39%
2006	24,482,685	31,050,644	6,567,959	78.85%	5,744,369	114.34%
2005	22,580,117	29,134,148	6,554,031	77.50%	5,515,009	118.84%
2004	20,590,179	26,907,346	6,317,167	76.52%	5,198,027	121.53%
2003	19,701,033	27,459,330	7,758,297	71.75%	4,981,506	155.74%

CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2011

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES - CONTINUED

General Plan:

Fiscal Year	Annual Required Contribution	Annual Required Contribution (City)	Actual Contribution (City) (1)	Percentage Contributed
2011	$ 9,287,951	$ 9,287,851	$ 9,287,951 (1)	100.00%
2010	6,291,791	6,291,791	6,291,791 (1)	100.00%
2009	5,623,172	5,623,172	5,623,172 (1)	100.00%
2008	5,213,030	5,213,030	12,133,628 (2)	232.76%
2007	4,740,189	4,740,189	4,797,696	101.21%
2006	4,417,397	4,417,397	4,631,250	104.84%
2005	3,945,468	3,945,468	3,945,468 (3)	100.00%
2004	3,402,463	3,402,463	3,522,203	103.52%
2003	2,604,418	2,604,418	2,604,418	100.00%

(1) Includes contribution from the Funding Standard Acccount Credit Balance.
(2) Includes contribution from the Funding Standard Account Credit Balance, in addition to a lump sum deposit of $7,172,050 for the 2008 Early Retirement Incentive Program.
(3) Includes $46,544 from the Funding Standard Account Credit Balance.

Police Officers' Plan:

Fiscal Year	Annual Required Contribution	Annual Required Contribution (City)	Actual Contribution (City) (1)	Annual Required Contribution (State) (2)	Percentage Contributed
2011	$ 2,669,252	$ 2,240,013	$ 2,240,013	$ 429,239	100.00%
2010	2,212,672	1,764,387	1,764,387	448,285	100.00%
2009	1,833,325	1,318,836	1,318,836	514,489	100.00%
2008	1,738,806	1,194,413	1,254,445	544,393	103.45%
2007	1,615,300	1,070,907	1,196,134	544,393	107.75%
2006	1,436,938	867,517	1,220,125	569,421	124.54%
2005	1,505,173	1,066,687	1,066,687	438,786	100.00%
2004	1,332,845	902,352	906,865	430,493	100.34%
2003	1,006,783	576,290	576,290	430,493	100.00%

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

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

CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30,2011

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES - CONTINUED

Firefighters' Plan:

Fiscal Year	Annual Required Contribution	Annual Required Contribution (City)	Actual Contribution (City) (1)	Annual Required Contribution (State) (2)	Percentage Contributed
2011	$ 1,999,430	$ 1,740,053	$ 1,740,053	$ 259,377	100.00%
2010	1,795,369	1,535,992	1,535,992	259,377	100.00%
2009	1,293,087	1,033,710	1,033,710	259,377	100.00%
2008	1,258,041	998,664	998,664	259,377	100.00%
2007	1,243,765	984,388	984,388	259,377	100.00%
2006	1,200,311	940,934	940,934	259,377	100.00%
2005	1,603,809	1,344,432	1,344,432	259,377	100.00%
2004	1,183,394	924,017	924,017	259,377	100.00%
2003	1,063,378	804,001	804,001	259,377	100.00%

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

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

CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR OPEB
SEPTEMBER 30, 2011

Other Post Employment Benefits

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
10/1/2010	$ -	$17,630,491	$ 17,630,491	0.00%	$41,400,677	42.59%
10/1/2008	-	16,160,200	16,160,200	0.00%	41,784,952	38.67%
10/1/2006	-	13,805,590	13,805,590	0.00%	39,788,441	34.70%

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Contribution
2011	$ 1,279,738	$ 744,321	58.16%	$ 1,931,896
2010	1,283,038	771,291	60.11%	1,396,479
2009	1,218,236	749,304	61.51%	884,732
2008	1,040,851	625,051	60.05%	415,800

SUPPLEMENTAL INFORMATION

SPECIAL REVENUE FUNDS:

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

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

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

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

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

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.

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, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ -	$ -	$ 2	$ 2
Equity In pooled cash fund	15,119,084	4,213,872	6,395,763	25,728,719
Accounts and notes receivables	-	-	-	-
Accrued interest receivable	49,566	-	19,076	68,642
Due from other funds	510,497	-	-	510,497
Due from other governments	945,254	-	-	945,254
Total assets	16,624,401	4,213,872	6,414,841	27,253,114
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	1,273,339	-	680,202	1,953,541
Unearned revenue	753,952	-	-	753,952
Total liabilities	2,027,291	-	680,202	2,707,493
Fund Balances:				
Restricted	9,198,620	4,213,872	5,734,639	19,147,131
Committed	5,398,490	-	-	5,398,490
Total fund balances	14,597,110	4,213,872	5,734,639	24,545,621
Total liabilities and fund balances	$ 16,624,401	$ 4,213,872	$ 6,414,841	$ 27,253,114

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	$ 5,208,012	$ -	$ -	$ 5,208,012
Intergovernmental revenues	1,592,525	-	-	1,592,525
Charges for services	4,607,659	-	-	4,607,659
Investment income	237,319	37,747	81,713	356,779
Miscellaneous	137,589	-	-	137,589
Total revenues	11,783,104	37,747	81,713	11,902,564
Expenditures				
Current:				
General government	317,107	-	1,055,457	1,372,564
Physical Environment	2,540,183			2,540,183
Transportation	3,206,560	-	-	3,206,560
Culture and recreation	-	-	104,581	104,581
Economic environment	201,657	-	-	201,657
Capital outlay	3,132,014	-	2,066,879	5,198,893
Debt service:				
Principal payments	-	3,135,000	-	3,135,000
Interest and fees	-	2,020,031	-	2,020,031
Total expenditures	9,397,521	5,155,031	3,226,917	17,779,469
Excess (deficiency) of revenues over expenditures	2,385,583	(5,117,284)	(3,145,204)	(5,876,905)
Other financing sources (uses)				
Transfers in	423,029	5,235,554	527,809	6,186,392
Transfers out	(2,416,582)	(72,605)	(37,691)	(2,526,878)
Total other financing sources (uses)	(1,993,553)	5,162,949	490,118	3,659,514
Net change In fund balances	392,030	45,665	(2,655,086)	(2,217,391)
Fund balances - beginning	14,205,080	4,168,207	8,389,725	26,763,012
Fund balances - ending	$ 14,597,110	$ 4,213,872	$ 5,734,639	$ 24,545,621

CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	Downtown Development	Local Gasoline Tax
Assets		
Equity in pooled cash and investment fund	$ 247,704	$ 6,519,610
Accrued interest receivable	715	21,773
Due from other funds	-	-
Due from other governments	624	944,630
Total assets	249,043	7,486,013
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	-	1,003,959
Unearned revenue	-	753,952
Total liabilities	-	1,757,911
Fund Balances:		
Restricted	249,043	5,728,102
Committed	-	-
Total fund balances	249,043	5,728,102
Total liabilities and fund balances	$ 249,043	$ 7,486,013

Stormwater Utility	SHIP Local Housing Assistance	Community Redevelopment Trust	Total
$ 5,134,009	$ 78,447	$ 3,139,314	$ 15,119,084
16,678	406	9,994	49,566
510,497	-	-	510,497
-	-	-	945,254
5,661,184	78,853	3,149,308	16,624,401
262,694	-	6,686	1,273,339
-	-	-	753,952
262,694	-	6,686	2,027,291
-	78,853	3,142,622	9,198,620
5,398,490	-	-	5,398,490
5,398,490	78,853	3,142,622	14,597,110
$ 5,661,184	$ 78,853	$ 3,149,308	$ 16,624,401

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, 2011

	Downtown Development	Local Gasoline Tax
Revenues		
Taxes	$ 63,924	$ 4,897,723
Intergovernmental revenues	-	1,521,987
Charges for services	-	-
Investment income	3,396	99,273
Miscellaneous	28,094	109,495
Total revenues	95,414	6,628,478
Expenditures		
Current:		
General government	72,838	-
Physical Environment		
Transportation	-	3,206,560
Economic environment	-	-
Capital outlay	-	1,932,788
Total expenditures	72,838	5,139,348
Excess (deficiency) of revenues over expenditures	22,576	1,489,130
Other financing sources (uses)		
Transfers in	-	55,792
Transfers out	(10,000)	(2,341,582)
Total other financing sources (uses)	(10,000)	(2,285,790)
Net change In fund balances	12,576	(796,660)
Fund balances - beginning	236,467	6,524,762
Fund balances - ending	$ 249,043	$ 5,728,102

Stormwater Utility	SHIP Local Housing Assistance	Community Redevelopment Trust	Total
$ -	$ -	$ 246,365	$ 5,208,012
-	70,538	-	1,592,525
4,607,659	-	-	4,607,659
80,609	8,058	45,983	237,319
-	-	-	137,589
4,688,268	78,596	292,348	11,783,104
-	-	244,269	317,107
2,540,183			2,540,183
	-	-	3,206,560
-	201,657	-	201,657
1,186,766	-	12,460	3,132,014
3,726,949	201,657	256,729	9,397,521
961,319	(123,061)	35,619	2,385,583
6,750	-	360,487	423,029
(65,000)	-	-	(2,416,582)
(58,250)	-	360,487	(1,993,553)
903,069	(123,061)	396,106	392,030
4,495,421	201,914	2,746,516	14,205,080
$ 5,398,490	$ 78,853	$ 3,142,622	$ 14,597,110

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	$ 63,924	$ 69,249	$ (5,325)
Investment income	3,396	-	3,396
Miscellaneous	28,094	-	28,094
Total revenues	95,414	69,249	26,165
Expenditures			
Current:			
General government	72,838	108,835	35,997
Capital outlay	-	44,807	44,807
Total expenditures	72,838	153,642	80,804
Excess of revenues over expenditures	22,576	(84,393)	106,969
Other financing (uses)			
Transfers out	(10,000)	(10,000)	-
Total other financing (uses)	(10,000)	(10,000)	-
Net change In fund balance	12,576	(94,393)	106,969
Fund balance - beginning	236,467	94,393	142,074
Fund balance - ending	$ 249,043	$ -	$ 249,043

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LOCAL GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	$ 4,897,723	$ 5,425,878	$ (528,155)
Intergovernmental revenues	1,521,987	1,876,724	(354,737)
Investment income	99,273	150,000	(50,727)
Miscellaneous	109,495	109,495	-
Total revenues	6,628,478	7,562,097	(933,619)
Expenditures			
Current:			
Transportation	3,206,560	3,975,124	768,564
Capital outlay	1,932,788	5,270,639	3,337,851
Total expenditures	5,139,348	9,245,763	4,106,415
Excess (deficiency) of revenues over expenditures	1,489,130	(1,683,666)	3,172,796
Other financing sources (uses)			
Transfers in	55,792	39,900	15,892
Transfers out	(2,341,582)	(2,360,200)	18,618
Total other financing sources (uses)	(2,285,790)	(2,320,300)	34,510
Net change In fund balance	(796,660)	(4,003,966)	3,207,306
Fund balance - beginning	6,524,762	4,003,966	2,520,796
Fund balance - ending	$ 5,728,102	$ -	$ 5,728,102

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Charges for services	$ 4,607,659	$ 4,613,409	$ (5,750)
Investment income	80,609	100,000	(19,391)
Total revenues	4,688,268	4,713,409	(25,141)
Expenditures			
Current:			
Physical Environment	2,540,183	3,411,582	871,399
Capital outlay	1,186,766	1,753,631	566,865
Total expenditures	3,726,949	5,165,213	1,438,264
Excess (deficiency) of revenues over expenditures	961,319	(451,804)	1,413,123
Other financing (uses)			
Transfers in	6,750	-	6,750
Transfers out	(65,000)	(521,485)	456,485
Total other financing (uses)	(58,250)	(521,485)	463,235
Net change In fund balance	903,069	(973,289)	1,876,358
Fund balance - beginning	4,495,421	973,289	3,522,132
Fund balance - ending	$ 5,398,490	$ -	$ 5,398,490

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SHIP LOCAL HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental revenues	$ 70,538	$ 71,938	$ (1,400)
Investment income	8,058	6,811	1,247
Total revenues	78,596	78,749	(153)
Expenditures			
Current:			
Economic environment	201,657	247,195	45,538
Total expenditures	201,657	247,195	45,538
Net change In fund balance	(123,061)	(168,446)	45,385
Fund balance - beginning	201,914	168,446	33,468
Fund balance - ending	$ 78,853	$ -	$ 78,853

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	$ 246,365	$ 249,278	$ (2,913)
Investment income	45,983	75,000	(29,017)
Total revenues	292,348	324,278	(31,930)
Expenditures			
Current:			
General government	244,269	346,453	102,184
Capital outlay	12,460	501,827	489,367
Total expenditures	256,729	848,280	591,551
Excess (deficiency) of revenues over expenditures	35,619	(524,002)	559,621
Other financing sources (uses)			
Transfers in	360,487	367,590	(7,103)
Total other financing sources (uses)	360,487	367,590	(7,103)
Net change In fund balance	396,106	(156,412)	552,518
Fund balance - beginning	2,746,516	156,412	2,590,104
Fund balance - ending	$ 3,142,622	$ -	$ 3,142,622

CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
SEPTEMBER 30, 2011

	2002 Improvement Certificates	2003 Improvement Certificates	2007A Improvement Certificates
Assets			
Equity in pooled cash and investment fund	$ 850,453	$ 973,284	$ 350,103
Total restricted assets	$ 850,453	$ 973,284	$ 350,103
Fund Balances			
Fund Balances:			
Restricted	$ 850,453	$ 973,284	$ 350,103
Total fund balances	$ 850,453	$ 973,284	$ 350,103

2007B Improvement Certificates	2002 Optional Gas Tax Bonds	Total
$ 223,887	$ 1,816,145	$ 4,213,872
$ 223,887	$ 1,816,145	$ 4,213,872
$ 223,887	$ 1,816,145	$ 4,213,872
$ 223,887	$ 1,816,145	$ 4,213,872

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, 2011

	2002 Improvement Certificates	2003 Improvement Certificates	2007A Improvement Certificates
Revenues			
Investment income	$ 7,560	$ 8,312	$ 1,587
Expenditures			
Debt service:			
Principal payments	635,000	670,000	-
Interest and paying agents' fees	401,699	576,614	700,706
Total expenditures	1,036,699	1,246,614	700,706
(Deficiency) of revenues over expenditures	(1,029,139)	(1,238,302)	(699,119)
Other financing sources (uses)			
Transfers in	1,045,906	1,256,569	700,206
Transfers out	(7,085)	(7,312)	(1,087)
Total other financing sources (uses)	1,038,821	1,249,257	699,119
Net change In fund balances	9,682	10,955	-
Fund balances - beginning	840,771	962,329	350,103
Fund balances - ending	$ 850,453	$ 973,284	$ 350,103

2007B Improvement Certificates	2002 Optional Gas Tax Bonds	Total
$ 1,829	$ 18,459	$ 37,747
145,000	1,685,000	3,135,000
160,813	180,199	2,020,031
305,813	1,865,199	5,155,031
(303,984)	(1,846,740)	(5,117,284)
302,775	1,930,098	5,235,554
(1,329)	(55,792)	(72,605)
301,446	1,874,306	5,162,949
(2,538)	27,566	45,665
226,425	1,788,579	4,168,207
$ 223,887	$ 1,816,145	$ 4,213,872

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 7,560	$ 19,000	$ (11,440)
Total revenues	7,560	19,000	(11,440)
Expenditures			
Debt service:			
Principal payments	635,000	635,000	-
Interest and paying agents' fees	401,699	401,699	-
Total expenditures	1,036,699	1,036,699	-
Excess (deficiency) of revenues over expenditures	(1,029,139)	(1,017,699)	(11,440)
Other financing sources (uses)			
Transfers in	1,045,906	1,045,906	-
Transfers out	(7,085)	(18,526)	11,441
Total other financing sources (uses)	1,038,821	1,027,380	11,441
Net change In fund balance	9,682	9,681	1
Fund balance - beginning	840,771	(9,681)	850,452
Fund balance - ending	$ 850,453	$ -	$ 850,453

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2003 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 8,312	$ 21,850	$ (13,538)
Total revenues	8,312	21,850	(13,538)
Expenditures			
Debt service:			
Principal payments	670,000	670,000	-
Interest and paying agents' fees	576,614	576,714	100
Total expenditures	1,246,614	1,246,714	100
Excess (deficiency) of revenues over expenditures	(1,238,302)	(1,224,864)	(13,438)
Other financing sources (uses)			
Transfers in	1,256,569	1,256,569	-
Transfers out	(7,312)	(20,750)	13,438
Total other financing sources (uses)	1,249,257	1,235,819	13,438
Net change In fund balance	10,955	10,955	-
Fund balance - beginning	962,329	(10,955)	973,284
Fund balance - ending	$ 973,284	$ -	$ 973,284

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 1,587	$ 8,300	$ (6,713)
Total revenues	1,587	8,300	(6,713)
Expenditures			
Debt service:			
Interest and paying agents' fees	700,706	700,721	15
Total expenditures	700,706	700,721	15
Excess (deficiency) of revenues over expenditures	(699,119)	(692,421)	(6,698)
Other financing sources (uses)			
Transfers in	700,206	700,206	-
Transfers out	(1,087)	(7,785)	6,698
Total other financing sources (uses)	699,119	692,421	6,698
Net change In fund balance	-	-	-
Fund balance - beginning	350,103	-	350,103
Fund balance - ending	$ 350,103	$ -	$ 350,103

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007B IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 1,829	$ 5,150	$ (3,321)
Total revenues	1,829	5,150	(3,321)
Expenditures			
Debt service:			
Principal payments	145,000	145,000	-
Interest and paying agents' fees	160,813	161,563	750
Total expenditures	305,813	306,563	750
Excess (deficiency) of revenues over expenditures	(303,984)	(301,413)	(2,571)
Other financing sources (uses)			
Transfers in	302,775	302,775	-
Transfers out	(1,329)	(3,900)	2,571
Total other financing sources (uses)	301,446	298,875	2,571
Net change In fund balance	(2,538)	(2,538)	-
Fund balance - beginning	226,425	2,538	223,887
Fund balance - ending	$ 223,887	$ -	$ 223,887

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 OPTIONAL GAS TAX BONDS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 18,459	$ 40,450	$ (21,991)
Total revenues	18,459	40,450	(21,991)
Expenditures			
Debt service:			
Principal payments	1,685,000	1,685,000	-
Interest and paying agents' fees	180,199	217,460	37,261
Total expenditures	1,865,199	1,902,460	37,261
Excess (deficiency) of revenues over expenditures	(1,846,740)	(1,862,010)	15,270
Other financing sources (uses)			
Transfers in	1,930,098	1,930,098	-
Transfers out	(55,792)	(39,900)	(15,892)
Total other financing sources (uses)	1,874,306	1,890,198	(15,892)
Net change In fund balance	27,566	28,188	(622)
Fund balance - beginning	1,788,579	(28,188)	1,816,767
Fund balance - ending	$ 1,816,145	$ -	$ 1,816,145

CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2011

	2002 Optional Gas Tax Construction	2002 Capital Improvement	2007A Capital Improvement	Total
Assets				
Cash and investments	$ -	$ -	$ 2	$ 2
Equity in pooled cash and investment fund	-	1,883,625	4,512,138	6,395,763
Accrued interest receivable	-	6,178	12,898	19,076
Total assets	-	1,889,803	4,525,038	6,414,841
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	-	141,935	538,267	680,202
Total liabilities	-	141,935	538,267	680,202
Fund Balances:				
Restricted	-	1,747,868	3,986,771	5,734,639
Total fund balances	-	1,747,868	3,986,771	5,734,639
Total liabilities and fund balances	$ -	$ 1,889,803	$ 4,525,038	$ 6,414,841

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, 2011

	2002 Optional Gas Tax Construction	2002 Capital Improvement	2007A Capital Improvement	Total
Revenues				
Investment income	$ 1,431	$ 26,937	$ 53,345	$ 81,713
Total revenues	1,431	26,937	53,345	81,713
Expenditures				
Current:				
General government	-	1,250	1,054,207	1,055,457
Culture and recreation	-	104,581	-	104,581
Capital outlay	253,427	108,000	1,705,452	2,066,879
Total expenditures	253,427	213,831	2,759,659	3,226,917
(Deficiency) of revenues over expenditures	(251,996)	(186,894)	(2,706,314)	(3,145,204)
Other financing sources (uses)				
Transfers in	-	-	527,809	527,809
Transfers out	-	-	(37,691)	(37,691)
Total other financing sources (uses)	-	-	490,118	490,118
Net change In fund balances	(251,996)	(186,894)	(2,216,196)	(2,655,086)
Fund balances - beginning	251,996	1,934,762	6,202,967	8,389,725
Fund balances - ending	$ -	$ 1,747,868	$ 3,986,771	$ 5,734,639

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 OPTIONAL GAS TAX CONSTRUCTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 1,431	$ -	$ 1,431
Total revenues	1,431	-	1,431
Expenditures			
Capital outlay	253,427	253,427	-
Total expenditures	253,427	253,427	-
Net change In fund balance	(251,996)	(253,427)	1,431
Fund balance - beginning	251,996	253,427	(1,431)
Fund balance - ending	$ -	$ -	$ -

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 26,937	$ -	$ 26,937
Total revenues	26,937	-	26,937
Expenditures			
Current:			
General government	1,250	-	(1,250)
Culture and recreation	104,581	71,610	(32,971)
Capital outlay	108,000	274,548	166,548
Total expenditures	213,831	346,158	132,327
Excess (deficiency) of revenues over expenditures	(186,894)	(346,158)	159,264
Net change In fund balance	(186,894)	(346,158)	159,264
Fund balance - beginning	1,934,762	346,158	1,588,604
Fund balance - ending	$ 1,747,868	$ -	$ 1,747,868

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 53,345	$ -	$ 53,345
Total revenues	53,345	-	53,345
Expenditures			
Current:			
General government	1,054,207	1,076,357	22,150
Capital outlay	1,705,452	1,860,285	154,833
Total expenditures	2,759,659	2,936,642	176,983
Excess (deficiency) of revenues over expenditures	(2,706,314)	(2,936,642)	230,328
Other financing (uses)			
Transfers in	527,809	-	527,809
Transfers out	(37,691)	-	(37,691)
Total other financing (uses)	490,118	-	490,118
Net change In fund balance	(2,216,196)	(2,936,642)	720,446
Fund balance - beginning	6,202,967	2,936,642	3,266,325
Fund balance - ending	$ 3,986,771	$ -	$ 3,986,771

INTERNAL SERVICE FUNDS:

The Internal Service Funds account for the operation of departments which exist solely to provide services to other City departments. The revenues of the Internal Service Funds are derived from user fees and self-insurance premiums charged to other City funds. The Internal Service Funds used by the City are:

Fleet & Facilities Management Fund - This fund accounts for the operation of the fleet and facilities management department, which is responsible for replacing, specifying, acquiring, maintaining and disposing of approximately 930 units of gas driven equipment, as well as approximately 100 facilities.

Self-Insurance Fund - This fund accounts for the operation of the risk management department and for the costs of the City's insurance and self-insurance plans.

CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2011

	Fleet Management	Self-Insurance	Total
Assets			
Current Assets:			
Equity in pooled cash and investment fund	$ 10,362,028	$ 21,519,806	$ 31,881,834
Accrued interest receivable	34,833	66,495	101,328
Accounts receivable	-	38,206	38,206
Total current assets	10,396,861	21,624,507	32,021,368
Capital Assets, Net	13,420,345	-	13,420,345
Total assets	23,817,206	21,624,507	45,441,713
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	637,133	799,549	1,436,682
Claims payable	-	8,000,000	8,000,000
Unearned revenue	-	2,477	2,477
Total current liabilities	637,133	8,802,026	9,439,159
Noncurrent Liabilities:			
Capital lease	3,150,982	-	3,150,982
Total noncurrent liabilities	3,150,982	-	3,150,982
Total liabilities	3,788,115	8,802,026	12,590,141
Net Assets			
Invested in capital assets, net of related debt	10,269,363	-	10,269,363
Unrestricted	9,759,728	12,822,481	22,582,209
Total net assets	$ 20,029,091	$ 12,822,481	$ 32,851,572

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Fleet Management	Self-Insurance	Total
Operating Revenues:			
City insurance contributions	$ -	$ 10,434,384	$ 10,434,384
Employee insurance contributions	-	2,312,437	2,312,437
Other	134,950	1,541,362	1,676,312
Total operating revenues	134,950	14,288,183	14,423,133
Operating Expenses:			
Fleet management	1,122,279	-	1,122,279
Insurance, administration and other	-	13,704,401	13,704,401
Depreciation	1,929,421	413	1,929,834
Total operating expenses	3,051,700	13,704,814	16,756,514
Operating income (loss)	(2,916,750)	583,369	(2,333,381)
Non-Operating Revenues:			
Investment income	153,882	322,424	476,306
Total non-operating revenues	153,882	322,424	476,306
Income before operating transfers	(2,762,868)	905,793	(1,857,075)
Transfers:			
Transfers in	1,408,978	-	1,408,978
Transfers out	-	(601,830)	(601,830)
Total transfers	1,408,978	(601,830)	807,148
Change in net assets	(1,353,890)	303,963	(1,049,927)
Net assets - beginning	21,382,981	12,518,518	33,901,499
Net assets - ending	$ 20,029,091	$ 12,822,481	$ 32,851,572

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Fleet Management	Self-Insurance	Total
Cash Flows from Operating Activities:			
Cash received from employees	$ -	$ 2,413,844	$ 2,413,844
Cash paid to suppliers for goods and services	(518,297)	(5,030,513)	(5,548,810)
Cash paid to employees for services	-	(12,574)	(12,574)
Cash received from other funds	-	10,434,384	10,434,384
Cash paid for insurance claims	-	(3,334,850)	(3,334,850)
Net cash provided by operating activities	(518,297)	4,470,291	3,951,994
Cash Flows from Non-Capital Financing Activities:			
Transfers in	1,408,978	-	1,408,978
Transfers out	-	(601,830)	(601,830)
Net cash used in non-capital financing activities	1,408,978	(601,830)	807,148
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of capital assets	122,650	-	122,650
Acquisition and construction of capital assets	(2,498,577)	16,796	(2,481,781)
Net cash used in capital and related financing activities	(2,375,927)	16,796	(2,359,131)
Cash Flows from Investing Activities:			
Investment income	189,102	363,423	552,525
Net cash provided by investing activities	189,102	363,423	552,525
Net increase (decrease) in cash and cash equivalents	(1,296,144)	4,248,680	2,952,536
Cash and cash equivalents, beginning	11,658,172	17,271,126	28,929,298
Cash and cash equivalents, ending	$ 10,362,028	$ 21,519,806	$ 31,881,834

(Continued)

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Fleet Management	Self-Insurance	Total
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:			
Operating income (loss)	$ (2,916,750)	$ 583,369	$ (2,333,381)
Adjustment to reconcile operating income to cash flows provided by operating activities:			
Depreciation	1,812,669	413	1,813,082
Loss (gain) on capital asset disposal	25,697	-	25,697
(Increase) decrease in assets:			
Accounts and notes receivable	-	101,407	101,407
Other current assets	-	857,356	857,356
Increase (decrease) in liabilities:			
Accounts payable	560,087	540,822	1,100,909
OPEB obligation payable	-	(7,553)	(7,553)
Claims payable	-	2,392,000	2,392,000
Unearned revenue	-	2,477	2,477
Net cash provided by operating activities	$ (518,297)	$ 4,470,291	$ 3,951,994

STATISTICAL SECTION

CITY OF OCALA, FLORIDA
STATISTICAL SECTION
Description of Schedules

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

Contents **Pages**

Financial Trends..... …….. 119-128
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity..... …….. 129-133
These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity..... …..…… 134-140
These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information…..... 141-144
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information….....…… 145-148
These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

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

	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	$ 115,625,140	$ 117,351,325	$ 115,459,984	$ 116,181,216	$ 124,147,138
Restricted	37,546,316	33,087,299	33,214,401	28,958,142	24,466,026
Unrestricted	23,307,509	21,654,548	19,230,746	25,722,561	29,311,300
Total governmental activities net assets	$ 176,478,965	$ 172,093,172	$ 167,905,131	$ 170,861,919	$ 177,924,464
Business-type activities					
Invested in captial assets, net of related debt	$ 141,875,832	$ 173,278,919	$ 183,076,286	$ 183,993,059	$ 196,090,833
Restricted	32,192,185	23,935,720	25,453,335	27,815,830	10,240,786
Unrestricted	79,939,325	62,441,077	55,195,063	57,968,143	84,619,342
Total business-type activities net assets	$ 254,007,342	$ 259,655,716	$ 263,724,684	$ 269,777,032	$ 290,950,961
Primary government					
Invested in captial assets, net of related debt	$ 257,500,972	$ 290,630,244	$ 298,536,270	$ 300,174,275	$ 320,237,971
Restricted	69,738,501	57,023,019	58,667,736	56,773,972	34,706,812
Unrestricted	103,246,834	84,095,625	74,425,809	83,690,704	113,930,642
Total primary government net assets	$ 430,486,307	$ 431,748,888	$ 431,629,815	$ 440,638,951	$ 468,875,425

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

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

	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General government	$ 5,932,435	$ 6,535,061	$ 6,970,877	$ 8,604,212	$ 8,341,978
Public safety	24,889,143	27,155,122	28,723,206	33,862,494	31,980,509
Public Works	16,209,451	16,410,122	15,846,226	11,248,691	19,064,719
Culture and recreation	4,199,839	4,804,900	4,667,252	5,486,761	5,204,487
Economic environment	336,440	272,948	304,668	345,869	986,103
Non-Departmental	258,040	220,218	401,875	209,889	-
Human Services	-	-	-	-	167,746
Physical Environment	-	-	-	-	104,095
Transportation	-	-	-	-	636,705
Municipal Golf Courses	-	-	-	-	-
Other	1,195,309	1,219,184	2,634,403	2,384,523	-
Interest on long-term debt	1,608,367	2,044,103	1,941,182	1,901,587	1,813,808
Total governmental activities expenses	54,629,024	58,661,658	61,489,689	64,044,026	68,300,150
Business-type activities:					
Electric	90,426,168	98,558,024	112,445,761	121,062,884	147,557,401
Water and Sewer	14,165,701	15,794,442	17,609,196	19,762,319	20,982,952
Sanitation	7,770,720	8,257,920	9,080,734	10,296,688	9,223,907
Municipal Golf Courses	2,667,599	2,580,330	2,665,999	2,885,062	2,815,080
Municipal Trailer Park	96,207	111,198	96,477	95,003	105,446
International Airport	868,865	1,491,629	1,491,874	1,273,234	1,191,134
Emergency Training Facility	441,677	-	-	-	-
Audlt Athletic Complex	191,705	166,947	171,140	185,716	202,062
Communications	618,371	799,468	854,242	897,376	928,304
Suntran	1,221,617	1,521,482	1,639,368	1,779,496	1,887,826
Total business-type activities expenses	118,468,630	129,281,440	146,054,791	158,237,778	184,894,112
Total primary government expenses	$ 173,097,654	$ 187,943,098	$ 207,544,480	$ 222,281,804	$ 253,194,262
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 2,564,083	$ 2,267,238	$ 3,580,601	$ 5,149,670	$ 5,560,008
Public safety	694,776	207,756	621,434	649,697	683,644
Public Works	2,176,140	2,259,990	2,359,217	2,975,108	4,483,574
Culture and recreation	409,650	494,131	634,608	697,530	731,896
Housing and Urban Development	-	-	-	-	264,817
Non-departmental	-	766,520	-	-	-
Human Services	-	-	-	-	-
Economic environment	-	-	-	-	-
Other	134,891	103,308	152,770	263,097	-
Operating grants and contributions	6,107,356	3,925,625	8,972,211	8,301,964	9,966,243
Capital grants and contributions	27,512	142,214	29,045	2,969,336	3,818,508
Total governmental activities program revenues	$ 12,114,408	$ 10,166,782	$ 16,349,886	$ 21,006,402	$ 25,508,690
Business-type activities:					
Charges for services:					
Electric	$ 105,442,675	$ 108,189,382	$ 119,620,424	$ 131,457,291	$ 162,504,999
Water and Sewer	15,640,830	16,815,935	19,794,329	22,036,751	24,875,305
Sanitation	7,308,366	7,621,201	8,822,329	9,327,646	10,066,654
Municipal Golf Courses	2,147,531	2,053,098	2,330,548	2,124,820	2,394,301
Municipal Trailer Park	97,126	104,922	106,001	111,097	111,062
International Airport	432,748	532,134	675,459	609,983	597,170
Emergency Training Facility	13,426	-	-	-	-
Audlt Athletic Complex	96,323	95,737	103,295	132,710	134,301
Communications	1,112,616	1,317,298	1,445,890	1,279,230	1,255,884
Suntran	148,978	152,254	174,380	192,818	207,268
Operating grants and contributions	845,718	895,435	4,345,717	3,835,344	1,282,929
Capital grants and contributions	4,010,287	5,115,107	3,173,740	6,851,151	13,222,924
Total business-type activities program revenues	137,296,624	142,892,503	160,592,112	177,958,841	216,652,797
Total primary government program revenues	$ 149,411,032	$ 153,059,285	$ 176,941,998	$ 198,965,243	$ 242,161,487

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

(Continued)

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

	2002	2003	2004	2005	2006
Net (expense)/revenue					
Governmental activities	$ (42,514,616)	$ (48,494,876)	$ (45,139,803)	$ (43,037,624)	$ (42,791,460)
Business-type activities	18,827,994	13,611,063	14,537,321	19,721,063	31,758,685
Total primary government net expense	$ (23,686,622)	$ (34,883,813)	$ (30,602,482)	$ (23,316,561)	$ (11,032,775)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	$ 12,436,199	$ 13,237,448	$ 14,009,302	$ 16,353,798	$ 17,838,831
Utility service tax	9,826,251	8,972,010	9,329,469	10,493,622	10,492,840
Other taxes	3,403,833	3,829,885	631,744	637,006	776,335
Unrestricted revenues	4,384,898	3,951,729	4,392,031	4,881,721	5,162,216
Investment income	2,642,330	1,816,455	864,869	1,250,902	2,843,963
Miscellaneous	248,153	809,728	48,350	41,595	103,094
Transfers	10,056,358	11,461,890	11,766,087	12,335,768	12,636,726
Total governmental activities	42,998,022	44,079,145	41,041,852	45,994,412	49,854,005
Business-type activities:					
Investment income	5,172,632	3,499,201	1,297,764	1,980,750	4,535,902
Transfers	(10,056,358)	(11,461,890)	(11,766,087)	(12,335,768)	(12,636,726)
Total business-type activities	(4,883,726)	(7,962,689)	(10,468,323)	(10,355,018)	(8,100,824)
Total primary government	$ 38,114,296	$ 36,116,456	$ 30,573,529	$ 35,639,394	$ 41,753,181
Change in Net Assets					
Governmental activities	$ 483,406	$ (4,375,883)	$ (4,097,951)	$ 2,956,788	$ 7,062,545
Business-type activities	13,944,268	5,648,374	4,068,998	9,366,045	23,657,861
Total primary government	$ 14,427,674	$ 1,272,491	$ (28,953)	$ 12,322,833	$ 30,720,406

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

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

	2002	2003	2004	2005	2006
General fund					
Nonspendable	$	$ -	$ -	$ -	$ -
Reserved	-	-	-	-	-
Ristricted	-	-	-	-	-
Commited	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved	13,926,923	11,229,820	10,735,291	16,209,931	19,728,353
Total general fund	13,926,923	11,229,820	10,735,291	16,209,931	19,728,353
All other governmental funds					
Ristricted	$ -	$ -	$ -	$ -	$ -
Commited	-	-	-	-	-
Reserved	38,107,152	33,847,369	34,151,577	29,861,294	25,336,025
Unreserved, reported in:					
Special revenue funds	-	2,789,057	2,427,464	3,154,023	3,369,290
Total all other governmental funds	$ 38,107,152	$ 36,636,426	$ 36,579,041	$ 33,015,317	$ 28,705,315

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

2007	2008	2009	2010	2011
$ -	$ -	$ -	$ -	$ 296,457
-	-	-	233,683	-
-	-	-	-	2,623,303
-	-	-	-	2,757,930
-	-	-	-	20,392,709
-	-	-	-	15,065,839
25,945,812	27,070,783	31,278,522	38,771,465	-
25,945,812	27,070,783	31,278,522	39,005,148	41,136,238

$ -	$ -	$ -	$ -	$ 19,147,131
-	-	-	-	5,398,490
16,712,856	27,659,497	22,914,895	22,065,677	-
2,900,260	4,671,581	4,337,328	4,697,335	-
$ 19,613,116	$ 32,331,078	$ 27,252,223	$ 26,763,012	$ 24,545,621

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

	2002	2003	2004	2005	2006
Revenues:					
Property Taxes	$ 12,436,199	$ 13,237,448	$ 14,009,302	$ 16,353,798	$ 17,838,831
Utility Service Taxes	9,826,251	8,972,010	9,329,469	10,493,622	10,492,840
Other Taxes	395,596	629,497	709,786	725,928	860,958
State Revenue Sharing	1,391,703	1,384,895	1,443,396	1,654,026	1,676,397
Other Intergovernmental Revenue	11,974,015	9,567,844	11,210,086	12,697,561	12,325,003
Parking Meters and Facilities	62,673	65,374	66,572	58,644	48,528
Licenses and Permits	1,055,928	1,418,871	1,483,910	2,292,970	2,679,396
Fines and Forfeitures	403,763	396,124	489,143	501,990	491,365
Charges for Services	4,031,885	4,160,492	4,652,492	6,303,068	8,052,521
Investment Income	1,777,529	1,362,613	709,560	1,078,883	2,318,243
Gifts	165,404	267,216	594,917	1,722,328	1,490,884
Other	670,325	867,811	771,709	610,209	869,263
Total revenues	$ 44,191,271	$ 42,330,195	$ 45,470,342	$ 54,493,027	$ 59,144,229
Expenditures:					
General Government	5,722,144	6,244,743	6,757,264	7,643,894	8,173,331
Public Safety	23,546,305	25,564,889	27,269,177	29,092,600	30,795,940
Public Works	8,724,153	8,656,179	8,329,248	10,773,519	12,265,628
Culture and Recreation	3,922,136	4,477,221	4,226,419	4,676,951	5,030,888
Municipal golf course	-	-	-	-	-
Ecnomic Environment	336,440	272,948	304,668	345,869	930,969
Nondepartmental	782,596	381,999	197,618	280,100	-
Human Services	-	-	-	-	167,714
Physical Environment	-	-	-	-	103,973
Transportation	-	-	-	-	628,972
Other	1,141,043	1,125,952	2,571,480	2,269,915	-
Capital Outlay	8,462,353	8,677,677	4,285,205	6,314,599	9,815,155
Debt service					
Principal Retirement	3,385,000	975,000	2,145,000	2,805,000	2,875,000
Interest and fees	1,779,672	1,815,966	1,708,561	1,878,165	1,791,259
Total expenditures	$ 57,801,842	$ 58,192,574	$ 57,794,640	$ 66,080,612	$ 72,578,829
Excess of revenues over (under) expenditures	$ (13,610,571)	$ (15,862,379)	$ (12,324,298)	$ (11,587,585)	$ (13,434,600)
Other financing sources (uses):					
Transfers in	14,281,477	16,039,513	16,407,407	17,159,554	17,557,172
Transfers out	(4,218,807)	(4,574,880)	(4,635,023)	(4,946,543)	(4,914,152)
Bond Proceeds	31,905,000	15,310,000	-	-	-
Bond Premium (Discount)	(68,812)	1,519,140	-	-	-
Payment to Refunded Bonds Escrow Agent	(6,422,315)	(16,599,223)	-	-	-
Total other financing sources (uses)	$ 35,476,543	$ 11,694,550	$ 11,772,384	$ 12,213,011	$ 12,643,020
Net change in fund balances	$ 21,865,972	$ (4,167,829)	$ (551,914)	$ 625,426	$ (791,580)
Debt service as a percentage of noncapital expenditures	10.47%	5.64%	7.20%	7.84%	7.43%

2007	2008	2009	2010	2011
$ 21,147,093	$ 21,102,963	$ 20,978,586	$ 21,677,666	$ 21,631,286
11,613,177	12,468,590	13,209,971	13,327,736	10,866,057
1,799,011	1,111,427	4,504,911	5,718,242	5,808,190
1,694,938	4,897,376	4,752,300	4,341,188	4,250,585
9,771,807	9,267,258	5,475,893	7,602,864	6,242,833
38,358	55,009	59,354	-	-
2,223,801	1,869,393	948,981	2,063,405	2,127,999
666,486	461,016	582,352	495,370	493,956
13,213,581	15,453,587	14,637,036	16,977,204	17,487,369
3,023,206	2,093,104	4,199,163	2,152,552	1,028,367
3,157,632	547,044	1,840,756	212,949	137,589
931,583	1,391,588	1,241,128	677,770	1,383,855
$ 69,280,673	$ 70,718,355	$ 72,430,431	$ 75,246,946	$ 71,458,086
9,373,452	14,354,658	10,170,481	16,052,937	19,524,363
33,840,516	36,498,069	37,118,704	34,806,006	35,713,344
13,681,476	9,695,188	8,979,723	9,643,723	-
5,301,517	5,157,138	5,144,054	4,395,486	5,122,702
-	-	-	-	-
950,547	1,184,083	1,389,402	1,144,566	1,623,516
-	-	-	-	-
175,714	164,528	197,435	205,492	252,015
79,288	81,207	22,228	-	2,540,183
627,682	545,969	630,474	552,731	7,841,187
-	-	-	-	-
14,257,745	10,551,340	11,171,184	10,348,794	7,033,957
2,940,000	3,020,000	3,368,600	3,318,601	3,135,000
1,768,469	1,894,751	2,204,915	2,117,452	2,023,321
$ 82,996,406	$ 83,146,931	$ 80,397,200	$ 82,585,788	$ 84,809,588
$ (13,715,733)	$ (12,428,576)	$ (7,966,769)	$ (7,338,842)	$ (13,351,502)
17,940,728	20,330,785	18,677,751	21,747,904	19,144,620
(7,099,735)	(10,192,662)	(11,582,098)	(7,171,647)	(5,879,419)
-	20,707,201	-	-	-
-	(378,596)	-	-	-
-	(4,195,219)	-	-	-
$ 10,840,993	$ 26,271,509	$ 7,095,653	$ 14,576,257	$ 13,265,201
$ (2,874,740)	$ 13,842,933	$ (871,116)	$ 7,237,415	$ (86,301)
6.85%	6.77%	8.05%	7.53%	6.63%

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

Fiscal Year Ended September 30 [2]	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property
2002	$ 1,080,786,799	$ 608,607,269	$ 264,571,374	$ 45,940,434	$ 168,227,107
2003	1,129,907,482	692,991,158	267,533,523	49,173,429	173,067,650
2004	1,207,542,156	746,568,489	275,988,760	48,687,495	195,651,980
2005	1,369,536,668	824,450,460	303,736,680	62,359,418	206,861,715
2006	1,600,222,052	890,444,399	326,588,278	73,141,502	228,418,327
2007	2,167,036,569	1,067,577,070	398,331,679	105,585,327	271,471,369
2008	2,949,994,448	1,253,672,907	482,610,648	93,641,860	307,406,690
2009	2,965,292,837	1,346,969,757	533,735,948	100,123,252	324,414,667
2010	2,556,679,147	1,371,181,796	477,635,303	100,123,252	324,414,667
2011	2,181,585,419	1,203,014,383	435,601,285	73,955,610	294,136,778

Source: Marion County, Florida, Property Appraiser

Note: [1] Property in the City of Ocala is reassessed each year by the Marion County Property Appraiser.

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

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

Governmental Property	Vacant Land/Other	Total Real Estate Property	Tangible Personal Property	Total Tax Exempt	Total Assessed Value	Total Direct Tax Rate [1]
265,585,747	$ 96,770,267	$ 2,530,488,997	$ 414,813,020	$ 750,452,751	$ 2,194,849,266	5.796
268,352,723	92,510,709	2,673,536,674	466,009,209	788,276,604	2,351,269,279	5.797
284,723,737	102,363,486	2,861,526,103	494,690,903	834,305,524	2,521,911,482	5.687
304,364,777	123,879,204	3,195,188,922	496,528,576	902,518,740	2,789,198,758	5.936
372,272,984	130,566,644	3,621,654,186	508,697,524	1,064,029,778	3,066,321,932	5.934
434,025,442	173,483,303	4,617,510,759	547,189,434	1,402,552,458	3,762,147,735	5.676
481,497,048	268,788,561	5,837,612,162	614,223,942	1,739,792,892	4,712,043,212	4.529
490,801,375	271,011,673	6,032,349,509	653,897,260	1,959,757,717	4,726,489,052	4.529
503,103,052	223,798,124	5,543,544,948	597,457,634	1,724,507,750	4,416,494,832	4.966
476,559,144	180,770,925	4,845,623,544	545,408,952	1,485,187,355	3,905,845,141	5.618

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

MILLAGE RATES

Fiscal Year [1]	City	County	School	Water Mgmt Districts	Total
2002	5.78	6.06	9.50	0.46	21.80
2003	5.78	6.04	9.44	0.46	21.72
2004	5.68	5.64	9.06	0.46	20.84
2005	5.93	5.31	8.27	0.46	19.97
2006	5.93	4.87	8.01	0.46	19.27
2007	5.68	4.57	7.87	0.46	18.58
2008	4.53	3.49	7.61	0.42	16.04
2009	4.53	3.89	7.50	0.42	16.33
2010	4.97	3.90	7.48	0.42	16.76
2011	5.62	3.89	7.49	0.42	17.42

Source: Marion County, Florida, Property Appraiser.

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

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

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

	2011			2002		
Taxpayer	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value
K-Mart Corporation	$ 54,980,913	1	1.41%	$ 49,911,046	1	2.46%
Marion Community Hospital	45,555,790	2	1.17%	-	-	0.00%
Embarq	42,713,318	3	1.09%	44,340,670	2	2.19%
The Ocala Shoppes LLC	35,488,242	4	0.91%	-	-	-
Paddock Mall Associates	35,142,214	5	0.90%	25,366,906	5	1.25%
Wal-Mart	32,945,007	6	0.84%	10,554,920	9	0.52%
Closetmaid Corporation	30,743,923	7	0.79%	-	-	0.00%
Carlton Arms Apartments	25,632,673	8	0.66%	9,446,575	10	0.47%
Morgan Ocala Center	19,791,913	9	0.51%	-	-	-
Cheney Brothers Inc.	18,513,985	10	0.47%	-	-	-
Ocala Regional Medical Center	-	-	-	29,346,074	3	1.45%
Clarison International		-	-	25,606,303	4	1.26%
Paddock Park Apartments	-	-	-	14,459,840	6	0.71%
C.C. Ocala Joint Venture		-	-	12,463,391	7	0.62%
Gray Lumber Co. (Tuscany Apts)	-	-	-	10,959,015	8	0.54%
Total	$ 341,507,978		8.74%	$ 232,454,740		11.47%

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

CITY OF OCALA, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30	Taxes Levied For Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	$ 12,761,905	$ 11,927,359	93.46%	$ 346,568	$ 12,273,927	96.18%
2003	13,674,384	12,665,942	92.63%	427,332	13,093,274	95.75%
2004	14,369,729	13,444,999	93.56%	420,852	13,865,851	96.49%
2005	16,587,684	15,498,629	93.43%	697,825	16,196,454	97.64%
2006	18,221,939	17,506,783	96.08%	151,208	17,657,991	96.91%
2007	21,386,729	20,690,703	96.75%	223,248	20,913,951	97.79%
2008	21,372,488	20,544,371	96.13%	231,458	20,775,829	97.21%
2009	21,405,324	20,394,711	95.28%	191,247	20,585,958	96.17%
2010	21,950,174	21,057,371	95.93%	232,430	21,289,801	96.99%
2011	21,944,215	21,221,107	96.70%	99,890	21,320,997	97.16%

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

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

Excludes property tax levies of the Downtown Development Commission.

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

	Governmental Activities			Business-Type Activities						
Fiscal Year	Capital Improvement Certificates	Optional Gas Tax Bonds	Total	Electric System Revenue Bonds	Utility Systems Revenue Bonds	Water and Sewer Revenue Bonds	Total	Total Primary Government	Percentage of Personal Income	Per Capita
2002	$ 36,085	$ 17,565	$ 53,650	$ 10,520	$ -	$ 91,145	$ 101,665	$ 155,315	14.44%	$ 3,337
2003	34,320	17,565	51,885	8,580	-	88,570	97,150	149,035	13.31%	3,169
2004	33,700	16,040	49,740	6,545	-	85,750	92,295	142,035	12.14%	3,005
2005	32,465	14,470	46,935	-	57,980	59,655	117,635	164,570	13.00%	3,329
2006	31,200	12,860	44,060	-	57,485	56,595	114,080	158,140	11.50%	3,050
2007	29,910	11,210	41,120	-	56,860	53,425	110,285	151,405	10.53%	2,791
2008	44,575	9,515	54,090	-	144,170	27,605	171,775	225,865	15.11%	4,147
2009	43,215	7,780	50,995	-	143,520	24,165	167,685	218,680	14.54%	3,991
2010	41,805	6,145	47,950	-	142,860	20,575	163,435	211,385	13.22%	3,754
2011	40,355	4,460	44,815	-	156,050	16,830	172,880	217,695	13.56%	3,850

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

The City of Ocala had no outstanding general obligation debt during the fiscal years ending September 30, 2002 - 2011.

CITY OF OCALA, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT [1]
September 30, 2011

Governmental Unit	Bonds Outstanding	Applicable to City of Ocala Percent [2]	Applicable to City of Ocala Amount
Marion County			
Limited Ad Valorem Refunding Tax Bonds, Series 1998	$ 4,565,000		
Limited Ad Valorem Refunding Tax Bonds, Series 2003	-		
	4,565,000	22.89%	$ 1,044,972
Total Overlapping Debt	$ 4,565,000		$ 1,044,972

1 The City of Ocala did not have any general obligation debt outstanding during the fiscal year ended September 30, 2011.

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

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

	2002	2003	2004	2005
Assessed Value (100% at market as of January 1, 2008)	$ 2,194,839,266	$ 2,351,269,279	$ 2,521,911,481	$ 2,789,198,758
Debt Limit: 20% of Assessed Value	$ 438,967,853	$ 470,253,856	$ 504,382,296	$ 557,839,752
Amount of General Obligation Debt Outstanding	-	-	-	-
Legal Debt Margin	$ 438,967,853	$ 470,253,856	$ 504,382,296	$ 557,839,752

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

2006	2007	2008	2009	2010	2011
$ 3,066,321,932	$ 3,762,147,735	$ 4,712,043,212	$ 4,726,489,052	$ 4,416,494,782	$ 3,905,845,141
$ 613,264,386	$ 752,429,547	$ 942,408,642	$ 945,297,810	$ 883,298,956	$ 781,169,028
-	-	-	-	-	-
$ 613,264,386	$ 752,429,547	$ 942,408,642	$ 945,297,810	$ 883,298,956	$ 781,169,028

CITY OF OCALA, FLORIDA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	2002	2003	2004	2005
Capital Improvement Bonds and Certificates:				
Net revenue available for debt service	$ 8,739,156	$ 8,772,597	$ 8,901,118	$ 9,339,678
Debt Service payments:				
Principal	560,000	585,000	620,000	1,265,000
Interest	1,104,895	1,376,757	1,243,263	1,388,006
Total debt service payments	1,664,895	1,961,757	1,863,263	2,653,006
Coverage (times)	5.25	4.47	4.78	3.52
Optional Gas Tax Bonds:				
Net revenue available for debt service	$ 2,625,636	$ 2,725,114	$ 2,840,647	$ 2,957,912
Debt Service payments:				
Principal	800,000	-	1,370,000	1,415,000
Interest	500,565	298,966	492,636	452,321
Total debt service payments	1,300,565	298,966	1,862,636	1,867,321
Coverage (times)	2.02	9.12	1.53	1.58
Electric System Bonds:				
Gross revenues	$ 108,305,778	$ 110,023,244	$ 121,996,540	$ 133,762,878
Less: operating expenses	85,816,287	93,979,971	107,439,353	115,542,920
Net revenue available for debt service	22,528,190	16,043,273	14,557,187	18,219,958
Debt Service payments:				
Principal	-	1,940,000	2,035,000	2,105,000
Interest	243,571	331,406	264,387	164,699
Total debt service payments	243,571	2,271,406	2,299,387	2,269,699
Coverage (times)	92.49	7.06	6.33	8.03
Water & Sewer Bonds:				
Gross revenues	$ 18,655,776	$ 18,201,604	$ 20,435,447	$ 22,873,163
Less: operating expenses	7,519,919	8,701,898	9,115,971	9,875,460
Net revenue available for debt service	11,135,857	9,499,706	11,319,476	12,997,703
Debt Service payments:				
Principal	460,000	2,575,000	2,820,000	2,940,000
Interest	3,952,074	4,333,189	4,221,045	3,782,530
Total debt service payments	4,412,074	6,908,189	7,041,045	6,722,530
Coverage (times)	2.52	1.38	1.61	1.93
Utility System Bonds:				
Net revenue available for debt service	$ -	$ -	$ -	$ 22,225,432
Debt Service payments:				
Principal	-	-	-	-
Interest	-	-	-	539,561
Total debt service payments	-	-	-	539,561
Coverage (times)	-	-	-	41.19

Source: The City of Ocala Office of Budget and Finance

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

2006	2007	2008	2009	2010	2011
$ 9,886,289	$ 9,628,290	$ 8,733,751	$ 9,907,154	$ 8,463,599	$ 8,223,166
1,265,000	1,290,000	1,325,000	1,360,000	1,410,000	1,450,000
1,360,422	1,331,339	1,580,000	1,915,464	1,878,711	1,837,357
2,625,422	2,621,339	2,905,000	3,275,464	3,288,711	3,287,357
3.77	3.67	3.01	3.02	2.57	2.50
$ 3,113,220	$ 3,180,946	$ 2,892,928	$ 2,900,317	$ 2,840,703	$ 2,664,586
1,450,000	1,480,000	1,520,000	1,555,000	1,600,000	1,650,000
412,730	372,060	328,436	281,365	231,779	179,724
1,862,730	1,852,060	1,848,436	1,836,365	1,831,779	1,829,724
1.67	1.72	1.57	1.58	1.55	1.46
$ 162,504,999	$ 151,504,058	$ 175,441,091	$ 177,960,026	$ 173,550,081	$ 145,409,199
142,349,614	138,048,277	159,954,673	161,634,774	152,595,345	137,028,292
20,155,385	13,455,781	15,486,418	16,325,252	20,954,736	8,380,907
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
N/A	N/A	N/A	N/A	N/A	N/A
$ 24,875,305	$ 26,282,949	$ 27,064,562	$ 26,352,644	$ 26,212,019	$ 26,437,702
10,914,429	11,487,524	13,475,885	13,015,589	12,100,557	13,963,526
13,960,876	14,795,425	13,588,677	13,337,055	14,111,462	12,474,176
3,060,000	3,170,000	3,295,000	3,440,000	1,011,500	3,745,000
2,695,072	2,575,873	1,951,105	1,120,591	969,335	807,685
5,755,072	5,745,873	5,246,105	4,560,591	1,980,835	4,552,685
2.43	2.57	2.59	2.92	7.12	2.74
$ 28,361,189	$ 22,505,333	$ 23,828,990	$ 25,101,716	$ 33,085,363	$ 16,302,398
495,000	625,000	640,000	650,000	660,000	685,000
2,730,607	2,718,536	4,431,856	6,835,339	6,818,629	6,799,444
3,225,607	3,343,536	5,071,856	7,485,339	7,478,629	7,484,444
8.79	6.73	4.70	3.35	4.42	2.18

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

Fiscal Year	Population [1]	Personal Income [2]	Per Capita Personal Income	Median Household Income [3]	County Unemployment Rate [3]
2002	46,543	$ 1,075,748,359	$ 23,113	$ 31,851	4.9%
2003	47,028	1,127,872,524	23,983	33,247	4.6%
2004	47,271	1,215,857,391	25,721	34,948	3.5%
2005	49,439	1,329,563,027	26,893	35,974	2.9%
2006	51,853	1,443,289,625	27,834 [4]	37,773 [4]	3.2%
2007	54,238	1,562,512,924	28,808 [4]	39,661 [4]	5.4%
2008	54,462	1,608,190,168	29,529 [4]	41,644 [4]	8.6%
2009	54,800	1,658,625,128	30,267 [4]	43,727 [4]	13.2%
2010	56,315	1,747,091,441	31,024 [4]	45,913 [4]	13.9%
2011	56,545	1,798,082,530	31,799 [4]	48,209 [4]	12.4%

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

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

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

[4] Estimated Per Capita and Median Household Income.

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

	September 30, 2011			September 30, 2002		
Employer	Total Employees	Rank	Percent of Total City/County Employment	Total Employees	Rank	Percent of Total City/County Employment
Marion County School Board	5,735	1	4.33%	N/A	-	N/A
Munroe Regional Medical Center	2,609	2	1.97%	N/A	-	N/A
State of Florida	2,582	3	1.95%	N/A	-	N/A
Wal-Mart	2,370	4	1.79%	N/A	-	N/A
Ocala Regional Medical Center and West Marion Community Hospital	1,725	5	1.30%	N/A	-	N/A
Marion County Board of Commissioners	1,420	6	1.07%	N/A	-	N/A
Publix Supermarkets	1,275	7	0.96%	N/A	-	N/A
AT&T	1,000	8	0.76%	N/A	-	N/A
City of Ocala	950	9	0.72%	N/A	-	N/A
Lockheed Martin	929	10	0.70%	N/A	-	N/A
Total	20,595		15.56%	-		0.00%
Ocala MSA Labor Force			132,389			-

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

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

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

	2002	2003	2004	2005	2006
Legislative	6.00	6.00	6.00	6.00	6.00
Executive	24.50	27.50	28.75	28.75	28.75
Finance	21.00	21.00	21.75	22.00	22.00
Purchasing	13.00	13.00	13.00	13.00	13.00
Human Resources	6.75	7.00	7.00	7.00	7.00
Planning	10.00	10.00	11.00	11.00	10.00
Building	23.00	23.00	23.00	23.00	25.00
Police					
Officers	164.00	166.00	162.00	166.00	171.00
Civilians	88.00	88.00	88.00	84.00	84.00
Fire					
Firefighters and Officers	115.00	116.00	116.00	116.00	118.00
Civilians	5.00	5.00	11.00	11.00	11.00
Engineering	61.00	65.00	65.00	68.25	68.25
Recreation	72.50	64.25	64.75	64.75	63.25
Library	-	-	-	-	-
Public Works	141.00	148.00	148.00	146.00	146.00
Fleet	32.00	32.00	32.00	33.00	32.00
Airport	4.50	5.00	5.00	5.00	5.00
Golf	38.25	37.25	33.50	33.50	33.75
Water & Sewer	68.00	70.75	71.50	72.50	72.50
Telecommunications	5.00	6.00	6.00	6.00	5.50
Electric	167.75	173.25	173.25	173.25	173.75
Stormwater	7.00	6.00	6.00	6.00	7.00
Information & Technology	18.75	18.75	18.75	18.75	17.00
Community Programs	6.75	6.75	5.00	5.00	5.00
Total	1,098.75	1,115.50	1,116.25	1,119.75	1,124.75

Source: The City of Ocala Office of Budget and Finance

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

2007	2008	2009	2010	2011
6.00	6.00	6.00	6.00	6.00
28.75	26.00	25.00	23.00	19.00
22.00	22.00	21.00	23.00	19.00
13.00	13.00	14.00	-	-
7.00	7.00	7.00	5.00	9.00
11.50	10.50	10.00	32.00	33.00
26.00	26.00	30.00	-	-
171.00	171.00	171.00	159.00	170.00
85.00	86.25	85.50	84.00	88.00
133.00	133.00	133.00	131.00	130.00
13.00	13.00	12.00	15.00	17.00
67.00	67.00	62.00	59.00	27.00
64.25	64.75	30.50	53.00	58.00
-	-	-	-	-
148.00	141.00	154.50	97.00	101.00
32.00	32.00	31.00	38.00	39.00
5.00	5.00	5.00	5.00	5.00
31.00	31.00	27.50	13.00	8.00
73.75	76.75	76.75	72.00	79.00
6.00	6.00	6.00	6.00	6.00
174.00	181.00	173.00	161.00	165.00
8.00	8.00	8.00	8.00	18.00
17.50	17.00	17.00	16.00	17.00
5.00	5.00	5.00	2.00	2.00
1,147.75	1,148.25	1,110.75	1,008.00	1,016.00

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

	2006	2007	2008	2009	2010	2011	TOTAL
City Leases at Airport:							
Sports Complex Lease	$ 132,512	$ 132,512	$ 132,512	$ 132,512	$ 132,512	$ 132,512	$ 662,560
Public Works - Sanitation	-	25,440	-	-	-	-	25,440
Water & Sewer Lease	13,975	9,600	9,888	10,185	10,490	10,805	54,138
Electric Facility Lease	99,987	78,360	80,711	34,638	-	-	293,696
Total Value of City Leases	246,474	245,912	223,111	177,335	143,002	143,317	1,035,834
City Payment For Leases at Airport:							
Sports Complex Lease	-	-	-	-	-	-	-
Public Works - Sanitation	-	25,440	-	-	-	-	25,440
Water & Sewer Lease	13,975	9,600	9,888	11,059	10,490	10,805	55,012
Electric Facility Lease	99,987	78,360	80,711	34,638	-	-	293,696
Total Payments For City Leases	113,962	113,400	90,599	45,697	10,490	10,805	374,148
City Leases - Less Payments made:	$ (132,512)	$ (132,512)	$ (132,512)	$ (131,638)	$ (132,512)	$ (132,512)	$ (661,686)

	2006	2007	2008	2009	2010	2011	TOTAL
City Funds Expended on Behalf of Airport:							
General Fund	$ 17,509	$ 1,177,005	$ 77,858	$ -	$ -	$ -	$ 1,272,372
Grant Match	269,137	194,058	819,133	582,962	102,365	167,885	1,967,655
Total City Funds Expended on Behalf of Airport	$ 286,646	$ 1,371,063	$ 896,991	$ 582,962	$ 102,365	$ 167,885	$ 3,240,027
Net Subsidy	$ 154,134	$ 1,238,551	$ 764,479	$ 451,324	$ (30,147)	$ 35,373	$ 2,578,341

Pursuant to an agreement with the Federal Aviation Administration (FAA), the City has agreed to include a schedule of the subsidy to the Airport Fund annually in the CAFR.

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

Operating Indicators information is not available. The City is currently accumulating this information for future CAFR-Statistical reporting.

CITY OF OCALA, FLORIDA
CAPITAL ASSETS AND OTHER STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006
Area of City (square miles)	39.42	40.07	40.83	41.94	43.16
Miles of Streets, Sidewalks and Bikepaths					
Streets - Paved	286.34	288.96	288.96	290.34	290.34
Streets - Unpaved	9.72	7.64	7.64	6.26	6.26
Sidewalks	61.56	61.71	61.71	61.71	62.71
Bikepaths	25.47	25.47	25.47	25.47	25.47
Miles of Sewers					
Storm	72.28	74.00	70.00	74.89	74.78
Sanitary	299.24	302.74	305.69	308.29	308.29
Force Main	71.80	75.28	78.10	78.10	78.10
Water Lines					346.2
Number of Lift Stations	98	98	98	105	105
Building Permits: (includes plumbing, gas.					
(electric, water , heating & air conditioning)					
Permits Issued	5,059	5,319	5,708	3,042	3,202
Permit Value	$ 92,061,764	$ 170,437,082	$ 167,586,874	$ 260,076,222	$ 298,505,664
New Construction - Units and Value:					
Commercial - Number of Units	101	142	121	185	156
Commercial - Value	$ 33,542,912	$ 355,568,925	$ 41,566,248	$ 102,095,524	$ 102,815,257
Residential - Number of Units	131	196	376	867	881
Residential - Value	$ 15,819,218	$ 23,630,008	$ 50,712,584	$ 122,621,881	$ 145,571,695
Fire Protection:					
Stations	5	5	5	5	6
Employees - Sworn	115	116	116	116	118
Employees - Civilian	5	5	11	12	10
Fire and rescue response time (minutes)	5	5	4	4	4.5
Police Protection:					
Stations	5	5	5	5	5
Employees - Sworn	157	157	157	155	171
Employees - Civilian	88	88	88	84	84
Vehicular Patrol Units - Marked Vehicles	106	109	109	112	112
Vehicular Patrol Units - Motorcycles	5	5	5	6	6
Vehicular Patrol Units - Other Vehicles	63	65	65	69	73
Recreation:					
Land area (acres)	731	731	731	744	717
Activity centers	7	7	9	9	9
Pools	2	2	2	2	2
Playgrounds (not reported prior to 2004)			18	19	18

2007	2008	2009	2010	2011
43.74	44.48	44.48	44.48	44.72
291.32	292.32	296.10	296.10	297.12
6.26	6.26	4.81	4.81	4.81
69.42	76.20	225.58	228.38	233.28
25.81	32.41	33.21	36.46	36.46
76.63	80.95	264.60	380.05	281.80
312.22	317.31	340.00	341.30	343.10
80.09	82.80	79.60	80.00	81.20
350.0	356.4	530.0	534.0	536.0
114	118	118	119	121
2,607	2,159	1,826	1,676	1,524
$ 265,150,530	$ 189,168,148	$ 77,215,703	$ 82,992,944	$ 66,223,835
175	134	52	38	52
$ 151,119,124	$ 133,422,696	$ 26,693,633	$ 23,428,680	$ 33,214,686
393	253	67	106	39
$ 70,027,178	$ 38,741,704	$ 10,916,289	$ 18,038,057	$ 7,753,050
6	6	6	6	6
133	133	133	131	130
12	12	12	15	17
4.5	4.5	6.7	6.8	6.8
5	6	6	5	5
160	158	158	159	170
85	86	86	84	88
113	113	113	119	119
6	9	9	8	8
73	78	78	82	82
755	693	693	424	424
6	6	6	6	9
2	2	2	2	2
19	17	17	17	19

OTHER REPORTS

CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through Grantor Number			Sub recipient Pass Through
FEDERAL AWARDS:					
Department of Agriculture					
Passed through Florida Department of Agriculture & Consumer Services:					
ARRA Wildland Fire Management	10.688	FDACS # 15969	$ 14,690		
Centers for Disease Control and Prevention					
Department of Health and Human Services:					
Passed through Florida Department of Health:					
Preventive Health and Health Services Block Grant	93.991	COH7T	20,629		
U.S. Department of Energy					
Direct Programs:					
ARRA Energy Efficiency and Conservation Block Grant	81.128	SC0003063	635,500		
U.S. Economic Development Administration:					
Direct Programs:					
ARRA Economic Adjustment Assistance	11.307	04-79-73006	1,521,987		
U.S. Department of Homeland Securities					
Direct Programs:					
Assistance to Firefighters Grant	97.044	EMW-2010-FH-01-126	31,839		
Passed through State of Florida Division of Emergency Management					
Passed through Marion County, Florida:					
Homeland Security Grant Program	97.067	09-DS-51-13-00-16-409	13,405		
U.S. Department of Housing and Urban Development:					
Direct Programs:					
Community Development Block Grants	14.218	B-09-MC-12-0029	205,721		$ 90,076
Community Development Block Grants	14.218	B-10-MC-12-0029	402,692		131,838
Total Community Development Block Grants				$ 608,413	
Passed through Florida Department of Community Affairs:					
ARRA Community Development Block Grants	14.228	10DB-4X-05-52-02-F 17	143,460		
Passed through Marion County, Florida:					
HOME Investment Partnership Program	14.239	MC-06-DC-12-0232	12,380		
HOME Investment Partnership Program	14.239	MC-07-DC-12-0232	221		
HOME Investment Partnership Program	14.239	MC-08-DC-12-0232	10,920		
HOME Investment Partnership Program	14.239	MC-09-DC-12-0232	66,060		
Total HOME Investment Partnership Program				89,581	
U.S. Department of Justice:					
Passed through Marion County, Florida:					
National Institute of Justice Research, Evaluation & Dev Proj Grant	16.560	2010-DN-BX-K011	22,477		
Direct Programs:					
Crime Victim Assistance/Discretionary Grants	16.582	11-051	4,361		
Direct Programs:					
Bulletproof Vest Partnership Program	16.607	2009BUBX09046292	13,015		
Bulletproof Vest Partnership Program	16.607	2010BUBX10050747	4,070		
Total Bulletproof Vest Partnership Program				17,085	
ARRA Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0231	255,403		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0375	13,998		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0650	8,866		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0706	41,789		
Passed through Florida Department of Law Enforcement					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-JAGC-MARI-3-B2-209	41,351		
ARRA Recovery Act Edward Byrne Memorial JAG Program	16.803	2009-SB-B9-1372	48,186		
Passed through Florida Department of Law Enforcement/					
Passed through Marion County, Florida:					
ARRA Recovery Act Edward Byrne Memorial JAG Program	16.803	2010-ARRC-MARI- 9-W7-337	6,552		
JAG Program Cluster				160,742	
Passed through State Office of Attorney General:					
Crime Victim Assistance	16.575	V10071	42,269		

CITY OF OCALA, FLORIDA
(Concluded)

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through Grantor Number			Sub recipient Pass Through
FEDERAL AWARDS (Continued)					
US. Department of Transportation:					
Direct Programs:					
Airport Improvement Program	20.106	3-12-0055-022-2010	$ 1,370,382		
ARRA Federal Transit_Captial Investment Grant	20.500	FL-04-0051-00	146,924		
Federal Transit Formula Grants	20.507	FL-90-X667	3,816		
Federal Transit Formula Grants	20.507	FL-90-X729	770,038		
Federal Transit Formula Grants	20.507	FL-90-X771	285,369		
ARRA Federal Transit Formula Grants	20.507	FL-96-X024	2,002		
Federal Transit Cluster				$ 2,578,531	
Passed through Florida Department of Transportation:					
State and Community Highway Safety	20.600	K8-11-06-07	31,988		
State and Community Highway Safety	20.600	AQ424	16,417		
Highway Safety Cluster				48,405	
US. Department of Transportation:					
Passed through Florida Department of Transportation:					
Highway Planning & Construction FM# 416355-1-14-01	20.205	A5065	594,165		
Highway Planning & Construction FM# 420637-1-14-18	20.205	AZO44	52,412		
Highway Planning & Construction FM# 420637-1-14-19	20.205	AZO44	30,977		
ARRA Highway Planning & Construction FM# 428889-1-58-01 ARRA214	20.205	AQ199	361,315		
ARRA Highway Planning & Construction FM# 426271-1-58-01 ARRA218	20.205	APN63	126,049		
ARRA Highway Planning & Construction FM# 241605-2-58-01 8887-812A	20.205	AQO36	140,556		
ARRA Highway Planning & Construction FM# 426258-2-58-01 ARRA308	20.205	APK52	110,681		
ARRA Highway Planning & Construction FM# 428083-1-58-01 ARRA573	20.205	APU68	108,747		
ARRA Highway Planning & Construction FM# 428162-1-58-01 ARRA576	20.205	APU69	302,174		
ARRA Highway Planning & Construction FM# 422690-1-58-01 ARRA572	20.205	APJ19	310,319		
ARRA Highway Planning & Construction FM# 422284-7-84-90 SRTS-150A	20.205	AQ858	14,732		
Highway Planning & Construction Cluster				2,152,127	
TOTAL FEDERAL AWARDS:			$ 8,360,904		$ 221,914

Notes:

(1) The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ocala, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

(2) During the fiscal year, the City did not expend greater than $500,000 in state financial assistance, therefore an audit in accordance with the Florida *Single Audit Act* was not required.

Purvis Gray & Company

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocala, Florida (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2012. 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.

A *deficiency in internal control* exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)

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

However, we noted certain other matters that we have reported to management in a separate letter dated March 27, 2012.

The City's responses to the management letter comments identified in our audit are described in the accompanying schedule. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Purvis, Gray and Company, LLP
March 27, 2012
Ocala, Florida

Purvis Gray & Company

INDEPEDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance
We have audited City of Ocala, Florida's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement,* that could have a direct and material effect on each of the City's major federal for the year ended September 30, 2011. The City's major federal programs 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 is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance
Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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The Honorable Members of the City Council
City of Ocala
Ocala, Florida

INDEPEDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Concluded)

Internal Control Over Compliance *(Concluded)*
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

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

Purvis, Gray and Company, LLP

March 27, 2012
Ocala, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF OCALA, FLORIDA

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the City of Ocala, Florida (the City).

2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City.

3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.

4. No instances of significant deficiencies relating to the audit of the major federal programs are reported in the report on compliance with requirement applicable to each major federal programs' internal control over compliance in accordance with OMB Circular A-133.

5. The independent auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.

6. The audit disclosed no findings required to be reported for the major federal award programs under Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs 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:
       - Recovery Act Highway Planning and Construction, CFDA No. 20.205
       - Highway Planning and Construction, CFDA No. 20.205
       - Federal Transit Cluster
         - Recovery Act Federal Transit Capital Investment Grant, CFDA No. 20.500
         - Federal Transit Formula Grants, CFDA No. 20.507
         - Recovery Act Federal Transit Formula Grants, CFDA No. 20.507
     - U.S. Economic Development Administration:
       - Recovery Act Economic Adjustment Assistance, CFDA No. 11.307
     - U.S. Department of Justice:
       - Recovery Act Public Safety Partnership and Community Policing, CFDA No. 16.710
     - U.S. Department of Energy:
       - Recovery Act Energy Efficiency and Conservation Block Grant, CFDA No. 81.128

8. The threshold for distinguishing Type A and Type B programs was $300,000 for major federal award programs.

9. The City did not qualify as a low-risk auditee pursuant to OMB Circular A-133.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF OCALA, FLORIDA
(Concluded)

PART B - FINDINGS - FINANCIAL STATEMENTS

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

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

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

PART D - SUMMARY SCHEDULE OF PRIOR FINDINGS

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

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

Purvis Gray & Company

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Ocala, Florida (the City), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 27, 2012.

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 on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated March 27, 2012, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, uncorrected prior year recommendations are noted in the following management letter comments under the heading "Prior Year Comments and Recommendations Remaining".

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., *Rules of the Auditor General,* requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, such recommendations are noted in the following management letter comments under the heading "Current Year Comments and Recommendations."

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

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

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)4., *Rules of the Auditor General,* requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies (see accompanying management letter comments).

- Section 10.554(1)(i)6., *Rules to the Auditor General,* requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. These disclosures can be found in 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, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same (see accompanying management letter comments).

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 wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

March 27, 2012
Ocala, Florida

Purvis Gray & Company

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.

Crystal River III (CRIII) Nuclear Decommissioning - Monitoring

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

2011 Update—During 2011, the City (with the assistance of FMPA) modified the accrual for the decommissioning liability based on the 2010 decommissioning study in effect. During an outage, CRIII was found to have cracking or delamination in the upper portions of the concrete containment structure. The Nuclear Regulatory Commission has been notified and an engineering plan for repair has been submitted by Progress Energy. If repaired, the plant is expected to be operational by 2015. We urge the City to continue to monitor the licensing and repair process and monitor its funding and accrual schedule for future decommissioning.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Prior Year Comments and Recommendations Remaining *(Concluded)*

Airport - Leases and Commission Revenue

Summary of Original Comment—During our audit, we noted that some lease agreements were not renewed on a timely basis, were not properly documented, or were not signed by all parties. We also noted a lack of procedures to ensure corporate tenants were in financial compliance with the lease agreements. Several corporate agreements have specific financial terms, requiring a percentage of monthly gross receipt and fuel sales be remitted to the City each month. Based on our review, we noted that the City did not have a system in place to test and confirm the monthly sales balances being reported by the tenants. The City is at risk of not receiving proper payments from tenants under the rental agreements or for services provided and disputes may arise between the parties over rental terms. We suggest that the City take steps to improve the accuracy of the lease information, as well as develop a plan to perform verification procedures for monthly gross receipt and fuel sales being reported by tenants.

2011 Update—The City is in the process of reviewing this area.

Procurement Cards

Summary of Original Comment—The Internal Auditor issued an Audit Report for Procurement Cards dated April 12, 2011. That audit identified numerous findings and some comments and recommendations. We reviewed the Internal Auditor's report and concur with the recommendations made therein. We observed that City management had begun the process of strengthening internal controls over procurement cards even before the audit report was issued and urged the City to continue its efforts to improve internal controls of procurement cards by carefully addressing these comments. We also recommended that copies of the monthly reconciliations and supporting receipts be sent to the Finance department to ensure that the City only pays for those items authorized by City staff. We also recommend that the City consider performing a procurement card review quarterly to monitor the procurement card process.

2011 Update—The City updated its purchasing card policies and procedures during the 2011 fiscal year and many of these recommendations had been addressed. We encourage the City to continue its efforts to improve internal controls of procurement cards as well as monitor the purchasing card policy, process, and internal controls.

Current Year Comments and Recommendations

Pension Plans
As a part of the year-end audit process, the City's Internal Auditor performed audit procedures on the General Employees Pension Plan to determine whether retirement benefits are properly calculated, and whether the investment portfolio of the plan is being managed in accordance with the plans investment policy.

We have reviewed this work and the recommendations made and concur with the recommendations noted above.

MANAGEMENT LETTER COMMENTS
(Continued)

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

Pension Plans ***(Concluded)***
We are also aware, that as recommended by us in prior years, the City has engaged its own actuary (one that does not have fiduciary responsibility to the plans) to review the plan benefits, the actuarial methods and the assumptions of all three pension plans, to determine if changes to any of these areas would make the Plans more affordable and to offer suggestions for alternative plan design. We commend the City for taking this step and continue to believe that this is the best way to gain information to modify, reform, or replace this very costly employee benefit.

Also during our audit of the pension plans, we noted that all three plans have DROP features that are currently accruing interest on the accumulated unpaid benefits at the rate of 6.75% to 7.00%, which does not reflect the investment returns that the plans have recently experienced. We are aware that City Council is reviewing this area for a possible reduction in the rate of interest and encourage them continue their review of this area.

Bulk Power Cost Adjustment (BPCA)
As of January 2012, the City had accumulated a balance of approximately $23 million in its over-recovered power costs which has accumulated over the past few years as a result of falling natural gas prices which have reduced purchased power costs below the targets identified by the City. In February of 2012, approximately $11 million of this amount was approved for transfer to the Rate Stabilization account, leaving a balance of over-recovered power costs of approximately $11 million to be returned to customers through future BPCA rate reductions.

We recognized that the BPCA rate setting process is a difficult task requiring significant judgment, skill, and sensitivity to the rate payer. With a fully funded rate stabilization fund ($32 million as of February 2012) and natural gas prices expected to remain low in the *near-term*, the City appears to have adequate tools to manage customers' rates against future increases in the wholesale cost of power to the City. We recommend that Council consider reviewing the City's policy for returning over-recovered power costs balances to the customer to ensure the plan provides for a timely disposition of the balance.

Financial Condition Assessment
During our audit we noted that the Electric fund experienced a decrease in net assets of approximately $11 million for the fiscal year ended September 30, 2011. Based upon management inquiry and the results of other audit procedures performed, the cause of the loss appears to be due to multiple factors all of which affected the change in net assets negatively.

The City has implemented new rates in the fund effective October 1, 2011, and believes that these rates will ultimately provide sufficient revenues; however, the mild winter recently experienced in the state has reduced electric consumption and therefore not yet allowed the new rates to generate the revenues anticipated. We recommend that the City continue to monitor the results of operations of the Electric Fund and make changes as necessary to return the fund to profitability.

Building Department—Segregation of Duties and Reconciliation and Tracking of Escrow Accounts
During our review of the building department's procedures around billing and cash collections, we observed some opportunities to improve the internal controls and process.

MANAGEMENT LETTER COMMENTS
(Continued)

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

Building Department—Segregation of Duties and Reconciliation and Tracking of Escrow Accounts *(Concluded)*

Segregation of Duties—We observed that one individual has full access to all parts of the process which gives the individual the ability to take payments, enter them in the system, balance cash at the end of the day, and prepare the deposit without any type of additional review or approval. We recommend that the City consider utilizing one of the other two employees in the department to better segregate duties.

Reconciliation and Tracking of Escrow Accounts—The planning, development, and building departments hold escrow accounts for building permits, county transportation impact fee capacity reserves, and intersection and developer agreements. While the City has been developing processes to identify and track these funds, there does not appear to be a methodical system to reconcile these accounts. We recommend that the City develop a method of tracking and reconciling this information to the financial reporting system, including appropriate communications between the departments and finance to ensure proper accounting for these funds.

Golf Inventory—Periodic Inventory and Reconciliations

During our audit of the golf fund it was noted there is only a single annual physical inventory count of all retail items being performed at year-end with the inventory adjustment recorded in the related income statement expense accounts. The nature of retail sales normally requires at least quarterly inventory counts and reconciliations to the inventory tracking system and the general ledger in order to monitor gross profit ratios and detect any issues with the inventory system or possible theft.

If the City is to continue to run the operations of the golf course, we recommend that physical inventory counts be done on a more regular basis, such as quarterly, and that those counts should be reconciled to the point of sales system which in turn should be reconciled to the general ledger in the City's accounting system. It has come to our attention that there has been some discussion about bringing in a management company to run the golfing facilities in which case these recommendations may not be relevant.

Utility Billing and Work Order System Upgrade

The City is in the process of designing, testing, and implementing a new utility billing system during the 2012 fiscal year, as well as a new work order system. Both of these systems are critical components of the City's operations and its internal control over financial reporting.

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

Additionally, the work order process is equally complex and forms the basis for recording all additions to the City's Utility plant, which is a significant asset class and balance.

We recommend that the City pay particular attention to these complexities and ensure that the processes and controls are well documented through narratives and flowcharts. Additionally, we recommend that the City review and update its existing utility billing and work order processes, procedures, and controls for any changes necessary to compensate for any risks or operational improvements that the City identifies with the new utility billing and work order software.

MANAGEMENT LETTER COMMENTS
(Continued)

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

Grants—Internal Control Enhancements
The City has made significant improvements in its internal controls over grants during the 2010 and 2011 fiscal years, such that we noted no instances of noncompliance and overall internal controls over grants appear to be adequate. However, we noted the following opportunities for the City to further enhance internal controls over grants:

Subreceipient Monitoring Procedures—
- Formal documentation of secondary review of procedures performed to monitor subrecipients.
- Formal award notices provided to subrecipients.
- The maintenance of the subrecipient files.
- Utilization of an existing software system to assist with the subrecipient monitoring procedures.

Rehabilitation File Maintenance—
- Formally document approval of change orders.
- Formally document the rationale for uncompleted areas of rehabilitation files.
- Ensure that the City lien all related costs for rehabilitations.
- Formally track all outstanding liens.
- Utilize an existing software system to assist with the rehabilitation file maintenance procedures.

General Ledger Control over Reimbursements for Contract Retainage—
- Record the revenue and account receivable related to the accumulation of the contract retainage payable during the year in which the expenditures incurred for reimbursement grants.

Davis-Bacon Certified Payrolls—
- Formally document procedures performed to ensure that contractors complied with the Davis-Bacon Act.

Quality Assurance Program—
- Formally document the City's quality assurance program related to federal highway grants.

Fixed Assets
The City has made tremendous improvements in its internal controls and process over fixed assets during the 2011 fiscal year. However, we noted the following opportunities for improvements:

Depreciation of Assets Placed in Service—During our audit, we observed that the City was not depreciating certain assets that had been completed and place in service. The City's fixed asset module requires that a depreciation expense account be assigned when a capital asset is created; however, the system does not depreciate the asset unless that depreciation expense account has been created and is active in all open fiscal years. We recommend that the City continue its efforts to work with the financial application vendor to patch the financial application for this issue. Additionally, we recommend that the City continue to enhance its capital asset procedures and internal controls to ensure that all fixed assets begin depreciating in the correct period and that all capital assets with remaining net book value are being depreciated each year.

Reconciliation of Governmental Fixed Assets—We noted that the City appears to be able to reconcile its governmental capital outlay expenditures to its fixed asset additions; however, no formal documentation of this reconciliation appeared to be available. We recommend that the City reconcile all of its governmental fixed assets activity to the capital outlay expenditure accounts in the governmental funds, the fixed asset module, the governmental fixed assets fund account balances, the capital asset note, the conversion worksheet, and the government-wide statement of net assets.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

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

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

Purvis, Gray and Company, LLP

March 27, 2012
Ocala, Florida

City of Ocala
OFFICE OF BUDGET AND FINANCE
151 SE OSCEOLA AVENUE
OCALA, FLORIDA 34471
(352) 629-CITY (2489)

City's Response to Auditor's Recommendations

Prior Year Comments:

Crystal River III (CRIII) Nuclear Decommissioning – Monitoring
The City has been and will continue to be involved in meetings regarding the repairs to Crystal River III and will continue to monitor the licensing and repair process and its funding and accrual schedule for future decommissioning.

Airport – Leases and Commission Review
The City will review the lease procedures at the Airport and will take the necessary steps to improve the accuracy of lease information by developing a plan to perform verification procedures for monthly gross receipt and fuel sales being reported by tenants.

Procurement Cards
The Procurement Card Policy was approved by Council in fiscal year 2011. The City will continue to improve internal controls over procurement cards and will continue to monitor the purchasing card policy, process, and internal controls.

Current Year Comments:

Pension Plans
The City has engaged its own actuary to review the plan benefits, the actuarial methods and the assumptions of all three pension plans. This is an ongoing process that will be closely monitored by the City to ensure the benefits offered to employees are fiscally sustainable.

Bulk Power Cost Adjustment (BCPA)
The City is continuously assessing the BCPA and will review the City's policy for returning over-recovered power costs balances to the customer.

Financial Condition Assessment
The City will continue to monitor the results of operations of the Electric Fund and will make changes as necessary to return the fund to profitability.

Building Department – Segregation of Duties and Reconciliation and Tracking of Escrow Accounts
The City will develop a method of tracking and reconciling escrow account deposits to the financial reporting system, including appropriate communications between the departments and finance to ensure proper accounting for escrow account deposits.

Golf Inventory – Periodic Inventory and Reconciliations
The City will do quarterly inventories for all retail items and these counts will be reconciled to the point of sales system which in turn will be reconciled to the General Ledger.

Utility Billings and Work Order System Upgrade
The City will review and update its existing utility billing and work order processes, procedures, and controls for any changes necessary to compensate for risk or operational improvements that the City identifies with the new utility billing and work order software.

Grants – Internal Control Enhancements
The City will implement the necessary internal controls to further enhance the effectiveness of all grant programs.

Fixed Assets
The City will continue to enhance its capital asset procedures and internal controls to ensure all fixed assets begin depreciating in the correct period and that all capital assets with remaining book value are being depreciated each year.

John Lege
Chief Financial Officer
City of Ocala, Florida