

CITY OF OCALA, FLORIDA

Comprehensive Annual Financial Report

For September 30, 2016



OCALA

Ocala is a great place to live, play, and prosper

CITY OF OCALA, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the fiscal year ended

September 30, 2016

Prepared by:

Finance Department

Mary Ann Davis, CGFM

Finance Director



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**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016**

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FINANCE DEPARTMENT
201 SE 3rd STREET
OCALA, FLORIDA 34471

March 27, 2017

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, 2016. The report fulfills the requirements set forth in the *Florida Statutes*, Chapter 166.241 and the *Rules of the Florida Auditor General*, Chapter 10.550. The organization, form and content of this report together with accompanying financial statements and statistical tables are formulated in accordance with the principals prescribed by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the State of Florida and the Government Finance Officers Association.

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

Purvis, Gray and Company, a firm of licensed certified public accountants, has audited the City of Ocala's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements for the year ended September 30, 2016, 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

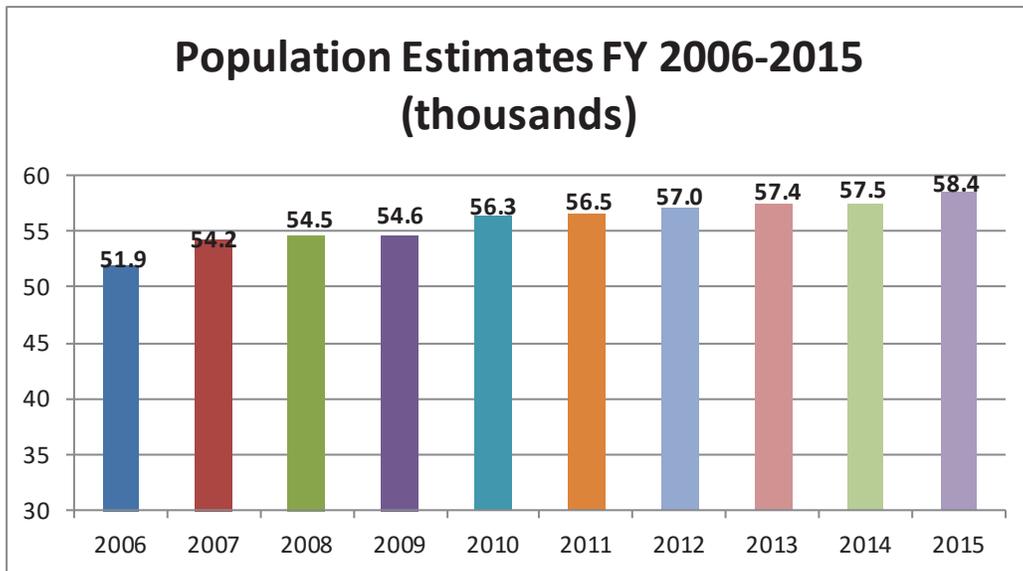
concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City’s financial statements for the fiscal year ended September 30, 2016, as fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

Profile of the City

The City of Ocala is the most populous city in and serves as the county seat of Marion County. Ocala is located in north central Florida approximately 67 miles northwest of Orlando and approximately 40 miles east of the Gulf of Mexico near the site of Ocale, a major Timucua village and chiefdom during the 16th century. The City takes its name from the historical village, the name of which is believed to mean “Big Hammock” in the Timucua language. There are approximately 44 square miles of land included within the corporate boundaries of the City. The City’s population has been trending upwards for the last ten years and as of April 1, 2015, the official population estimate was 58,355.



In 1846, the City of Ocala was established to operate under a Council-Manager form of government. The City Council consists of six elected officials (the Mayor and five Council members) who are responsible for enacting the ordinances and resolutions which govern the City. The Council appoints the City Manager, City Auditor, City Attorney, and the City Clerk. The City Charter states the City Manager shall be the Chief Administrative Officer of the City and shall be responsible to the Council for the administration of all City affairs placed in his charge by or under the Charter.

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

- ✓ Airport
- ✓ Building Inspections
- ✓ Code Enforcement
- ✓ Community and Economic Development
- ✓ Electric Power
- ✓ Golf Course
- ✓ Mass Transit
- ✓ Parks, Recreation, and Cultural Affairs
- ✓ Police and Fire Protection
- ✓ Refuse Collection
- ✓ Stormwater Management
- ✓ Street Maintenance, Traffic Engineering and Parking
- ✓ Telecommunications
- ✓ Water and Wastewater

Internal support services include the following:

- ✓ Accounting and Financial Reporting
- ✓ Accounts Payable and Accounts Receivable
- ✓ Asset Management and Property Control
- ✓ Budget and Budget Monitoring
- ✓ Cash and Investment Management
- ✓ Citywide Management
- ✓ Debt Management
- ✓ Fleet Maintenance
- ✓ Facilities Maintenance
- ✓ Human Resources, Labor Relations, and Risk Management
- ✓ Internal Audit
- ✓ Information and Computer Systems
- ✓ Procurement Services
- ✓ Public Relations

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

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

The City also maintains budgetary controls. The objective is to ensure compliance with legal provisions contained in the annual budget approved by the City Council. Annual budgets are legally adopted for all funds including the *general funds, special revenue funds, enterprise funds, internal service funds, fiduciary funds, debt service fund, and capital projects funds*. Budgets are controlled at the department level and total expenditures may not legally exceed appropriations for each budgeted fund without Council approval. Encumbrance accounting is utilized in order to reserve the encumbered portion of the appropriation. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget.

Factors Affecting the City's Financial Condition

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

The General Fund's main revenue sources include Property Tax, State Revenue Sharing, Half Cent Sales Tax and the transfer from the Electric Fund. Due to the uncertainty in the economic climate, the General Fund endured consecutive annual multimillion dollar deficits. Although Ocala's economy continues to show signs of strengthening, with a 4.1% increase in real property valuations, heightened building permit activity, a declining unemployment rate, and drops in the area's foreclosure rates, the post-recession recovery remains elusively slow. The City's long range fiscal forecast projects the General Fund deficits to persist over the next three fiscal years. Compounding matters are growth pressures in annual pension contribution costs and inflationary pressures associated with day-to-day operations and capital expenses.

Local Economy. The Ocala area is home to a \$2.6 billion equine industry. The tourist industry also has a significant impact on the economy, with the Silver Springs and Rainbow Springs attractions, and the Ocala National Forest nearby. In addition, Ocala has become a center for manufacturing, logistics, and distribution companies, and continues to market the Ocala International Airport Business Park.

The City's strategic investments in economic development made over the past five years are yielding meaningful results. This year FedEx Ground Package Systems, Inc., a Fortune 100 company, cut the ribbon on its 440,835 square-foot regional distribution hub representing a private capital investment in excess of \$123 million and the creation of more than 500 new jobs. In addition, Allied Specialty Vehicles, AutoZone, and Paramount Transportation made announcements to expand their businesses in Ocala with plans to make private capital investments in excess of \$50 million and creation of more than 400 jobs.

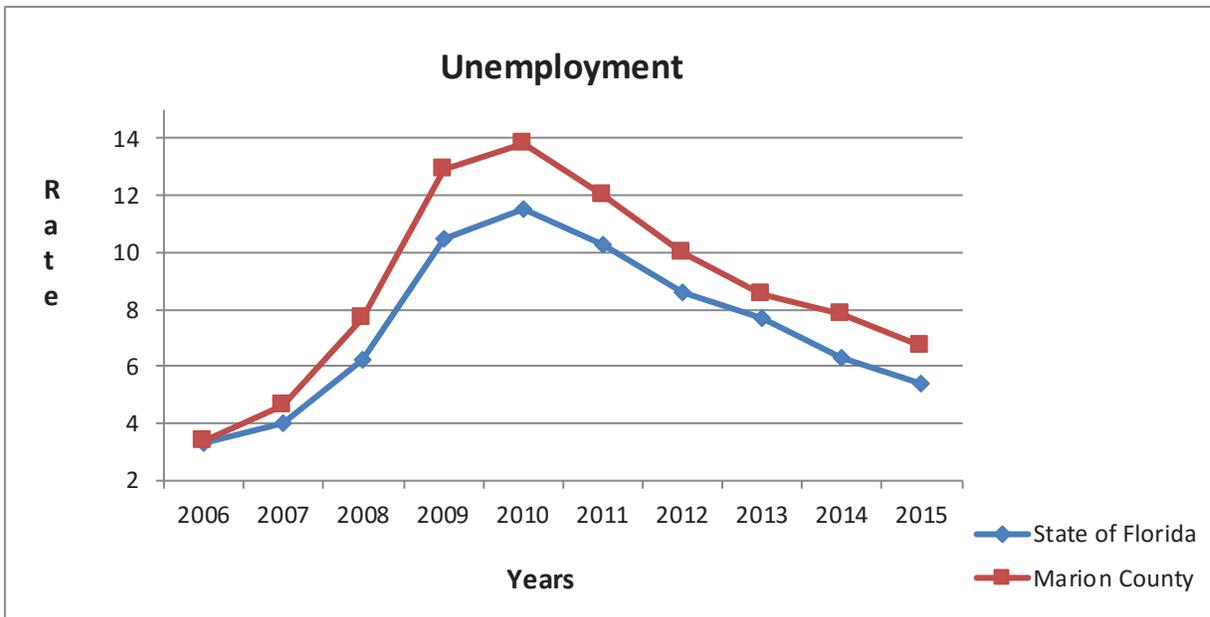
Furthermore, the City is investing in M2PCD for the creation of a shopping center in West Ocala which has the potential to address several fundamental challenges that have plagued the area for decades, principally being resolution of the area's official qualifying status as a "Food Desert" due to lack of accessibility to fresh produce and other food staples. It is also hoped that complementing financial institution and medical service providers will be attracted to the newly available retail spaces to fill those critical community needs.

West Ocala has not seen this level of private investment interest in new development in many years. City Council has prioritized and directed staff to focus its redevelopment efforts on the incoming corridors to the city. This level of private and public investment in new commercial development will significantly advance that goal and complement the city's many other revitalization efforts including supporting redevelopment grants and numerous blighted building removals currently underway.

The City has also invested in a number of smaller scale economic development projects that focus on business expansion and the reactivation of long-term vacant structures. Through these programs the former downtown Sprint Building at 302 East Broadway now contains 18 residential condominiums; Raney's, Inc., a new custom truck vehicle parts distributor operates in the former Skyline manufacturing facility; a former ladies clothing and hair boutique was transformed into a new law office for Steven Wingo; and the Carlton Manufacturing facility is now Brick City Furniture manufacturing. The West Ocala Façade Grant program and the Downtown Grant programs were very successful in improving existing businesses such as One NE 1st Avenue, DIY Home Improvement Center, Family Tire, Dinkins Construction, Sellers Funeral Home, Sushi Bistro, and Mary's Dry Cleaners giving their exteriors facelifts, elevating the surrounding areas, and spurring additional economic investment. The façade grant program has been expanded for FY 2016-17.

The City is actively engaged in the community by building strategic alliances with the private sector, site selectors, developers, business owners, other governmental agencies, and realtors to provide a business friendly environment that creates opportunity for expansion. With the creation of the West Ocala and East Ocala Community Redevelopment Areas in FY 2015-16, it is expected that the City's economic investments will continue to spur economic growth and fiscal sustainability.

The County's unemployment rate decreased from 7.8% at this time last year to 6.7%, which is higher than the state and national averages of 5.4% and 5.3% respectively.



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

- Downtown Hotel, Retail and Apartments
- Terminal Parking at Airport
- Recurring annual funding for the following areas:
 - Annual City-wide resurfacing and sidewalk program
 - Facilities maintenance
 - Fleet management
 - Information technology upgrades
- Historic District Improvements and upgrades
- Overhead/Underground/Lighting work orders
- Substation upgrades
- Drainage Retention Area upgrades
- Water and sanitary sewer main improvements and extensions
- Multiple Community Park improvements

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

- **General Fund Reserve Policy** – The General Fund will maintain an operating reserve of not less than 20 percent of planned budget expenditures.
- **Debt Management Policy** – Outlines allowable debt issuance purposes, debt structure, limitations on debt levels, allowable types of debt, promotes sound financial management and enhances the City’s credit ratings.
- **Capital Improvement Plan** – Requires the City to develop and implement a five-year capital improvement plan to anticipate long-term capital needs.
- **Electric Rate Stabilization Reserve (ERSR)** – The City will maintain a minimum targeted funding level of 15% of projected annual fuel costs, with a maximum level at 25%. If the existing reserves plus the amount of an over recovery brings the ERSR funding level above the targeted maximum, the utility retains the option of issuing a credit to customers or reducing the power cost adjustment (PCA) rate.
- **Utility Fund Transfer** – A transfer to the general fund is set to be consistent with a franchise fee as imposed by local government on investor owned utilities for the utilization of a local government’s rights-of-way. The amount is set at 6% of operating revenues, which is consistent with competitive markets and is applied to all enterprise funds.
- **Three-year Budget Model** – The City will develop and maintain a comprehensive three-year budget model to assist in making financial decisions regarding long-term revenue and expenditure requirements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ocala for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. This was the thirty-second year the City has received this prestigious award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

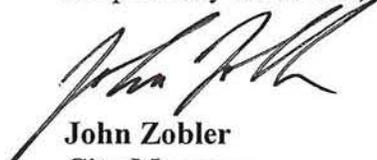
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to GFOA.

The GFOA also presented an Award for Distinguished Budget Presentation for the City's Annual Budget for the fiscal year beginning October 1, 2015, making the twenty-sixth year the City has received the award. It is based on a governmental unit's publishing a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications medium.

A Comprehensive Annual Financial Report could not have been prepared without the efficient and dedicated services of many individuals responsible for its completion. The utmost appreciation is extended to employees throughout the organization who maintained financial records upon which this report is based. The year-end closing procedures required prior to the audit and the document preparation could not have been accomplished without the professional efforts of Regina Frazier, Assistant Finance Director and Raymond Bachik, Accounting Manager. Special recognition is given to all of the employees of the Finance Department and Budget Department who worked diligently to ensure the timeliness and accuracy of the report.

The Mayor, Council President, and Council members' continued support in planning and conducting the City's financial operations in a responsible manner are sincerely appreciated. This has proven to be an invaluable asset in the preparation of this report which is geared toward reflecting the financial health of the community while complying with the City's fiduciary responsibility. Their leadership demonstrates the interest to maintain a fiscally sound government.

Respectfully submitted,



John Zabler
City Manager



Mary Ann Davis, CGFM
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Ocala
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016**

CITY COUNCIL – Elected Officials

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

APPOINTED OFFICIALS

City Manager
City Attorney
City Clerk
Internal Auditor

John Zobler
Patrick G. Gilligan
Angel Jacobs
Emory Roberts, Jr.

EXECUTIVE STAFF

Deputy City Manager
Assistant City Manager
Assistant City Manager

Sandra R. Wilson
Ken Whitehead
William Kauffman

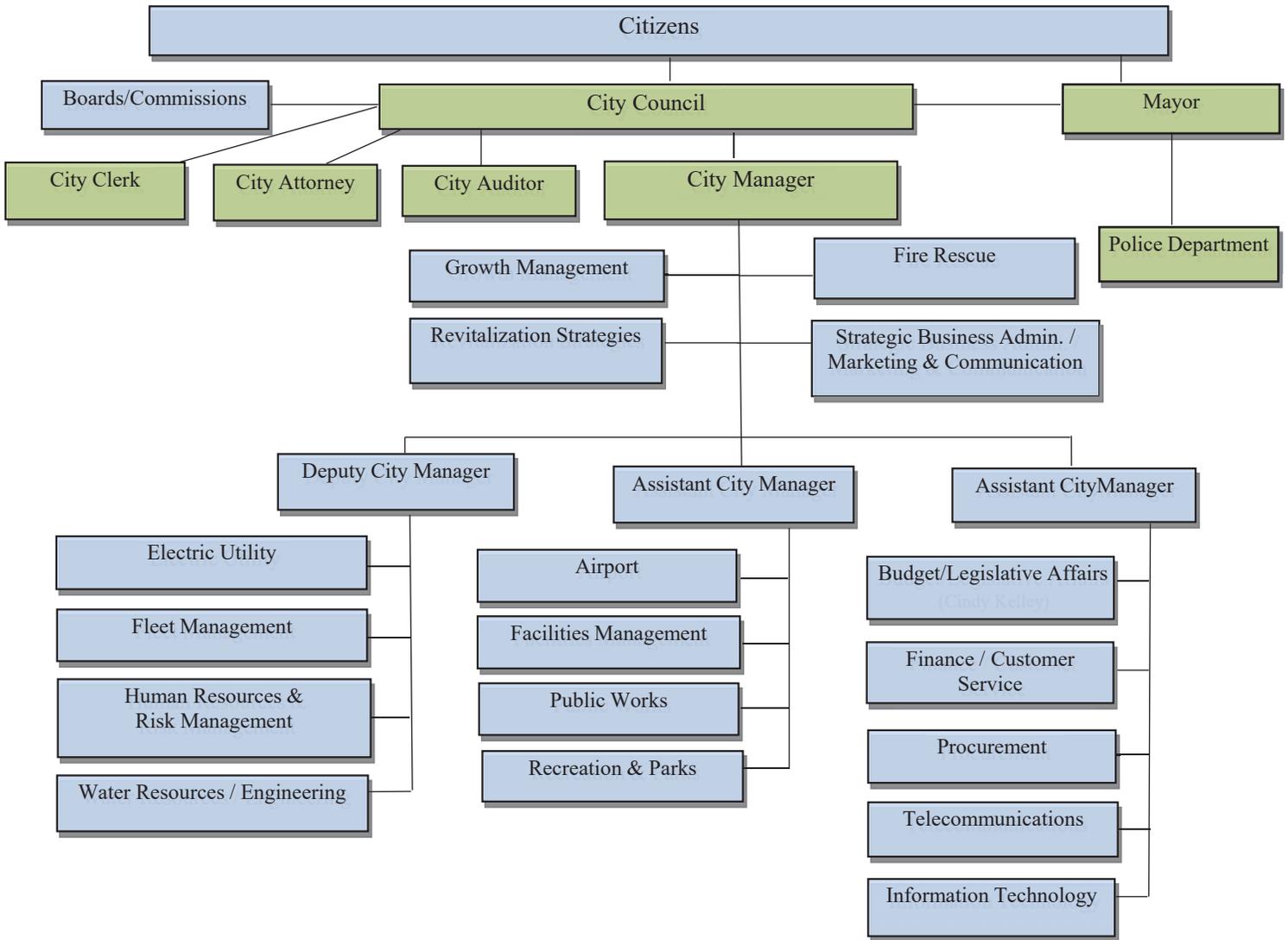
Finance Staff

Director of Finance & CSO
Assistant Finance Director
Accounting Manager
Senior Treasury Analyst
Supervisor Fiscal Operations
Accountant II
Accountant I
Accounts Payable
Accounts Receivable
Payroll Manager
Payroll Specialist
Pension Benefits Coordinator
Grants Coordinator

Mary Ann Davis
Regina Frazier
Raymond Bachik
Maribel Lozada
Anthony Webber
Johnna Agin
Jackie Cooper
Linda Wright
Debbie Crews
Lisa Mauldin
Renee Winter
Alicia Gaither
Marie Brooks

CITY OF OCALA, FL

Organizational Chart



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocala, Florida (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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
(Continued)

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis, and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state projects is presented for purposes

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

Other Information (Concluded)

of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*; Chapter 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards and state projects are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2017, 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* in considering the City's internal control over financial reporting and compliance.

Durvis, Gray and Company, LLP

March 24, 2017
Ocala, Florida



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**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

As management of the City of Ocala (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished on our letter of transmittal, which can be found on pages i-vii of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$437,073,695 (net position).
- Unrestricted net position totals \$45,414,065 and may be used to meet the government's ongoing obligations to citizens and creditors.
- Government general revenue and transfers-in totaled \$91,869,725 compared to \$82,625,873 in 2015, or an 11.1% increase from the prior year. Expenses totaled \$91,153,670 compared to \$81,943,939 in 2015 or an 11.0% increase from the prior year.
- At the close of the fiscal year, the City's governmental activities reported combined ending net position of \$145,223,654 as compared to \$144,507,599, an increase of \$716,055 in comparison with the prior year. Of the fiscal year ended net position, (\$4,560,342) was unrestricted. This negative unrestricted net position is due to the implementation of the new Governmental Accounting Standards Board (GASB) Statement 68, which changed the reporting requirements for pensions and increased the City's long term liabilities.
- The business-type activities revenue totaled \$196,343,415 as compared to \$197,800,791 for a 0.7% decrease over the prior year and expenses and transfers-out totaled \$200,062,978 as compared to \$189,214,912 in 2015, for a 5.7% increase from the prior year. The result produced a decrease in business-type net assets of \$(3,719,563) as compared to an increase of \$8,585,879 in the prior year.
- The City is committed to providing the Citizens of Ocala with the highest quality services while maintaining efficiency and cost effectiveness.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This report also contains other supplementary information in addition to the basic financial statements that provide details about the City's internal service fund presented in a separate column in the basic financial statements.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 21-23 of this report.

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

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

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

The Community Redevelopment Agency (CRA) is a blended component unit that for all practical purposes is treated as part of the primary government. The data from this component unit is presented separately in the financial statements.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 24-27 of this report.

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the CRA fund, which are considered to be major funds. Data from the other ten 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.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The City adopts an annual appropriated budget for its various funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains seven enterprise funds to account for the following operations: electric, water and sewer, sanitation, golf course, airport, communications and transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the capital purchases of its fleet, facilities, and information technology as well as self-insurance programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the City's proprietary funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the other supplemental information section of this report. The basic proprietary fund financial statements can be found on pages 28-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because their resources are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 38-39 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 41-103 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 105-116 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 128-152 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. Recall that the Statement of Net Position looks at the City as a whole. The following provides a summary of the City's net assets for 2016 as compared to 2015.

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$437,073,695 at the close of the most recent fiscal year.

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

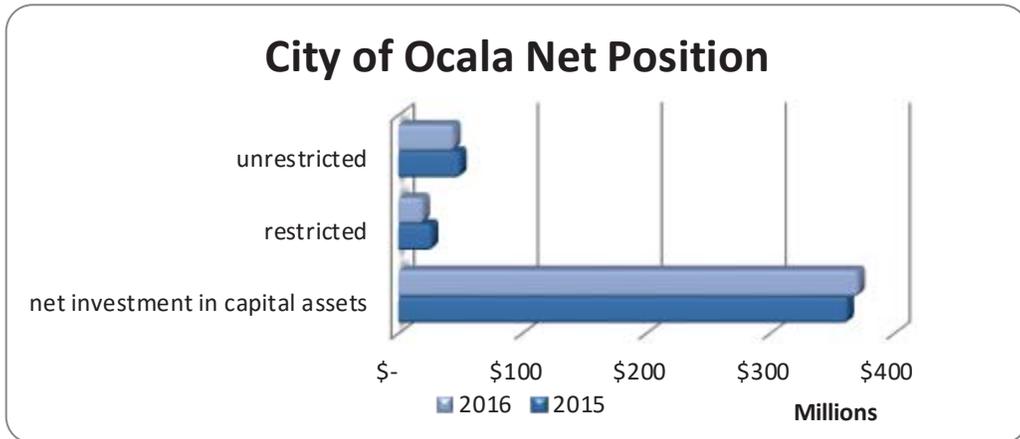
**Statement of Net Position
As of September 30**

	Governmental Activities		Business -type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 88,933,766	\$ 98,778,175	\$ 186,134,387	\$ 185,848,120	\$ 275,068,153	\$ 284,626,295
Capital assets (net)	172,914,321	168,345,420	344,304,428	352,933,801	517,218,749	521,279,221
Total Assets	261,848,087	267,123,595	530,438,815	538,781,921	792,286,902	805,905,516
Total deferred outflow s of resources	26,875,540	14,861,415	17,968,855	12,927,104	44,844,395	27,788,519
Long-term liabilities outstanding	130,945,896	125,840,484	189,670,006	202,371,455	320,615,902	328,211,939
Other liabilities	8,636,032	8,459,266	31,192,149	30,447,534	39,828,181	38,906,800
Total Liabilities	139,581,928	134,299,750	220,862,155	232,818,989	360,444,083	367,118,739
Total deferred inflow s of resources	3,918,045	3,177,661	35,695,474	23,320,432	39,613,519	26,498,093
Net Position:						
Net investment in capital assets	142,447,242	136,345,185	228,909,169	226,332,226	371,356,411	362,677,411
Restricted	7,405,688	14,253,874	12,966,465	12,975,219	20,372,153	27,229,093
Unrestricted	(4,629,276)	(6,091,460)	49,974,407	56,262,159	45,345,131	50,170,699
Total Net Position	\$ 145,223,654	\$ 144,507,599	\$ 291,850,041	\$ 295,569,604	\$ 437,073,695	\$ 440,077,203

By far, the largest portion of the City's net position 85% reflects its investment in capital assets (e.g. land, building, improvements, utility improvements and extensions, machinery and equipment, infrastructure and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

An additional portion of the City's net position equal to 4.7% represents resources that are subject to external restrictions on how they may be used. The remaining 10.4% of net position is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.



Governmental Activities. During the current fiscal year, net position for governmental activities increased \$716,055 from the prior fiscal year for an ending balance of \$145,223,654. The majority of the increase in the overall net position is the result of a decrease in long term debt due to a bond refunding.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were negative in that overall net position decreased to an ending balance of \$291,850,041. The total net position for the business-type activities decreased by \$3,719,563 as compared to an increase of \$8,585,879 in the prior year. The decrease is attributed to an increase in transfers to other funds from \$10,815,588 in 2015 to \$13,914,315 in 2016. Transfers included cost allocations, which were revised in the 2016 fiscal year budget to record as operating expenses. Electric expenses also increased by \$5,313,477. Capital assets for all enterprises are aging resulting in a decreasing net position.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Statement of Activities. The City's net position for governmental activities increased by \$716,055 during the current fiscal year and business-type activity net position decreased by \$3,719,563. The city's operations for the past two fiscal years are summarized as follows:

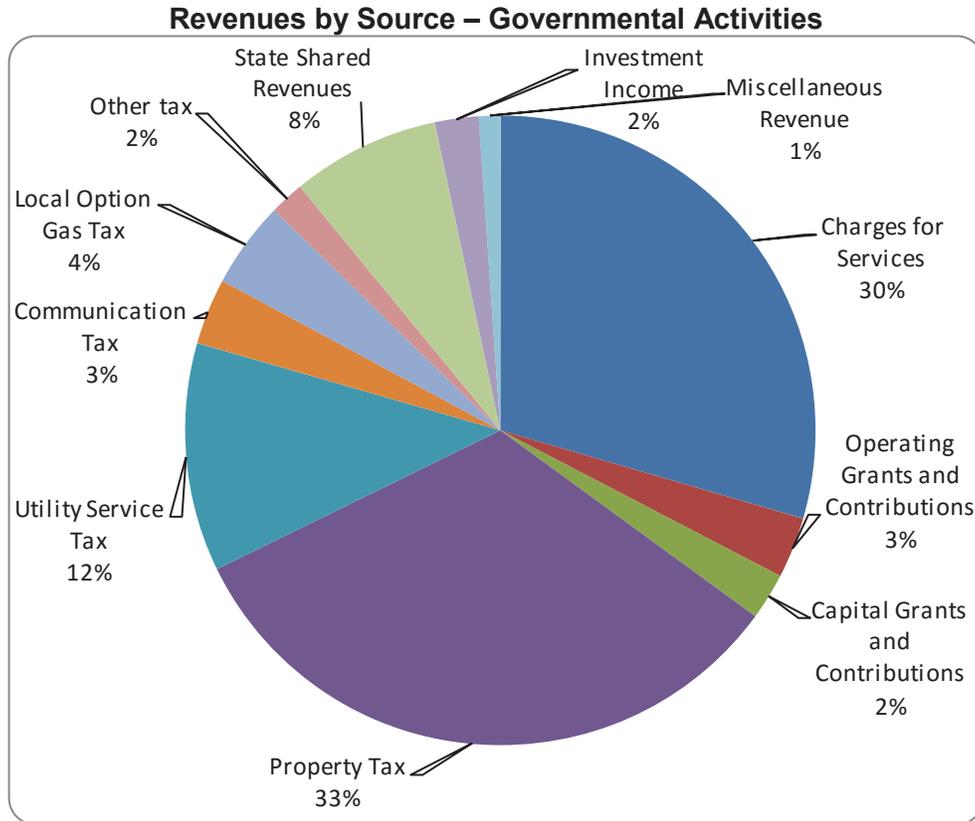
Changes in Net Position For the Year Ended September 30						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 23,010,473	\$ 21,958,965	\$ 188,903,647	\$ 185,777,783	\$ 211,914,120	\$ 207,736,748
Operating grants and contributions	2,429,040	2,080,103	2,027,718	2,495,443	4,456,758	4,575,546
Capital grants and contributions	1,867,635	101,321	2,879,731	7,548,606	4,747,366	7,649,927
General revenues:						
Property taxes	25,500,381	22,160,053	-	-	25,500,381	22,160,053
Other taxes	16,615,890	17,281,356	-	-	16,615,890	17,281,356
State shared revenues	5,917,854	5,465,229	-	-	5,917,854	5,465,229
Other	2,614,137	2,763,258	2,532,319	1,978,959	5,146,456	4,742,217
Total Revenues	77,955,410	71,810,285	196,343,415	197,800,791	274,298,825	269,611,076
Program expenses:						
General government	11,597,693	12,098,361	-	-	11,597,693	12,098,361
Public safety	42,665,312	39,867,780	-	-	42,665,312	39,867,780
Physical environment	6,154,252	4,827,696	-	-	6,154,252	4,827,696
Transportation	17,375,706	16,251,420	-	-	17,375,706	16,251,420
Economic Environment	3,778,358	2,145,278	-	-	3,778,358	2,145,278
Human services	5,247	2,825	-	-	5,247	2,825
Culture and recreation	7,159,916	5,982,171	-	-	7,159,916	5,982,171
Interest on long term debt	2,417,186	768,408	-	-	2,417,186	768,408
Electric	-	-	136,853,553	131,540,076	136,853,553	131,540,076
Water and sewer	-	-	30,830,593	29,444,099	30,830,593	29,444,099
Sanitation	-	-	8,933,087	8,218,564	8,933,087	8,218,564
Municipal golf courses	-	-	1,938,067	1,791,935	1,938,067	1,791,935
International airport	-	-	1,838,267	1,718,391	1,838,267	1,718,391
Communications	-	-	2,695,714	2,472,288	2,695,714	2,472,288
Suntran	-	-	3,059,382	3,213,971	3,059,382	3,213,971
Total Expenses	91,153,670	81,943,939	186,148,663	178,399,324	277,302,333	260,343,263
Change in net position before transfers	(13,198,260)	(10,133,654)	10,194,752	19,401,467	(3,003,508)	9,267,813
Transfers	13,914,315	10,815,588	(13,914,315)	(10,815,588)	-	-
Increase (Decrease) in net position	\$ 716,055	\$ 681,934	\$ (3,719,563)	\$ 8,585,879	\$ (3,003,508)	\$ 9,267,813
Net position - beginning	144,507,599	143,825,665	295,569,604	286,983,725	440,077,203	430,809,390
Net position - ending	\$ 145,223,654	\$ 144,507,599	\$ 291,850,041	\$ 295,569,604	\$ 437,073,695	\$ 440,077,203

* Restated

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for governmental as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The City's overall net position decreased \$3,003,508 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.



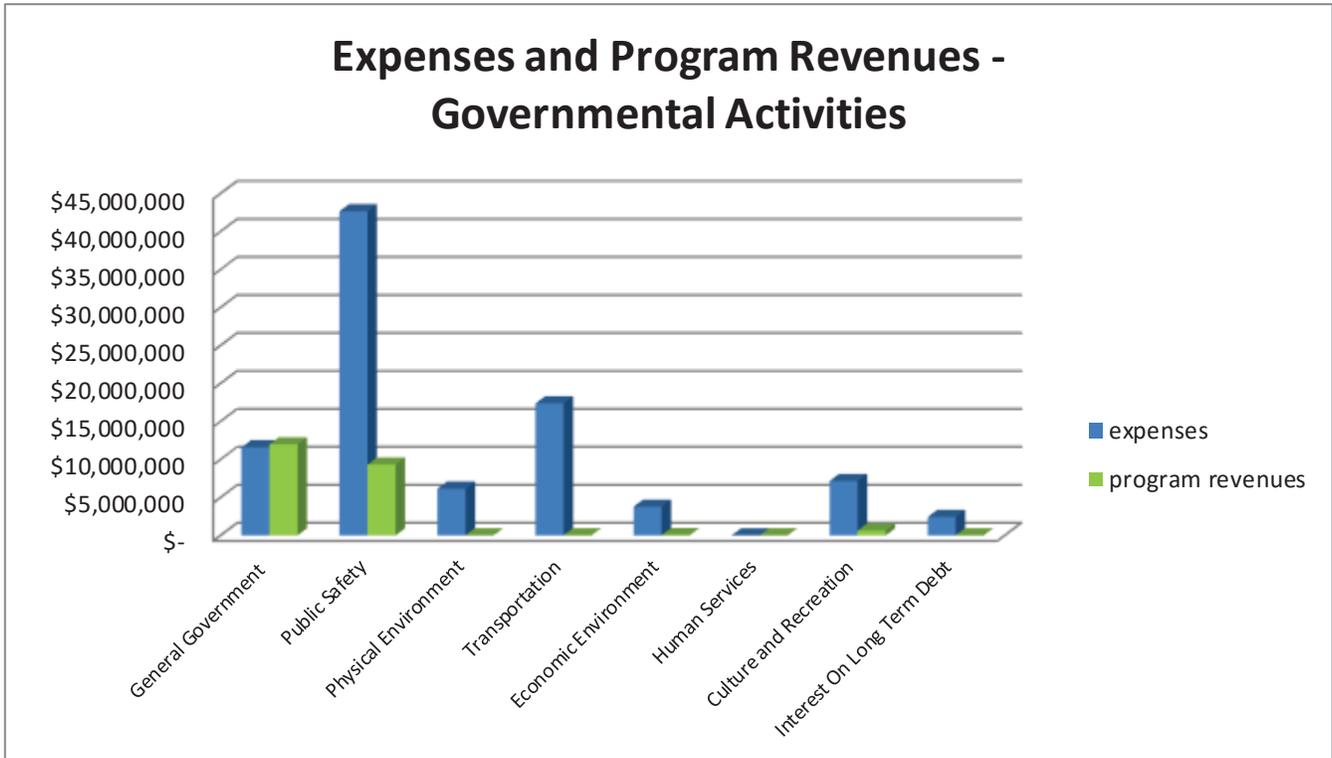
Key Elements of Revenues of Governmental Activities:

- Property taxes, which provided 32% of governmental revenues, increased by \$3,340,328. In FY 2016, the City's millage rate was 6.6177 per \$1,000 of taxable property. This rate was an increase of 3.29% over the rolled-back rate.
- Charges for services provided 29% of governmental revenues. Charge for services increased \$1,051,508, an increase of 4.8%.
- Utility services taxes provided 12% of governmental revenues. Utility services taxes totaled \$9,144,899 for FY 2016. Utility service taxes decreased \$641,959, a decrease of 6.6%.
- Operating and capital grants and contributions accounts for 5.5% of governmental revenues.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Key Element of Expenses of Governmental Activities

In FY 2016, expenses for Governmental Activities increased 11.2% to \$91,153,670. General Government increased \$9,209,731, mostly due to reclassification of expenses to public safety, transportation, economic environment, physical environment and culture and recreation. The expenses for interest on long term debt increased \$1,648,778. As seen in the graph, the majority of governmental activities are not supported by program revenues.

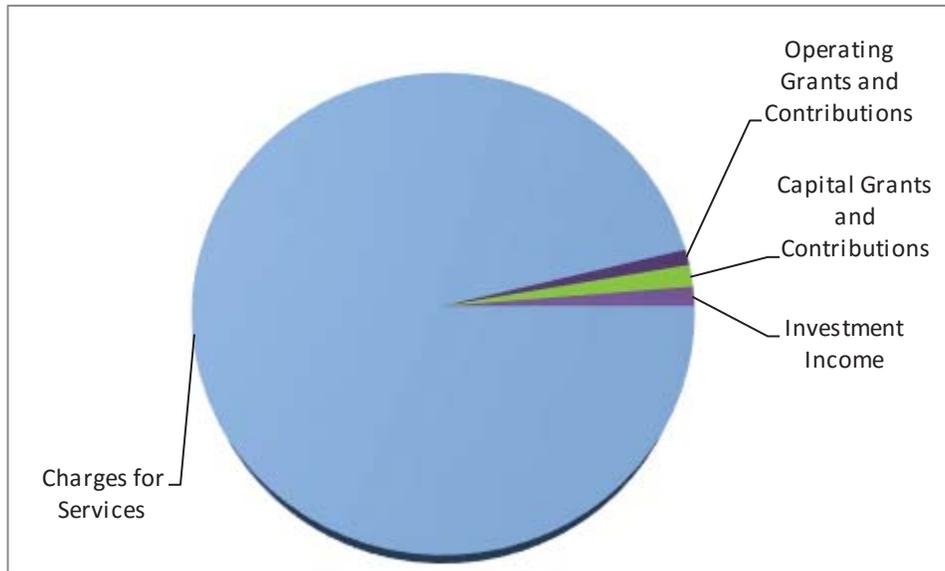


**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

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

The Charges for Services category accounts for 96% of the revenue generated in the enterprise funds as seen below. Rates should be established to ensure operating expenses are covered.

Revenues by Source – Business-type Activities



Program revenue derived from user fees and charges is designed to recoup the cost of providing the service. The change in net position in the enterprise funds increased from a positive amount of \$8,585,879 in FY 2015 to a negative amount of (\$3,719,563) in FY 2016 for a decrease of change in net position for the year of \$12,305,442.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

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

Summarized operating results for the Proprietary Funds are below. These numbers do not include any transfers or non-operating revenues or expenditures.

	Electric		Water and Sewer		Sanitation	
	2016	2015	2016	2015	2016	2015
Operating Revenues	\$ 143,790,825	\$ 143,366,578	\$ 28,267,876	\$ 26,665,395	\$ 10,598,109	\$ 10,212,366
Operating Expenses	135,061,478	129,537,066	27,736,775	25,593,673	8,933,087	8,218,564
Operating Income(Loss)	\$ 8,729,347	\$ 13,829,512	\$ 531,101	\$ 1,071,722	\$ 1,665,022	\$ 1,993,802

	Municipal Golf Course		Ocala International Airport		Communications	
	2016	2015	2016	2015	2016	2015
Operating Revenues	\$ 1,227,082	\$ 1,014,454	\$ 1,065,576	\$ 988,125	\$ 3,588,651	\$ 3,100,306
Operating Expenses	1,938,067	1,791,935	1,838,267	1,718,391	2,695,714	2,472,288
Operating Income(Loss)	\$ (710,985)	\$ (777,481)	\$ (772,691)	\$ (730,266)	\$ 892,937	\$ 628,018

	SunTran		TOTALS	
	2016	2015	2016	2015
Operating Revenues	\$ 365,528	\$ 430,559	\$ 188,903,647	\$ 185,777,783
Operating Expenses	3,059,382	3,213,971	181,262,770	172,545,888
Operating Income(Loss)	\$ (2,693,854)	\$ (2,783,412)	\$ 7,640,877	\$ 13,231,895

Key elements of the City's business-type activities for FY 2016 are as follows:

Business-type activities had an operating income of \$7,640,877, a 42% decrease from the prior year.

The City's Electric Utility Fund accounted for the majority of the decrease. Operating revenues increased slightly by \$424,247. Operating expenses for the fund increased \$5,524,412 due mainly to higher costs for administration expense.

The Water and Sewer Fund had an increase in operating income of \$1,602,481. Operating revenues increased 6% while operating expenses increased 8% due to higher sewer collection costs and increased depreciation expense of capital assets.

The Sanitation Fund had an increase in operating income of \$385,743 in FY 2016. This was primarily due an increase in revenue collections and interest income.

Since the City outsourced management operations of the Municipal Golf Course in FY 2013, the highest priority of the Municipal Golf Course Fund continues to be self-sufficiency. In FY 2016, operating loss decreased \$710,985 as compared to prior years' decrease of \$777,481 this is primarily due to continued renovations during the year.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The Ocala International Airport had an increase in operating loss of only \$42,428 as compared to \$58,040 in FY 2015. The majority of the increase was due to increased depreciation expense of capital assets.

The Communication Fund's had an increase in operating income of \$264,919. This is primarily due to an increase in charges for services costs as new customers are added to the system.

The City's public mass transit system, SunTran had an operating loss of \$2,693,854. This number, however, does not reflect non-operating revenue of \$2,027,718. The majority of revenues received in this fund is non-operating in nature and include Federal, State, and Local grants. Grant revenue is recorded as operating expenses are incurred.

The unrestricted portion of net position for each fund is as follows:

Fund	Unrestricted Net Position
Electric	\$ 26,768,873
Water and Sewer	17,492,434
Sanitation	1,219,850
Municipal Golf Course	(214,563)
Ocala International Airport	740,283
Communications	4,157,076
SunTran	(189,546)
Total	\$ 49,974,407

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

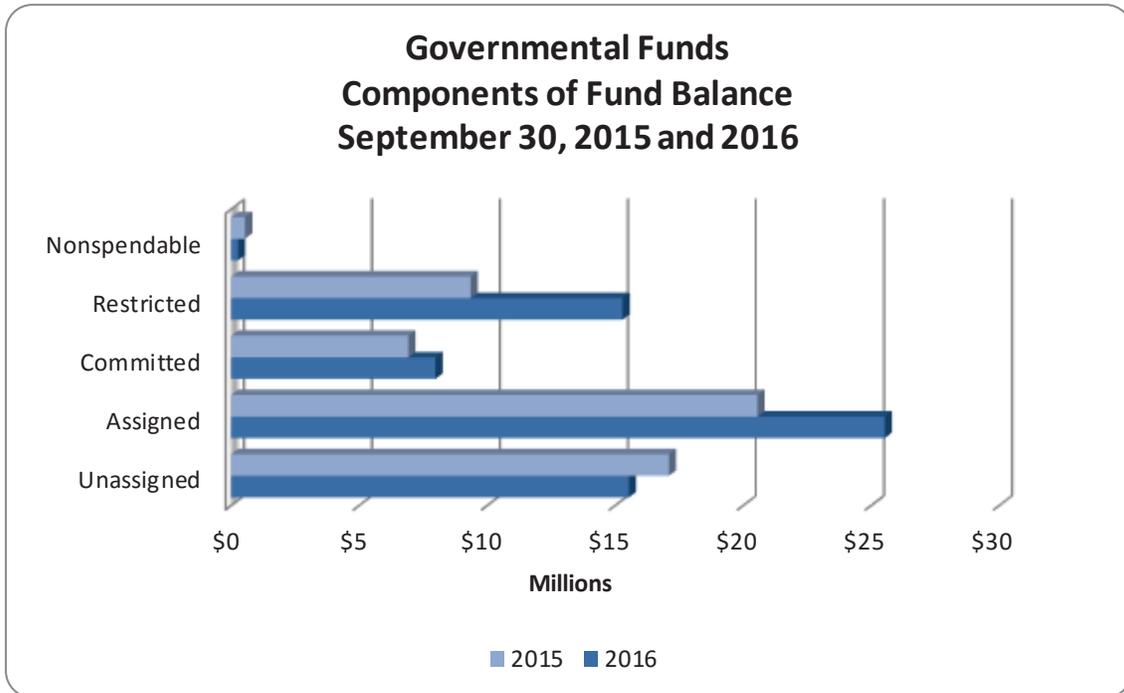
FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2016, the City's governmental funds reported combined fund balances of \$54,464,861, a decrease of \$10,140,102 in comparison with the prior year. Approximately 28% of this amount (\$17,096,287) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$545,193), 2) restricted for particular purposes (\$9,350,806), 3) committed for particular purposes (\$6,919,427), or 4) assigned for particular purposes (\$20,553,148).

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**



The General Fund is the chief operating fund of the City. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 22% of total general fund expenditures, while total fund balance represents approximately 54% of that same amount. The fund balance of the City's general fund decreased by (\$4,919,665) during the current fiscal year.

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

	Community Redevelopment Agency	
	2016	2015
Revenues and other sources	\$ 656,479	\$ 576,592
Expenses and other uses	3,229,342	379,403
Increase (decrease) in Net Position	<u><u>\$(2,572,863)</u></u>	<u><u>\$ 197,189</u></u>

The decrease in net position in FY 2016 is due to partial funding for the new Parking Garage.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget, not including reserves, totaled 83,097,751. Various budget amendments were approved by City Council. During the year, appropriations increased \$15,540,126 from the original to the final budget in the General Fund. Actual expenditures were \$13,423,253 lower than the final budget. Following are the main components of the increase:

- Carryforward of prior year assigned funding of nearly \$9.1 million
- Grant carryforwards of nearly \$5.8 million

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

- \$260,000 from Marion County Board of County Commission for the Brick City project
- \$448,000 in grant and designated gift funding for the reconstruction of Fort King

Utilization of Reserves

- \$887,000 to implement salary study recommendations
- \$250,000 for the Midtown Master Plan
- \$123,000 to purchase equipment for the new Fire tower truck
- \$142,000 to purchase and install downtown parking meters

Additional budget to actual information on the City's General Fund can be found on page 105.

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, 2016 totaled \$517,218,750 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, intangibles, equipment, infrastructure, and construction in progress. The City's investment in capital assets decreased \$4,060,472. This represents a 0.8% decrease from FY 2015.

**CAPITAL ASSETS
(NET OF DEPRECIATION)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 22,835,450	\$ 22,293,664	\$ 22,756,939	\$ 22,586,939	\$ 45,592,389	\$ 44,880,603
Intangible (Easement, ROW)	1,922,534	1,922,534	1,152,856	1,147,002	3,075,390	3,069,536
Buildings	11,796,301	12,327,928	10,932,721	11,401,153	22,729,022	23,729,081
Impv Other Than Bldgs	14,777,104	15,248,523	295,742,122	291,733,395	310,519,226	306,981,918
Equipment	20,559,669	17,221,457	4,941,913	4,512,270	25,501,582	21,733,727
Intangible (Software)	1,836,576	1,858,163	1,945,119	2,307,273	3,781,695	4,165,436
Infrastructure	94,125,274	94,924,166	-	-	94,125,274	94,924,166
Construction in Progress	5,061,413	2,548,985	6,832,759	19,245,769	11,894,172	21,794,754
Total	\$ 172,914,321	\$ 168,345,420	\$ 344,304,429	\$ 352,933,801	\$ 517,218,750	\$ 521,279,221

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

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

Governmental Activities:

- CRA- Parking Garage project was completed at a cost of \$5,470,005.
- Tree Haven Subdivision project was completed at a cost of \$1,023,976.
- Discovery Science Center & Outdoor project was completed at a cost of \$357,688.

Business-type Activities:

- Paddock Mall Substation upgrades were completed at a cost of \$850,804.
- Enzian Substation upgrades were completed at a cost of \$256,361.
- FDOT design and construction of a Fuel Farm at the Ocala Airport is ongoing with a current cost of \$554,586.
- General Aviation Terminal Parking Lot was completed at a cost of \$1,006,790.
- Various lift station improvement projects is ongoing with a current cost of \$653,689.
- Water main replacement program-Phase VI was completed at a cost of \$1,207,712.
- WRF #2 Improvement program was completed at a cost of \$10,610,244.
- Magna-Marion county portion-NW 35th Street Phase 1A & Phase 1B was completed at a cost of \$1,705,886.
- Reuse connection between WRF 1, 2, & 3 project was completed at a cost of \$3,156,215.

Additional information on the City's capital assets can be found in the Notes to Financial Statements on pages 69-70.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$173,380,948. That was a decrease of \$7,879,278 or 0.4% from outstanding long-term debt of \$181,260,226 at the end of FY 2015. Electric and Water & Sewer debt is paid with operating revenues. The capital improvements debt is serviced by the pledge of non-ad valorem revenues such as gas taxes, sales tax revenues and State revenue sharing.

Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Capital Improvement bonds	\$ 32,200,000	\$ 34,540,000	\$ -	\$ -	\$ 32,200,000	\$ 34,540,000
Utility system bonds	-	-	141,060,000	146,545,000	141,060,000	146,545,000
Capital leases	120,948	175,226	-	-	120,948	175,226
Total	\$ 32,320,948	\$ 34,715,226	\$ 141,060,000	\$ 146,545,000	\$ 173,380,948	\$ 181,260,226

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The City had no outstanding general obligation debt at the close of FY 2016. The City maintains excellent bond ratings from the major ratings agencies.

Additional information on the City's long-term debt can be found in the Notes to Financial Statements on pages 93-97 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following were some of the significant factors considered in preparing the City's FY 2017 budget:

- The FY 2017 budget was prepared as the City continues to carefully plan using conservative fiscal oversight. This disciplined approach resulted in high quality municipal services, investment in public facilities, and maintaining appropriate reserves to provide resiliency during uncertain economic times which are proving to be the norm in the current economic environment.
- The City's leadership, the City Council and Mayor, recognizes its critical role in establishing the appropriate tenor and investment required for economic transformation of the local economy. The City's strategic plan has four goals: economic hub, fiscal sustainability, operational excellence, and quality of place. These goals serve as drivers for directing the City's limited resources.
- Ocala's economy showed signs of strengthening, with a 4.1% increase in real property valuations, which is the second increase in five years. The City has aggressively, but strategically, continued sowing the seeds for tomorrow's economic recovery. The City's investments in economic development made over the past three to four years are beginning to yield meaningful results. FedEx, a Fortune 100 company, completed its \$135 million regional hub located in the recently completed Ocala/Marion County Commerce Park. The FY 2017 budget continues strategic funding for economic development projects while preserving flexibility for pursuing additional economic opportunities.
- Through strong financial policies, as adopted by the City Council, the City presented stakeholders a balanced budget that addresses priority needs, and maintains or enhances service levels.
- The balanced budget was possible due to an increase in property taxes and some slight fee increases to cover the cost of service delivery. The General Fund Budget for FY 2017 totals \$93,008,973.
- The Citywide Comprehensive FY 2017 Budget totals \$731,543,320.
- The FY 2017 Budget was prepared by utilizing available resources in the most efficient manner to ensure that the City can provide services that have been established as priorities for the current fiscal year. The City continues to monitor growth pressures in annual pension contribution costs and inflationary pressures associated with day-to-day operations and capital expenses.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

- Each department reviewed its operations and recommended strategies to reduce expenditures without significantly impacting services. These efficiencies to date include: reorganization of some department and/or divisions, consolidation of service functions, re-assignment of staff to critical tasks, and better utilization of technology. Each department will continue to focus on all areas of their operation to reduce costs while maintaining operational efficiency.
- Rate studies for the electric and water resources departments are underway and expected to be implemented sometime in FY 2017. Electric rates did not increase but water rates increased another 1.5% in FY 2017. This is the third year in a five year plan to increase rates a total of 15%.
- Funding was provided in the budget to advance the City's way-finding sign program, façade grant program, improvements to the City's parks, and maintenance of the City's existing infrastructure.

During the current fiscal year, the unassigned fund balance in the general fund was \$17,096,287. The City has appropriated \$11,584,547 of this amount for spending in the 2016-2017 fiscal year budgets. This action was taken as an additional measure to mitigate the impact of the slow economic recovery on the 2016-2017 fiscal year budgets.

REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 201 SE 3rd Street, Ocala, Florida 34471, or telephone (352) 629-2489.

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Assets	Governmental Activities	Business Type Activities	Total
Cash with fiscal agent	\$ 1,907,472	\$ 4,182,650	\$ 6,090,122
Cash and investments	2,435	24,116	26,551
Equity In pooled cash and investment fund	78,075,882	150,309,602	228,385,484
Receivables-net of allowance for uncollectibles	3,146,475	22,031,294	25,177,769
Accrued interest receivable	190,228	296,229	486,457
Internal balances	989,159	(989,159)	-
Due from other governments	4,076,922	2,989,766	7,066,688
Prepays	449,875	334,327	784,202
Inventories	95,318	6,955,562	7,050,880
Capital assets not being depreciated:			
Land	24,757,984	23,909,794	48,667,778
Construction in progress	5,061,413	6,832,759	11,894,172
Capital assets, net of accumulated depreciation:			
Buildings	11,796,301	10,932,721	22,729,022
Improvements other than buildings	14,777,104	295,742,122	310,519,226
Machinery and equipment	20,559,669	4,941,913	25,501,582
Intangibles	1,836,576	1,945,119	3,781,695
Infrastructure	94,125,274	-	94,125,274
Total assets	261,848,087	530,438,815	792,286,902
Deferred outflows of resources			
Deferred outflows pension related	24,884,419	12,153,882	37,038,301
Deferred outflows from debt refunding	1,991,121	5,814,973	7,806,094
Total deferred outflows of resources	26,875,540	17,968,855	44,844,395
Liabilities			
Accounts payable and accrued liabilities	4,670,552	18,669,684	23,340,236
Contract retainage	244,705	322,380	567,085
Accrued interest payable	1,944,502	2,310,457	4,254,959
Unearned revenue	393,464	1,365,061	1,758,525
Escrow and deposits	1,382,809	-	1,382,809
Other liabilities	-	8,524,567	8,524,567
Noncurrent liabilities:			
Net pension liability	83,523,888	44,806,889	128,330,777
Due within one year	7,109,694	8,226,541	15,336,235
Due in more than one year	40,312,314	136,636,576	176,948,890
Total liabilities	139,581,928	220,862,155	360,444,083
Deferred inflows of resources			
Deferred inflows from debt refunding	137,868	321,997	459,865
Deferred inflows pension related	3,780,177	881,547	4,661,724
Regulatory liability-rate stabilization	-	34,491,930	34,491,930
Total deferred inflows of resources	3,918,045	35,695,474	39,613,519
Net Position			
Net invested in capital assets	142,447,242	228,909,169	371,356,411
Restricted for:			
Transportation	3,426,251	-	3,426,251
Capital projects	-	8,032,086	8,032,086
Debt service	835,000	4,934,379	5,769,379
Development district improvements	1,861,149	-	1,861,149
Public safety	975,686	-	975,686
Grants	307,602	-	307,602
Unrestricted	(4,629,276)	49,974,407	45,345,131
Total net position	\$ 145,223,654	\$ 291,850,041	\$ 437,073,695

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, 2016**

Functions/Programs	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions
Governmental activities:			
General government	\$ 11,597,693	\$ 12,961,644	\$ 509,478
Public safety	42,665,312	9,401,196	169,097
Physical environment	6,154,252	128	-
Transportation	17,375,706	-	1,098,341
Economic environment	3,778,358	61,865	643,257
Human services	5,247	-	4,980
Culture and recreation	7,159,916	585,640	3,887
Interest on long term debt	2,417,186	-	-
Total governmental activities	91,153,670	23,010,473	2,429,040
Business-type activities:			
Electric	136,853,553	143,790,825	-
Water and sewer	30,830,593	28,267,876	-
Sanitation	8,933,087	10,598,109	-
Municipal golf courses	1,938,067	1,227,082	-
International airport	1,838,267	1,065,576	-
Communications	2,695,714	3,588,651	-
Suntran	3,059,382	365,528	2,027,718
Total business-type activities	\$ 186,148,663	\$ 188,903,647	\$ 2,027,718

General Revenues:

- Property tax
- Utility service tax
- Communication tax
- Local option gas tax
- Other tax
- State shared revenues
- Investment income
- Miscellaneous

Transfers

- Transfers

Total general revenues and transfers

Change In net position

Net position - October 1

Net position - September 30

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

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change In Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ 1,873,429	\$ -	\$ 1,873,429
-	(33,095,019)	-	(33,095,019)
263,555	(5,890,569)	-	(5,890,569)
1,578,794	(14,698,571)	-	(14,698,571)
-	(3,073,236)	-	(3,073,236)
-	(267)	-	(267)
25,286	(6,545,103)	-	(6,545,103)
-	(2,417,186)	-	(2,417,186)
<u>1,867,635</u>	<u>(63,846,522)</u>	<u>-</u>	<u>(63,846,522)</u>
335,239	-	7,272,511	7,272,511
1,599,587	-	(963,130)	(963,130)
1,581	-	1,666,603	1,666,603
-	-	(710,985)	(710,985)
943,324	-	170,633	170,633
-	-	892,937	892,937
-	-	(666,136)	(666,136)
<u>\$ 2,879,731</u>	<u>-</u>	<u>7,662,433</u>	<u>7,662,433</u>
	25,500,381	-	25,500,381
	9,144,899	-	9,144,899
	2,643,849	-	2,643,849
	3,453,019	-	3,453,019
	1,374,123	-	1,374,123
	5,917,854	-	5,917,854
	1,760,743	2,532,319	4,293,062
	853,394	-	853,394
	<u>13,914,315</u>	<u>(13,914,315)</u>	<u>-</u>
	<u>64,562,577</u>	<u>(11,381,996)</u>	<u>53,180,581</u>
	716,055	(3,719,563)	(3,003,508)
	<u>144,507,599</u>	<u>295,569,604</u>	<u>440,077,203</u>
	<u>\$ 145,223,654</u>	<u>\$ 291,850,041</u>	<u>\$ 437,073,695</u>

**CITY OF OCALA, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	General Fund	Community Redevelopment Agency (CRA) Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash with fiscal agent	\$ -	\$ -	\$ 1,907,472	\$ 1,907,472
Cash and investments	2,435	-	-	2,435
Equity In pooled cash and investment fund	38,012,058	2,055,965	9,508,596	49,576,619
Receivables-net of allowance for uncollectibles	1,139,214	-	1,070,366	2,209,580
Accrued interest receivable	95,524	5,234	20,870	121,628
Due from other funds	989,159	-	-	989,159
Due from other governments	2,877,270	-	1,199,652	4,076,922
Prepays	449,875	-	-	449,875
Inventories	95,318	-	-	95,318
Accrued unbilled revenues	936,895	-	-	936,895
Total assets	44,597,748	2,061,199	13,706,956	60,365,903
Liabilities:				
Accounts payable and accrued liabilities	2,738,514	342,775	547,992	3,629,281
Unearned revenue	392,150	-	-	392,150
Retainage on contracts	99,761	39,591	105,353	244,705
Escrow and deposits	374,744	-	1,008,065	1,382,809
Total liabilities	3,605,169	382,366	1,661,410	5,648,945
Deferred Inflows of Resources				
Deferred inflows from notes receivable	104,223	-	-	104,223
Deferred inflows from future revenues	74,500	-	73,374	147,874
Total deferred inflows of resources	178,723	-	73,374	252,097
Fund Balances:				
Nonspendable	545,193	-	-	545,193
Restricted	1,097,701	1,678,833	6,574,272	9,350,806
Committed	1,521,527	-	5,397,900	6,919,427
Assigned	20,553,148	-	-	20,553,148
Unassigned	17,096,287	-	-	17,096,287
Total fund balances	40,813,856	1,678,833	11,972,172	54,464,861
Total liabilities, deferred inflows of resources and fund balances	\$ 44,597,748	\$ 2,061,199	\$ 13,706,956	\$ 60,365,903

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

**CITY OF OCALA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2016**

Total fund balances of governmental funds \$ 54,464,861

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$412,334,308 and the accumulated depreciation is \$255,451,862. 156,882,446

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

Net Pension Liability General Employees Plan	(51,738,432)
Net Pension Liability Police Plan	(19,205,232)
Net Pension Liability Fire Plan	(12,580,224)
Deferred outflows of resources related to pensions	24,884,419
Deferred inflows of resources related to pensions	(3,780,177)

The internal service funds are used by management to charge the costs of fleet, facilities, information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 35,768,720

Other long-term assets are not available to pay for current period expenditures and therefore, are reported as deferred inflows of unavailable revenue and receivable in the funds. 252,097

Long term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long term are reported in the Statement of Net Position. Long term liabilities at year end consist of:

Bonds payable	(32,200,000)
Unamortized (gain)loss on refunding (to be amortized as interest expense).	1,853,253
Accrued interest payable	(1,944,502)
Compensated absences	(5,166,503)
OPEB liability payable	(2,267,072)
	(32,224,772)

Net position of governmental activities \$ 145,223,654

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, 2016**

Revenues	General Fund	CRA Fund	Other Governmental Funds	Total Governmental Funds
Property tax	\$ 25,230,432	\$ 205,741	\$ 64,208	\$ 25,500,381
Utility service tax	9,144,899	-	-	9,144,899
Communication service tax	2,643,849	-	-	2,643,849
Local option gas tax	-	-	3,453,019	3,453,019
Other tax	1,374,123	-	-	1,374,123
State shared revenues	5,917,854	-	-	5,917,854
Other intergovernmental revenues	2,183,418	-	2,102,907	4,286,325
Permits and fees	2,306,800	-	-	2,306,800
Fines and forfeitures	544,354	-	-	544,354
Charges for services	15,154,977	-	5,014,692	20,169,669
Investment income	899,106	94,922	229,352	1,223,380
Miscellaneous	522,072	1,251	266,459	789,782
Total revenues	65,921,884	301,914	11,130,637	77,354,435
Expenditures				
Current:				
General government	11,709,642	-	-	11,709,642
Public safety	43,210,484	-	42,046	43,252,530
Physical environment	532,628	-	4,459,985	4,992,613
Transportation	5,059,330	-	4,794,187	9,853,517
Economic environment	2,414,180	974,017	358,585	3,746,782
Culture and recreation	6,569,141	-	90,662	6,659,803
Capital outlay	6,518,475	2,255,325	3,623,766	12,397,566
Debt service:				
Principal payments	-	-	2,340,000	2,340,000
Interest and fees	-	-	640,869	640,869
Total expenditures	76,013,880	3,229,342	16,350,100	95,593,322
Excess (deficiency) of revenues over expenditures	(10,091,996)	(2,927,428)	(5,219,463)	(18,238,887)
Other financing sources (uses)				
Transfers in	10,754,851	354,565	3,175,363	14,284,779
Transfers out	(5,582,520)	-	(603,474)	(6,185,994)
Total other financing sources (uses)	5,172,331	354,565	2,571,889	8,098,785
Net change in fund balances	(4,919,665)	(2,572,863)	(2,647,574)	(10,140,102)
Fund balances - October 1	45,733,521	4,251,696	14,619,746	64,604,963
Fund balances - September 30	\$ 40,813,856	\$ 1,678,833	\$ 11,972,172	\$ 54,464,861

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, 2016**

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

Net change in fund balances - total governmental funds \$ (10,140,102)

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$12,397,566 (net of disposals \$351,513) exceeded depreciation expense of \$10,150,569 . 2,598,510

The issuance of bonds and similar long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts of the items that make up these differences in treatment of long term debt and related items are:

Principal repayments	
Bonds and Certificates	2,340,000
Amortization of bond discount, premium, and deferred amounts on refundings	(66,462)

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	(256,967)
Accrued interest on long term debt	(1,704,735)
OPEB liability payable	(150,534)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense. 3,374,116

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 63,612

The internal service funds are used by management to charge the costs of fleet, facilities, information technology and risk management to individual funds. The net income(expense) of the internal services funds is reported with governmental activities. 4,658,617

Change in net position of governmental activities \$ 716,055

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

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Assets				
Current Assets:				
Cash with fiscal agent	\$ 2,163,022	\$ 2,019,628	\$ -	\$ -
Cash and investments	2,828	-	-	21,288
Equity in pooled cash and investment fund	50,102,743	21,313,022	6,211,005	-
Restricted assets available for current liabilities	4,460,633	5,614,002	-	-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts and notes	10,228,259	1,438,350	525,863	480,593
Accrued interest	204,494	52,237	15,047	-
Unbilled revenues	7,258,966	1,327,830	490,965	-
Prepays	266,281	43,167	-	14,644
Inventories	5,489,188	1,196,222	-	73,299
Due from other governments	175,497	1,010,217	54,497	-
Total current assets	80,351,911	34,014,675	7,297,377	589,824
Noncurrent Assets:				
Restricted Assets:				
Equity in pooled cash and investment fund:				
Construction accounts	5,095,124	14,994,430	-	-
Debt service accounts	1,145,971	3,246,837	-	-
Impact fee accounts	-	4,105,780	-	-
Rate stabilization	34,491,930	-	-	-
Renewal and replacement	2,372,149	1,544,204	-	-
Accrued interest receivable:				
Impact fee accounts	-	9,953	-	-
Less: Portion classified as current	(4,460,633)	(5,614,002)	-	-
Total restricted assets	38,644,541	18,287,202	-	-
Capital assets, net:				
Land	6,481,665	11,160,385	-	357,343
Buildings	3,681,083	1,598,220	454,179	350,737
Improvements other than buildings	101,715,966	176,033,480	-	1,267,164
Machinery and equipment	1,593,582	591,447	694,111	26,133
Intangible assets	1,709,252	216,193	-	-
Construction in process	3,030,267	3,750,066	-	-
Total capital assets (net)	118,211,815	193,349,791	1,148,290	2,001,377
Total noncurrent assets	156,856,356	211,636,993	1,148,290	2,001,377
Total assets	\$ 237,208,267	\$ 245,651,668	\$ 8,445,667	\$ 2,591,201
Deferred outflows of resources:				
Deferred amount on debt refunding	2,173,594	3,641,379	-	-
Deferred amount pension related	8,135,270	1,861,719	1,695,603	-
Total deferred outflows of resources	\$ 10,308,864	\$ 5,503,098	\$ 1,695,603	\$ -

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

ENTERPRISE FUNDS				GOVERNMENTAL	
Ocala				ACTIVITIES	
International	Communi-	SunTran	Total	Internal	
Airport	cations			Service Funds	
\$ -	\$ -	\$ -	\$ 4,182,650	\$ -	
-	-	-	24,116	-	
711,508	4,974,899	-	83,313,177	28,499,263	
-	-	-	10,074,635	-	
55,929	119,911	-	12,848,905	-	
2,051	12,447	-	286,276	68,600	
-	104,628	-	9,182,389	-	
220	10,015	-	334,327	-	
-	196,853	-	6,955,562	-	
172,532	-	1,577,023	2,989,766	-	
942,240	5,418,753	1,577,023	130,191,803	28,567,863	
-	-	-	20,089,554	-	
-	-	-	4,392,808	-	
-	-	-	4,105,780	-	
-	-	-	34,491,930	-	
-	-	-	3,916,353	-	
-	-	-	9,953	-	
-	-	-	(10,074,635)	-	
-	-	-	56,931,743	-	
5,910,401	-	-	23,909,794	-	
3,809,511	-	1,038,991	10,932,721	112,243	
12,548,432	4,177,080	-	295,742,122	221,196	
96,806	497,394	1,442,440	4,941,913	496,553	
-	19,674	-	1,945,119	15,187,145	
16,204	36,222	-	6,832,759	14,738	
22,381,354	4,730,370	2,481,431	344,304,428	16,031,875	
22,381,354	4,730,370	2,481,431	401,236,171	16,031,875	
\$ 23,323,594	\$ 10,149,123	\$ 4,058,454	\$ 531,427,974	\$ 44,599,738	
-	-	-	5,814,973	-	
49,823	411,467	-	12,153,882	-	
\$ 49,823	\$ 411,467	\$ -	\$ 17,968,855	\$ -	

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	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	\$ 14,910,397	\$ 298,384	\$ 313,410	\$ 649,562
Contract retainage	9,337	313,043	-	-
Claims payable	-	-	-	-
Compensated absences payable	1,339,959	316,744	208,932	-
Due to other funds	-	-	-	127,952
Customer deposits	8,431,516	-	-	(2,449)
Capital lease payable	-	-	-	-
Unearned revenue	1,206,858	128,881	-	29,322
Total current liabilities payable from unrestricted assets	25,898,067	1,057,052	522,342	804,387
Payable from restricted assets:				
Accounts payable and accrued liabilities	1,151,640	347,538	-	-
Accrued interest payable	884,443	1,426,014	-	-
Revenue bonds payable within one year	2,424,550	3,840,450	-	-
Total current liabilities payable from restricted assets	4,460,633	5,614,002	-	-
Total current liabilities	30,358,700	6,671,054	522,342	804,387
Noncurrent Liabilities:				
Claims payable	-	-	-	-
Compensated absences payable	325,861	248,602	234,779	-
Capital lease payable	-	-	-	-
OPEB obligation payable	547,625	262,825	234,603	-
Net pension liability	28,770,958	7,844,536	6,650,105	-
Revenue bonds and notes payable after one year	54,375,850	80,336,939	-	-
Total noncurrent liabilities	84,020,294	88,692,902	7,119,487	-
Deferred Inflows of Resources:				
Deferred amount on debt refunding	-	321,997	-	-
Deferred inflows pension related	563,524	157,377	131,301	-
Regulatory liability-rate stabilization	34,491,930	-	-	-
Total deferred inflows of resources	35,055,454	479,374	131,301	-
Net Position				
Net investment in capital assets	68,680,133	127,486,214	1,148,290	2,001,377
Restricted for debt service	261,528	4,672,851	-	-
Restricted for capital projects	2,372,149	5,659,937	-	-
Unrestricted (accumulated deficit)	26,768,873	17,492,434	1,219,850	(214,563)
Total net position	\$ 98,082,683	\$ 155,311,436	\$ 2,368,140	\$ 1,786,814

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala				ACTIVITIES
International Airport	Communi- cations	SunTran	Total	Internal Service Funds
\$ 20,845	\$ 72,546	\$ 905,362	\$ 17,170,506	\$ 1,041,271
-	-	-	322,380	-
-	-	-	-	1,721,724
33,178	62,728	-	1,961,541	-
-	-	861,207	989,159	-
95,500	-	-	8,524,567	-
-	-	-	-	55,864
-	-	-	1,365,061	1,314
<u>149,523</u>	<u>135,274</u>	<u>1,766,569</u>	<u>30,333,214</u>	<u>2,820,173</u>
-	-	-	1,499,178	-
-	-	-	2,310,457	-
-	-	-	6,265,000	-
-	-	-	10,074,635	-
<u>149,523</u>	<u>135,274</u>	<u>1,766,569</u>	<u>40,407,849</u>	<u>2,820,173</u>
-	-	-	-	5,945,761
10,543	16,386	-	836,171	-
-	-	-	-	65,084
18,168	24,395	-	1,087,616	-
72,612	1,468,678	-	44,806,889	-
-	-	-	134,712,789	-
<u>101,323</u>	<u>1,509,459</u>	<u>-</u>	<u>181,443,465</u>	<u>6,010,845</u>
-	-	-	321,997	-
934	28,411	-	881,547	-
-	-	-	34,491,930	-
<u>934</u>	<u>28,411</u>	<u>-</u>	<u>35,695,474</u>	<u>-</u>
22,381,354	4,730,370	2,481,431	228,909,169	15,910,927
-	-	-	4,934,379	-
-	-	-	8,032,086	-
740,283	4,157,076	(189,546)	49,974,407	19,857,793
<u>\$ 23,121,637</u>	<u>\$ 8,887,446</u>	<u>\$ 2,291,885</u>	<u>\$ 291,850,041</u>	<u>\$ 35,768,720</u>

CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

BUSINESS-TYPE ACTIVITIES -

	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Operating Revenues:				
Charges for services	\$ 142,278,913	\$ 28,100,769	\$ 10,453,012	\$ 1,227,082
Other	1,511,912	167,107	145,097	-
Total operating revenues	<u>143,790,825</u>	<u>28,267,876</u>	<u>10,598,109</u>	<u>1,227,082</u>
Operating Expenses:				
Purchase of electricity	99,389,466	-	-	-
Distribution	11,521,331	2,890,850	-	-
Operation and maintenance	86,673	395,054	4,965,958	75,792
Water and sewer treatment	-	6,929,996	-	-
Sewer collection	-	2,719,910	-	-
Internal service	-	-	-	-
Administration	13,382,492	4,134,030	3,856,829	1,415,803
Depreciation	8,136,154	10,666,935	110,300	446,472
Other	2,545,362	-	-	-
Total operating expenses	<u>135,061,478</u>	<u>27,736,775</u>	<u>8,933,087</u>	<u>1,938,067</u>
Operating income (loss)	<u>8,729,347</u>	<u>531,101</u>	<u>1,665,022</u>	<u>(710,985)</u>
Non-Operating Revenues (Expenses):				
Investment income	1,624,458	639,565	150,507	(200)
Interest expense	(1,792,075)	(3,086,344)	-	-
Amortization of bond discounts/premiums	-	(7,474)	-	-
Other non-operating revenue	-	-	-	-
Total non-operating revenues (expenses)	<u>(167,617)</u>	<u>(2,454,253)</u>	<u>150,507</u>	<u>(200)</u>
Income (loss) before capital contributions and transfers	<u>8,561,730</u>	<u>(1,923,152)</u>	<u>1,815,529</u>	<u>(711,185)</u>
Capital Contributions	<u>335,239</u>	<u>1,599,587</u>	<u>1,581</u>	<u>-</u>
Transfers:				
Transfers in	-	9,642	-	630,878
Transfers out	(8,795,998)	(3,148,248)	(2,319,279)	(173,000)
Total transfers	<u>(8,795,998)</u>	<u>(3,138,606)</u>	<u>(2,319,279)</u>	<u>457,878</u>
Change in net position	<u>100,971</u>	<u>(3,462,171)</u>	<u>(502,169)</u>	<u>(253,307)</u>
Net position - October 1	<u>97,981,713</u>	<u>158,773,607</u>	<u>2,870,308</u>	<u>2,040,121</u>
Net position - September 30	<u>\$ 98,082,684</u>	<u>\$ 155,311,436</u>	<u>\$ 2,368,139</u>	<u>\$ 1,786,814</u>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 1,041,033	\$ 3,571,693	\$ 330,348	\$ 187,002,850	\$ 14,859,916
24,543	16,958	35,180	1,900,797	2,417,416
1,065,576	3,588,651	365,528	188,903,647	17,277,332
-	-	-	99,389,466	-
-	-	-	14,412,181	-
349,189	1,499,549	2,792,992	10,165,207	-
-	-	-	6,929,996	-
-	-	-	2,719,910	-
-	-	-	-	16,645,655
559,858	671,486	-	24,020,498	-
929,220	524,679	266,390	21,080,150	2,320,833
-	-	-	2,545,362	-
1,838,267	2,695,714	3,059,382	181,262,770	18,966,488
(772,691)	892,937	(2,693,854)	7,640,877	(1,689,156)
19,119	98,870	-	2,532,319	537,363
-	-	-	(4,878,419)	(5,120)
-	-	-	(7,474)	-
-	-	2,027,718	2,027,718	-
19,119	98,870	2,027,718	(325,856)	532,243
(753,572)	991,807	(666,136)	7,315,021	(1,156,913)
943,324	-	-	2,879,731	-
-	-	319,870	960,390	5,825,172
(3,250)	(434,930)	-	(14,874,705)	(9,642)
(3,250)	(434,930)	319,870	(13,914,315)	5,815,530
186,502	556,877	(346,266)	(3,719,563)	4,658,617
22,935,135	8,330,569	2,638,151	295,569,604	31,110,103
\$ 23,121,637	\$ 8,887,446	\$ 2,291,885	\$ 291,850,041	\$ 35,768,720

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

BUSINESS-TYPE ACTIVITIES -

	<u>Electric System Revenue</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Municipal Golf Course</u>
Cash Flows from Operating Activities:				
Cash received from customers	\$ 151,707,984	\$ 28,178,892	\$ 10,473,547	\$ 1,042,648
Cash paid to suppliers for goods and services	(106,423,817)	(11,494,896)	(5,042,247)	(1,522,692)
Cash received from other funds	1,148,359	-	-	-
Cash paid to employees for services	(16,395,279)	(6,913,472)	(4,041,965)	-
Net cash provided by (used in) operating activities	<u>30,037,247</u>	<u>9,770,524</u>	<u>1,389,335</u>	<u>(480,044)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	-	9,642	-	630,878
Transfers out	(8,795,998)	(3,148,248)	(2,319,279)	(173,000)
Cash receipts from other funds	-	-	-	-
Operating grants	-	848,811	-	-
Net cash provided by (used in) non-capital financing activities	<u>(8,795,998)</u>	<u>(2,289,795)</u>	<u>(2,319,279)</u>	<u>457,878</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on bonds and notes	(715,000)	(4,770,000)	-	-
Interest paid on bonds and notes	(1,266,060)	(2,393,394)	-	-
Bond issuance costs	-	3,906	-	-
Proceeds of loans from other funds	-	-	-	-
Proceeds from sale of capital assets	-	-	80,062	-
Acquisition and construction of capital assets	(6,589,322)	(5,194,680)	(472,929)	-
Contributions received from other governments and developers	335,239	1,093,760	1,581	-
Net cash provided by (used in) capital and related financing activities	<u>(8,235,143)</u>	<u>(11,260,408)</u>	<u>(391,286)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Investment income	1,559,964	683,618	153,084	(200)
Net cash provided by investing activities	<u>1,559,964</u>	<u>683,618</u>	<u>153,084</u>	<u>(200)</u>
Net increase (decrease) in cash and cash equivalents	14,566,070	(3,096,061)	(1,168,146)	(22,366)
Cash and cash equivalents, beginning	<u>80,807,697</u>	<u>\$ 50,319,962</u>	<u>\$ 7,379,151</u>	<u>\$ 43,654</u>
Cash and cash equivalents, ending	<u>\$ 95,373,767</u>	<u>\$ 47,223,901</u>	<u>\$ 6,211,005</u>	<u>\$ 21,288</u>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 1,067,659	\$ 3,580,879	\$ (363,305)	\$ 195,688,304	\$ 14,869,516
-				
(706,944)	(1,343,541)	(2,014,285)	(128,548,422)	(14,356,166)
-			1,148,359	-
(366,087)	(1,101,509)	(173,172)	(28,991,484)	(1,717)
(5,372)	1,135,829	(2,550,762)	39,296,757	511,633
-	-	319,870	960,390	5,825,172
(3,250)	(434,930)	-	(14,874,705)	(9,642)
-	-	203,174	203,174	-
-	-	2,027,718	2,876,529	-
(3,250)	(434,930)	2,550,762	(10,834,612)	5,815,530
-	-	-	(5,485,000)	-
-	-	-	(3,659,454)	-
-	-	-	3,906	-
-	-	-	-	(5,120)
-	-	-	80,062	343,212
(1,129,347)	(504,251)	-	(13,890,529)	(5,223,381)
895,106	-	-	2,325,686	-
(234,241)	(504,251)	-	(20,625,329)	(4,939,567)
18,605	96,091	-	2,511,162	534,353
18,605	96,091	-	2,511,162	534,353
(224,258)	292,739	-	10,347,978	1,921,949
\$ 935,766	\$ 4,682,160	\$ -	144,168,390	26,577,314
\$ 711,508	\$ 4,974,899	\$ -	\$ 154,516,368	\$ 28,499,263

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	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	\$ 50,105,571	\$ 21,313,022	\$ 6,211,005	\$ 21,288
Total noncurrent cash and investments per the balance sheet	43,105,174	23,891,251	-	-
Cash and cash equivalents, end of year	<u>93,210,745</u>	<u>45,204,273</u>	<u>6,211,005</u>	<u>21,288</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	8,729,347	531,101	1,665,022	(710,985)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation & amortization	8,136,154	10,666,935	110,300	446,472
Loss(gain) on capital asset disposal	1,191,755	-	168,412	
Other (income) expense	-	-	(80,062)	-
(Increase) decrease in assets and deferred outflow of resources:				
Accounts and notes receivable	1,294,306	41,732	39,262	(184,434)
Accrued unbilled revenue	(221,098)	(130,716)	(29,264)	-
Inventories	(840,446)	(139,147)	-	(8,480)
Due from other governments	(175,497)	-	(54,497)	-
Other current assets	46,335	(7,673)	-	5,475
Deferred outflow of resources	(3,664,273)	(768,966)	(768,833)	-
Increase (decrease) in liabilities and deferred inflow of resources:				
Accounts payable	6,713,954	(582,714)	13,275	(28,092)
Compensated absences payable	(449,215)	(288,029)	(149,782)	-
OPEB obligation payable	35,684	18,196	11,579	-
Net pension liability	2,408,635	482,264	507,691	-
Deferred inflow of resources	6,513,728	(52,459)	(43,767)	-
Customer deposits	317,878	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 30,037,247</u>	<u>\$ 9,770,524</u>	<u>\$ 1,389,336</u>	<u>\$ (480,044)</u>

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

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 711,508	\$ 4,974,899	\$ -	\$ 83,337,293	\$ 28,499,263
-	-	-	66,996,425	-
<u>711,508</u>	<u>4,974,899</u>	<u>-</u>	<u>150,333,718</u>	<u>28,499,263</u>
(772,691)	892,937	(2,693,854)	7,640,877	(1,689,156)
929,220	524,679	266,390	21,080,150	2,320,833
-	-	79,584	1,439,751	932,157
-	-	-	(80,062)	(343,212)
2,083	17,873	-	1,210,822	40,432
-	(25,647)	-	(406,725)	-
-	(82,265)	-	(1,070,338)	-
-	-	(728,833)	(958,827)	-
567	(4,465)	-	40,239	31,195
(36,986)	9,471	-	(5,229,587)	-
(158,108)	(88,505)	532,598	6,402,408	(780,616)
151	(29,654)	(6,647)	(923,176)	-
1,182	3,308	-	69,949	-
28,898	139,544	-	3,567,032	-
312	(221,447)	-	6,196,367	-
-	-	-	317,878	-
<u>\$ (5,372)</u>	<u>\$ 1,135,829</u>	<u>\$ (2,550,762)</u>	<u>\$ 39,296,758</u>	<u>\$ 511,633</u>

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016**

	PENSION TRUST FUNDS
Assets	
Cash and cash equivalents	\$ 8,085,362
Receivables:	
Interest and dividends receivable	193,365
Accounts receivable	127,001
Total receivables	<u>320,366</u>
Investments, at fair value:	
Mutual Funds: Bonds	10,970,642
Fixed income	54,835,900
Mutual funds: equities	18,011,201
Mutual funds: real estate	26,007,807
Common stock	70,243,709
Government obligations	5,346,700
International equities	29,513,619
Emerging markets	11,533,861
Hedge fund (mutual fund)	8,161,200
Total investments	<u>234,624,639</u>
Total assets	<u>243,030,367</u>
Liabilities	
Accounts payable	451,039
Total liabilities	<u>451,039</u>
Net Position	
Net position held in trust for pension benefits	<u>\$ 242,579,328</u>

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

**CITY OF OCALA, FLORIDA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	PENSION TRUST FUNDS
Additions	
Contributions:	
Employer	\$ 20,146,283
State	951,067
Employee	1,889,707
Total contributions	<u>22,987,057</u>
Investment income:	
Investment gain	21,273,899
Less: Investment management fees	<u>(1,102,338)</u>
Net investment gain	<u>20,171,561</u>
Total additions	<u>43,158,618</u>
Deductions	
Pension payments	18,480,878
Refunds to employees	125,299
Administration	390,145
Total deductions	<u>18,996,322</u>
Change in net position	24,162,296
Net position held in trust for pension benefits - beginning	<u>218,417,032</u>
Net position held in trust for pension benefits - ending	<u>\$ 242,579,328</u>

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



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**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City Of Ocala (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these policies are described below.

A. Reporting Entity

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

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

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 and the City has operational responsibility for all the CRAs. Although legally separate, the CRAs are appropriately blended as governmental fund type component units into the primary government. The CRAs are presented as major governmental funds.

The Ocala Downtown Development District (DDD) was created under the laws of Florida, Chapter 67-1782, and Ordinance No. 266 of the City of Ocala. The Governing Board is appointed by the Ocala City Council and, therefore, the City exercises significant influence over its operations and fiscal management. The DDD is considered a component unit for financial reporting purposes and is included as a blended special revenue fund.

The City includes advisory boards and commission within the City in its financial statements in circumstances where the City selects the governing authority, designates management, has the ability to influence operations, and has accountability for fiscal matters of the advisory boards and commissions.

Related Organizations

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

Ocala Housing Authority (OHA) – Although the City is responsible for appointing the OHA’s board, the City does not exercise the other prerequisites for inclusion as a component unit. The City’s accountability for this organization does not extend beyond making these appointments. The OHA was established in 1973 and is funded primarily by the United States Department of Housing and Urban Development. The OHA service area is Marion County. The OHA currently provides financial assistance through its Housing Choice Voucher (HCV) Program (Section 8) for low-income families, seniors and person with disabilities. The HCV program provides rental subsidies for eligible families, via direct monthly payments for private landlords who rent units throughout Marion County. A significant number of these units are located in the unincorporated areas of the county.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

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

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

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

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

- Enterprise Funds
- Internal Service Fund

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

- Pension Trust Funds

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Material revenues are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period. Interest and investment income earnings are recognized when earned and allocated monthly based on each fund's equity in the pool. Some governmental fund revenues are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period.

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

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

The City reports two major governmental funds:

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

The Downtown CRA Fund is the Community Redevelopment Agency Trust Fund. It is used to account for receipts and transfers of the tax increment fees collected for improving and redeveloping the downtown area including the magnolia area.

The City reports seven major proprietary funds:

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

The Water and Sewer System Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water, along with the collection, treatment and disposal of sewage waste with the City. The maintenance and improvement of the 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.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

Internal Service Funds account for the activities of the City's risk management and fleet, facilities and information technology management. The City's risk management program includes amounts collected and the claims paid for workers' compensation, property, general liability, health, dental and prescription medicine self-insurance. The fleet and facilities management fund is charged with acquiring and maintaining approximately 1.027 units of fuel-driven vehicles and equipment, as well as approximately 100 facilities. Information technology management covers the entire City operations and maintenance.

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance

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 and 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.

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.

3. Accounts Receivable

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

	Governmental Activities	Business-type Activities	Total
Customers:			
Billed	\$ 1,274,730	\$ 12,335,521	\$ 13,610,251
Unbilled	1,203,322	9,182,389	10,385,711
Miscellaneous	789,959	1,642,078	2,432,037
Gross receivables	3,268,011	23,159,988	26,427,999
Less: allowance for uncollectibles	(121,536)	(1,128,694)	(1,250,230)
Net total receivables	\$ 3,146,475	\$ 22,031,294	\$ 25,177,769

4. Due From/Due to Other Fund

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".

5. Prepaid Items and Inventory

Certain payments to vendors for services that will benefit periods beyond September 30, 2016 are recorded as prepaid items and are recorded as prepaid items in both the government-wide and fund financial statements.

All City inventories, excluding golf, are maintained on a consumption 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 and fuel which are expensed as consumed. Inventories included in the Enterprise Funds consist of chemicals, fuels, food concessions, golf retail merchandise, and equipment and supplies held for maintenance use or for capital improvements and are stated at the lower of average cost or market. Obsolete and unusable items have been reduced to estimated salvage values.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

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

	<u>Inventory</u>	<u>Allowance for Obsolete</u>	<u>Adjusted Inventory</u>
Governmental:			
Fleet-bulk fuel	\$ 103,046	\$ (7,728)	\$ 95,318
Total Governmental	\$ 103,046	\$ (7,728)	\$ 95,318
Business-type:			
Electric	5,934,257	(445,069)	5,489,188
Water & Sewer	1,293,213	(96,991)	1,196,222
Golf	79,242	(5,943)	73,299
Communications	212,814	(15,961)	196,853
Total Business-type	\$ 7,519,526	\$ (563,964)	\$ 6,955,562

6. Restricted Assets

Certain proceeds of the City's revenue bonds (enterprise funds), as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or other legal agreements. The revenue bond debt service funds are used to segregate resources accumulated for debt service payments over the next twelve months. The renewal and replacement funds are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project of replacement equipment acquisition.

7. Capital Assets

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

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

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

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

	<u># of Years</u>
Buildings	15-40
Improvements Other than Buildings	20-30
Machinery and Equipment	5-15
Infrastructure	15-40

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

Capitalization of Interest

The Electric and Water and Sewer System enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. See Note 10 -Long term debt for additional information.

Capital Leases and Installment Purchase Contracts

The acquisition or construction of general capital assets under a capital lease agreement or installment purchase contract is recognized as an expenditure and other financing source and principal and interest expenditures in the governmental funds. Property and equipment and the liabilities associated with capital leases and installment purchase contracts of proprietary funds are accounted for and reported in the financial statements of the respective proprietary fund. See Note 10 -Long term debt for additional information.

8. 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.

9. Compensated Absences

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

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

10. 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.

11. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Items that qualify for reporting in this category include deferred outflows on pension liabilities and the deferred charge on refunding reported in the government-wide statement of net position and the statement of net position-proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

13. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Items in this category include unavailable revenue and deferred pension income. The City has several types of items which arise under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from several sources: liens, forfeitures and rental income. These amounts are deferred and recognized as an inflow of sources in the period that the amounts become available.

14. Accrued Revenue

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

15. Rate Stabilization/Regulatory Operations

A Rate Stabilization account was created by the City which allows current income to be deferred to a future time in order to stabilize electric rates. Accounting standards allow for the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is a resolution approved by City Council. Unearned revenues are recorded as a Deferred Inflow titled Regulatory liability-Rate Stabilization and as a Restricted Asset-Rate Stabilization. The funds are used to “stabilize” the customers’ utility bills and will be recognized as revenue when used. The targeted maximum funding level is 25% of projected annual fuel costs, while the minimum funding level is 15%. At the end of the fiscal year the rate stabilization fund balance was \$34,491,930 which is at 35% funding level at year end.

16. Power Cost Adjustment (PCA)

The Power Cost Adjustment (PCA) represents the City’s utility rate mechanism to ensure: 1) that all power costs are recovered through utility billings revenue or through Council approved usage of Rate Stabilization funds or 2) that any excess utility billings revenues for power costs not incurred are returned to customers or used for other lawful purposes in accordance with the City’s rate tariff on file with the Public Service Commission. The balance in this account could be an asset (for “under”-collection of power costs) or a liability (for “over”-collection of power costs). As of September 30, 2016, the balance of \$4,897,024, which represents an over collection of power costs, was rolled forward to the following fiscal year.

17. On-Behalf Payments for Fringe Benefits

The City receives on-behalf payments from the State of Florida to be used for Police and Fire Pension Plan enhancements. On-behalf payments to the City totaled \$951,067 for fiscal year 2016. Such payments are recorded as other tax revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements. Funds received are recorded as revenue in the General Fund and immediately transferred to the Police and Fire Pension Plan as an expense to the General Fund.

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 a contra expense of the Electric Revenue Fund.

The City’s General Fund also incurs certain expenditures on behalf of the other funds for Fleet, Facilities, Information Technology, Customer Service, Communications, Risk Management, Health Insurance, and Workers Compensation. The General Fund is reimbursed for these expenditures based on actual cost allocations. The amounts reimbursed are recorded as reductions in expenditures 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

19. Fund Balance

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 spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted

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

Unrestricted

Committed – This fund balance represent amounts that have internally imposed restrictions mandated by formal action of the government’s highest level of decision-making authority. The specific purposes are determined by a formal action (resolution) of the City Council, the City’s highest level of decision making authority. These amounts cannot be used for other purposes unless the same type of formal action is taken by the highest level of decision-making authority to reverse or modify the previously imposed restriction.

Assigned – This fund balance reports amounts that are constrained by the government’s intent that they will be used for specific purposes. This includes spendable fund balance amounts established by management of the City that are intended to be used for specific purposes that are neither considered restricted or committed. City Council adopted a Resolution that authorizes management of the City to assign fund balances.

Unassigned – This fund balance is the residual fund balance for the General Fund. It reflects the resources that are available for further appropriation and expenditure for general governmental purposes. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that can report a positive unassigned fund balance. If there is a negative fund balance in the Special Revenue, Capital Project or Debt Service due to expenditures incurred exceeding the amounts restricted, committed or assigned for specific purposes in these funds, then it is possible that those funds would report a negative unassigned fund balance.

Spending Order of Fund Balances

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

	<u>GENERAL FUND</u>	<u>CRA FUND</u>	<u>OTHER GOVTL FUNDS</u>
<u>NONSPENDABLE:</u>			
Inventory	\$ 95,318	\$ -	\$ -
Prepays	449,875	-	-
Total Nonspendable	545,193	-	-
<u>RESTRICTED:</u>			
Transportation			
Gas Tax Revenues from State	-	-	\$ 3,426,251
Capital Projects			
Capital Improvement Bonds 2002	-	-	7
Capital Improvement Bonds 2007A	-	-	609
	-	-	616
Debt Service			
Capital Improvement Bonds 2007A	-	-	321,600
Capital Improvement Bonds 2002/2012	-	-	872,030
Capital Improvement Bonds 2003/2013	-	-	1,570,272
Capital Improvement Bonds 2007B	-	-	15,600
	-	-	2,779,502
Public Safety			
Fire Impact Fees	142,104	-	-
Police Automation	113,150	-	-
Police Education & Training	125,737	-	-
Local Confiscations	116,860	-	-
Federal Confiscations	352,435	-	-
Other Public Safety Programs	125,400	-	-
	975,686	-	-
Development District Improvements			
Downtown Development Board	-	-	182,316
Community Redevelopment Trust	-	1,678,833	-
	-	-	-
Grants			
State Housing Impv Project (SHIP)	-	-	185,587
Tree Mitigation	147,619	-	-
Transportation Planning Organization (TPO)	4,312	-	-
Community Devel Block Grant (CDBG)	(29,916)	-	-
	122,015	-	185,587
Total Restricted	1,097,701	1,678,833	6,574,272

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Fund Balance (Continued)

<u>UNRESTRICTED:</u>	<u>GENERAL FUND</u>	<u>CRA FUND</u>	<u>OTHER GOVTL FUNDS</u>
Committed			
Stormwater Utility	-	-	5,397,900
Payroll	22,047	-	-
Economic Improvement Program	1,499,480	-	-
Total Committed	1,521,527	-	5,397,900
Assigned			
Subsequent year budget	11,584,547	-	-
Public safety-reserve for special investigations	52,140	-	-
Fire/Streets/Sidewalks	8,916,461	-	-
Total Assigned	20,553,148	-	-
Unassigned	17,096,287	-	-
Total Unrestricted	39,170,962	-	5,397,900
Total Fund Balances	\$ 40,813,856	\$1,678,833	\$11,972,172

E. 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 the Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

1. Property Taxes

The City is permitted under its charter to levy taxes up to \$10 per \$1,000 of assessed valuation for general government services other than the payment of principal and interest on general long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. Additional taxes assessed for the payment of general long-term debt issues of the City must be approved by the public. The tax rate assessed by the City for the year ended September 30, 2016 was \$6.6177 per \$1,000 of assessed property value. Current tax collections (inclusive of legally available early payment discounts) for the City were approximately 92.7% of the total tax levy. The property tax calendar provides for the tax revenue to be billed and collected within the applicable fiscal year.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues, Expenditures, and Expenses (Continued)

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 payments or full payments before certain dates. Installment prepayment dates and discounts of each installment (one-fourth of estimated taxes) are: June 30 – 6%, September 30 – 4.5%, December 31 – 3%, and March 31 – 0%, Full payment dates and discounts are: November 30 – 4%, December 31 – 3%, January 31 – 2%, February 28 – 1% and March 31 – 0%.

The property tax calendar for revenues billed and received for fiscal year ended September 30, 2016 is shown as follows:

Lien Date	January 1, 2015
Certification of Taxable Value	July 1, 2015
Final public hearing to adopt proposed millage rate	September 15, 2015
Certification of final Taxable Value	October 12, 2015
Beginning of fiscal year for tax assessment	October 1, 2015
Tax bills rendered	November 1, 2015
Property Tax Payable:	
Maximum Discount by	November 30, 2015
Due Date	March 31, 2016
Delinquent on	April 1, 2016
Tax Certificates issued for delinquent taxes by	May 31, 2016

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.

3. Excess of Expenditures Over Appropriations in Individual Funds

The City has no excess of expenditures over appropriations in the General Fund or major special revenue funds. The non-major governmental funds may reflect immaterial excesses of expenditures over appropriations (less than \$15,000). There was none at the end of this fiscal year.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

Following the governmental fund balance sheet is a reconciliation between fund balances of total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

B. Explanation of certain differences between the governmental statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Following the governmental fund statement of revenues expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances, total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

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, 2016.

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 2016, 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, 2016, no expenditures exceeded the budget at the fund level.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable budget appropriation, is utilized by the governmental funds of the City. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget. See Liabilities Note 11, Commitments and Contingent Liabilities, for a breakdown of significant encumbrances in total by each major fund and nonmajor fund.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. 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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Pooling of Cash and Investments (Continued)

At September 30, 2016, the carrying amount of the City's deposits was \$16,887,390, not including \$26,552 in cash drawers or petty cash. These deposits, consisting of interest bearing and non-interest bearing demand accounts, were entirely insured by federal deposit insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of the City.

The City maintains a liquid pooled cash fund in order to meet its obligation needs. Funds not prohibited by bond covenants have pooled their cash balances in order to maximize investment earnings. The City's banking arrangement provides that the City's balances will be used to offset any monthly direct service charge with excess balances earning interest. During 2016, an interest rate floor was in place due to a low interest rate environment. As of September 30, 2016, the interest rate floor was .05%.

Cash equivalents consist of:

- 1) Amounts placed with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. The City's investment in the amount of \$23,606,286 is reported at amortized cost. The Florida PRIME investment pool had weighted average days to maturity of 50 days as of September 30, 2016.
- 2) In December 2015, funds invested with Florida Surplus Asset Fund Trust (FL SAFE) in the amount of \$2,008,000 were withdrawn and invested with other agencies. As of September 30, 2016 there are no funds held with FL SAFE.
- 3) Amounts placed with the Florida Local Government Investment Trust (FLGIT) an intergovernmental investment pool created by interlocal agreement under Florida Statute 163.01. Investments in this pool totaled \$5,043,909 as of September 30, 2016.

The investment pools operate under investment guidelines established by Section 215.47 of the Florida Statutes and are authorized investments under Chapter 218.415. The City's investment in Florida PRIME and FLGIT meets the requirement of a Securities and Exchange Commission Rule "2a7-like" external investment pool. The Florida PRIME and FL SAFE funds are rated AAAM by Standard & Poor's and FLGIT is rated AAA.

B. Restricted Assets

The balances in the restricted assets for the enterprise funds as of September 30, 2016 were \$56,931,743. Details of these balances can be found on the City's Statement of Net Position on page 28.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments

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

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

Derivatives

The City has no derivative investments in its portfolio at September 30, 2016. 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.

General Investment Guidelines

On December 8, 1992, as amended September 5, 1995 and further amended on September 17, 2013, the City of Ocala adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits, issue limits, credit ratings requirements, and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds.

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

The City's investment policy also requires that investments be rated as follows: Corporate notes, State and local government debt, General obligation or revenue bonds rated BBB by Standard & Poor's (S&P) or Moody's Rating Services; Commercial paper rated at least Prime-2 by Moody's or A-3 by S&P; Mortgage and ABS rated AAA or equivalent by Moody's or S & P; Money market mutual funds comprised of only 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.

Third Party Portfolio Managers

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

Pool I (short-term investments) duration of 1 to 3 years,

Pool II (short intermediate investments) durations of 1 to 5 years,

Pool III (intermediate investments) durations of 1 to 10 years.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

The City uses an independent advisor that provides performance measurement service, which (a) compares individual manager performances to their respective index monthly, (b) compares manager performance to their respective industry peer group quarterly, and (c) reviews portfolio compliance. Each manager has a goal of exceeding their respective benchmark, net of fees, over a market cycle. Each manager has an individual policy limitation that, when combined, does not exceed 10% for each sector. The effective duration of the portfolio shall not exceed 120%, nor be less than 50% of the target benchmark.

The benchmarks for each portfolio were chosen to better reflect the investments held in the account. Pool I is measured against Bank of America Merrill Lynch 1-3 Year Unsubordinated U.S. Treasury/Agencies index, Pool II is benchmarked against Bank of America Merrill Lynch 1-5 Year Government/Corporate index, and Pool III is compared to the Bank of America Merrill Lynch 1-10 Year Domestic Master index.

Total Funds Recap:

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Carrying Value of Cash	n/a	\$ 16,913,942	n/a
Treasury Investment Portfolio	AA+	182,847,898	2.24
SBA Florida PRIME	AAAm	23,606,286	50 Days
Florida Local Government	AAA	5,043,909	1.43
Total		\$ 228,412,035	1.83

The City utilizes “effective duration” as a measurement of interest rate risk and as of September 30, 2016 the Treasury investment portfolio had an overall effective duration of 2.37 years. The Treasury investment portfolio had the following investment types and effect duration presented in terms of years at September 30, 2016.

Total Treasury Portfolio (Pools I, II, III)

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
Funds Available For Investment		\$ 275,360	n/a
U.S. Treasury Bond / Note	AA+	58,051,873	2.22
Federal Agency Bond / Note	AA	19,175,074	1.54
Mortgage Backed Pass-through Security	AA+	18,532,134	5.08
Corporate Notes	A+	69,660,249	2.32
Commercial Paper	A-1	1,243,400	0.45
ABS / CMBS	AAA	8,774,282	2.01
Municipal Bond / Note	AA+	693,813	0.88
Money Market Mutual Fund	A-1	6,441,713	0.00
Total Treasury Portfolio-Pools I, II, and III		\$ 182,847,898	2.37

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

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

POOL I - Short-Term Investments:			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
Funds Available For Investment		\$ 275,360	n/a
U.S. Treasury Bond / Note	AA	6,720,456	1.90
Federal Agency Bond / Note	AA	11,783,789	2.03
Mortgage Backed Pass-through Security	AA	1,374,315	4.07
Corporate Notes	AAA	22,823,844	1.78
Commercial Paper	A-1	1,243,400	0.45
Municipal Bond / Note	AAA	151,421	1.50
Asset Backed Securities	AAA	3,687,594	3.52
GSE Collateralized Mortgage Obligations	AA	3,301,898	1.88
Sub-total Pool I		\$ 51,362,077	2.00

POOL II - Short Intermediate Investments:			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA	\$ 30,995,593	0.95
Federal Agency Bond / Note	AA	6,229,112	0.29
Mortgage Backed Pass-through Security	AAA	210,635	0.01
Corporate Notes	A	37,253,337	1.62
Money Market Mutual Fund	AAA	452,341	0.00
Sub-total Pool II		\$ 75,141,018	1.22

POOL III - Intermediate Investments			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA+	\$ 20,335,824	4.26
Federal Agency Bond / Note	AA+	1,162,173	3.21
Mortgage Backed Securities	AA+	16,947,184	5.22
Corporate Notes	A	9,583,068	6.34
ABS / CMBS	AAA	5,086,688	3.46
Municipal Bond / Note	A-	542,392	0.71
Money Market Mutual Fund	A-1	2,687,474	0.00
Sub-total Pool III		56,344,803	4.57
Total of Pools I, II, and III		\$ 182,847,898	2.24

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

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.

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 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, 2016 the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

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.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Investments (Continued)

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

As of September 30, 2016, the City's investment portfolio was in compliance with all diversification requirements of the City's investment policy.

Foreign Currency Risk – The City is not exposed to this type of risk.

Fair Value Measurement – The City measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the City has the ability to access;
- Level 2: Investments whose inputs – other than quoted market prices – are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following table summarizes the City's investments, excluding the pension funds, with the fair value hierarchy at September 30, 2016:

	Fair Value	Level 1	Level 2
U.S. Treasury Bond / Note	\$ 58,051,873	\$ 58,051,873	\$ -
Federal Agency Bond / Note	19,175,074	-	19,175,074
Mortgage Backed Pass-through Security	18,532,134	-	18,532,134
Corporate Notes	69,660,249	-	69,660,249
Commercial Paper	1,243,400	-	1,243,400
ABS / CMBS	8,774,282	-	12,076,180
Municipal Bond / Note	693,813	-	693,813
Money Market Mutual Fund	6,441,713	3,139,815	-
Total investments at fair value	<u>\$ 182,572,538</u>	<u>\$ 61,191,688</u>	<u>\$ 121,380,850</u>
Funds Available For Investment	<u>\$ 275,360</u>		
Total investments	<u>\$ 182,847,898</u>		

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

D. Pension Trust Funds – Cash and Investments

The City maintains single-employer, Defined Benefit (DB) pension plans which cover its full-time certified law enforcement officers (the Police Officers' Retirement System); its full-time certified firefighters (the Firefighters' Retirement Plan); and some of the City's full-time employees (the General Employees' Retirement System).

The provisions of each of the Plans are established by City Ordinance. Effective October 1, 2013, the City's pension plan for General Employees was restructured. The City moved to a 401a Defined Contribution plan for non-vested and new employees, and 226 out of the 561 employees chose this option as their retirement plan.

The Florida Constitution requires local governments to make the actuarially determined contributions to their DB plans. The Florida Division of Retirement reviews and approves each local government's actuarial report to ensure its appropriateness for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Firefighter Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirements for the most recently complete fiscal year. These on-behalf payments received from the State are recognized as revenue and expense in the General Fund and are used to reduce the City's contribution to the Police and Fire Pensions. On-behalf payments to the City totaled \$951,067 for the fiscal year ended September 30, 2016.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Pension Trust Funds – Cash and Investments (Continued)

Pension plan contributions include provision for normal cost plus an amount sufficient to amortize the past service liability over a twenty-five year period. These plans do not participate in the City's equity in pooled cash and investment fund. The deposits and investments of each plan are held separately from those of other City funds.

Cash and Deposits

At September 30, 2016, the cash carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	\$ 873,520
Police Officers' Retirement System	320,946
Firefighters' Retirement Plan	<u>268,807</u>
Total Pension Trust Funds	<u>\$ 1,463,273</u>

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

Investment Guidelines

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

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Pension Trust Funds – Cash and Investments (Continued)

As of September 30, 2016, the cash and investments of the City’s pension plans are as follows:

Investment Type		% of Portfolio	Credit Rating	Duration (In Years)
<u>General Employees Retirement System:</u>				
Cash Checking	\$ 873,520	n/a	n/a	n/a
Cash and Cash Equivalents	3,878,681	3.04%	n/a	n/a
Fixed Income	39,757,347	31.17%	A+	4.73
Mutual Funds: Equities	-	0.00%	n/a	n/a
Mutual Funds: Real Estate	15,579,070	12.22%	n/a	n/a
Common Stock	34,135,929	26.77%	n/a	n/a
International Equities	14,485,398	11.36%	n/a	n/a
Emerging Markets	11,533,861	9.04%	n/a	n/a
Hedge Fund (mutual fund)	8,161,200	6.40%	n/a	n/a
Fund total	\$ 128,405,006	100.00%		
<u>Police Officers Retirement System:</u>				
Cash Checking	\$ 320,946	n/a	n/a	n/a
Cash and Cash Equivalents	1,624,272	2.60%	n/a	n/a
Government Obligations	5,346,700	8.56%	n/a	n/a
Fixed Income	15,078,553	24.13%	AA-	4.50
Common Stock	29,694,044	47.52%	n/a	n/a
International Equities	7,450,772	11.92%	n/a	n/a
Mutual Funds: Real Estate	3,289,156	5.26%	n/a	n/a
Fund total	\$ 62,804,443	100.00%		
<u>Firefighters Retirement Plan:</u>				
Cash Checking	\$ 268,807	n/a	n/a	n/a
Cash and Cash Equivalents	1,119,136	2.18%	n/a	n/a
Mutual Funds: Bonds	10,970,642	21.41%	n/a	n/a
Mutual Funds: Equities	18,011,201	35.16%	n/a	n/a
Mutual Funds: Real Estate	7,139,581	13.94%	n/a	n/a
Common Stock	6,413,736	12.52%	n/a	n/a
International Equities	7,577,449	14.79%	n/a	n/a
Fund total	\$ 51,500,552	100.00%		
Total pension plan cash and investments	\$ 242,710,001			

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, 2016, the securities in the City’s pension plans had the effective durations presented above and were in compliance with their respective investment policies.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Pension Trust Funds – Cash and Investments (Continued)

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, 2016, 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.

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 counterpart 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, 2016, 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.

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.

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 20% as of September 30, 2016. 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 12% to international equities as of September 30, 2016. 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, 2016. According to F.S. 185.06, police pension plans may have up to 25% of assets allocated to international equities.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

E. Pension Trust Funds – Cash and Investments (Continued)

Fair Value Measurement – The City measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the City has the ability to access;
- Level 2: Investments whose inputs – other than quoted market prices – are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The following tables summarize the Pension Plan's investments within the fair value hierarchy at September 30, 2016:

General Employees:	Fair Value	Level 1	Level 2	Level 3
Fixed Income	\$ 39,757,347	\$ 19,191,470	\$ 20,565,877	\$ -
Mutual Funds: Real Estate	15,579,070	-	1,286,067	14,293,003
Common Stock	34,135,929	34,135,929	-	-
International Equities	14,485,398	14,485,398	-	-
Emerging Markets	11,533,861	-	-	11,533,861
Hedge Fund (mutual fund)	8,161,200	-	8,161,200	-
Total investments at fair value	<u>\$ 123,652,805</u>	<u>\$ 67,812,797</u>	<u>\$ 30,013,144</u>	<u>\$ 25,826,864</u>

Police:	Fair Value	Level 1	Level 2	Level 3
Government Obligations	\$ 5,346,700	\$ 5,346,700	\$ -	\$ -
Fixed Income	15,078,553	-	15,078,553	-
Common Stock	29,694,044	29,167,633	526,411	-
International Equities	7,450,772	7,450,772	-	-
Mutual Funds: Real Estate	3,289,156	-	3,289,156	-
Total investments at fair value	<u>\$ 60,859,225</u>	<u>\$ 41,965,105</u>	<u>\$ 18,894,120</u>	<u>\$ -</u>

Fire:	Fair Value	Level 1	Level 2	Level 3
Mutual Funds: Bonds	\$10,970,642	\$ 1,988,033	\$ 8,982,609	\$ -
Mutual Funds: Equities	18,011,201	4,668,668	13,342,533	-
Mutual Funds: Real Estate	7,139,581	-	3,843,557	3,296,024
Common Stock	6,413,736	5,844,144	569,592	-
International Equities	7,577,449	7,577,449	-	-
Total investments at fair value	<u>\$ 50,112,609</u>	<u>\$ 20,078,294</u>	<u>\$ 26,168,699</u>	<u>\$ 3,296,024</u>

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Debt securities categorized as Level 3 are valued based upon unobservable inputs using ASC Topic 820 reporting.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 – RECEIVABLES AND INTERFUND ACTIVITY

A. Due from Other Governments

The following amounts were due from other governments as of September 30, 2016:

	General Government	Business- Type	Totals
Federal Government	\$ 253,710	\$ 1,917,085	\$ 2,170,795
State of Florida	3,124,727	948,191	4,072,918
Marion County, Florida	698,484	124,490	822,974
Total	\$ 4,076,922	\$ 2,989,766	\$ 7,066,688

B. Interfund Transactions

Interfund transfers for the year ended September 30, 2016 consisted of the following:

Transfers to General Fund from:		
Electric System Revenue Fund		\$ 7,831,627
Water and Sewer Fund		1,965,795
Sanitation Fund		666,056
Communications Fund		268,085
Non-major Funds		23,288
Total transfers to General Fund		10,754,851
Transfers to nonmajor governmental funds from:		
Electric System Revenue Fund		362,820
Water and Sewer Fund		206,007
Sanitation Fund		150,923
Municipal Golf Course Fund		173,000
General Fund		2,282,613
Total transfers to nonmajor governmental funds		3,175,363
Transfers to CRA Fund from:		
General Fund		354,565
Transfers to SunTran Fund from:		
General Fund		319,870
Transfers to Municipal Golf Course Fund from:		
General Fund		564,878
Water and Sewer Fund		66,000
Total transfers to Municipal Golf Course Fund		630,878
Transfers to Water and Sewer Fund from:		
Internal Service Fund		9,642
Transfers to Internal Service Fund from:		
General Fund		2,060,594
Electric System Revenue Fund		601,551
Water and Sewer Fund		910,446
Sanitation Fund		1,502,300
Airport Fund		3,250
Communications Fund		166,845
Non-major Funds		580,186
Total transfers to Internal Service Fund		5,825,172
Total transfers at the fund level		\$ 21,070,341

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 – RECEIVABLES AND INTERFUND ACTIVITY (Continued)

B. Interfund Transactions (Continued)

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 drawdowns have not yet been received as of the end of the fiscal year. All of these balances are expected to be liquidated within one year.

Interfund advances, which are approved by City Council and usually bear interest, are for the funding of various projects which are too small for bond issuance and for the City's grant matches on some grants.

The composition of interfund balances as of September 30, 2016 is as follows:

	Interfund Receivables/ Payables
Due to General Fund from:	
Municipal Golf Course Fund	\$ 127,952
SunTran Fund	861,207
Total due to General Fund from other funds	989,159
 Totals at the fund level	 \$ 989,159

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

	<u>In</u>	<u>Out</u>	
	<u>Governmental</u>	<u>Business-Type</u>	
General Fund	\$ 7,831,627	\$ (7,831,627)	Electric Fund
General Fund	1,965,795	(1,965,795)	Water & Sewer Fund
General Fund	666,056	(666,056)	Sanitation Fund
General Fund	268,085	(268,085)	Communications Fund
General Fund	(564,878)	564,878	Golf Fund.
Non-major Funds	362,820	(362,820)	Electric Fund
Non-major Funds	206,007	(206,007)	Water & Sewer Fund
Non-major Funds	150,923	(150,923)	Sanitation Fund
Non-major Funds	173,000	(173,000)	Golf Fund.
Non-major Funds	(319,870)	319,870	SunTran Fund
Internal Service Funds	601,551	(601,551)	Electric Fund
Internal Service Funds	900,804	(900,804)	Water & Sewer Fund
Internal Service Funds	1,502,300	(1,502,300)	Sanitation Fund
Internal Service Funds	3,250	(3,250)	Airport Fund
Internal Service Funds	166,845	(166,845)	Communications Fund
TOTAL TRANSFERS	\$ 13,914,315	\$ (13,914,315)	

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 – RECEIVABLES AND INTERFUND ACTIVITY (Continued)

C. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds including the applicable allowances for uncollectible accounts are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Customers:			
Billed	\$ 1,274,730	\$ 12,335,521	\$ 13,610,251
Unbilled	1,203,322	9,182,389	10,385,711
Miscellaneous	789,959	1,642,078	2,432,037
Gross receivables	3,268,011	23,159,988	26,427,999
Less: allowance for uncollectibles	(121,536)	(1,128,694)	(1,250,230)
Net total receivables	<u>\$ 3,146,475</u>	<u>\$ 22,031,294</u>	<u>\$ 25,177,769</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follow s:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 22,293,664	541,786	-	-	\$ 22,835,450
Intangible (easement, rights of way)	1,922,534	-	-	-	1,922,534
Construction In progress	2,548,985	10,417,651	(160,324)	(7,744,899)	5,061,413
Total capital assets not being depreciated	<u>26,765,183</u>	<u>10,959,437</u>	<u>(160,324)</u>	<u>(7,744,899)</u>	<u>29,819,397</u>
Capital assets being depreciated:					
Buildings and improvements	41,930,570	81,202	-	691,428	42,703,200
Equipment	51,445,269	6,776,852	(3,532,900)	559,490	55,248,711
Intangible (softw are)	3,555,569	326,869	-	-	3,882,438
Infrastructure (roads and streets)	311,799,873	-	-	6,493,981	318,293,854
Total capital assets being depreciated	<u>408,731,281</u>	<u>7,184,923</u>	<u>(3,532,900)</u>	<u>7,744,899</u>	<u>420,128,203</u>
Less accumulated depreciation:					
Buildings and improvements	(14,354,119)	(1,775,676)	-	-	(16,129,795)
Equipment	(34,223,812)	(3,054,395)	2,589,165	-	(34,689,042)
Intangible (Softw are)	(1,697,406)	(348,456)	-	-	(2,045,862)
Infrastructure (roads and streets)	(216,875,707)	(7,292,873)	-	-	(224,168,580)
Total accumulated depreciation	<u>(267,151,044)</u>	<u>(12,471,400)</u>	<u>2,589,165</u>	<u>-</u>	<u>(277,033,279)</u>
Total capital assets being depreciated-net	<u>141,580,237</u>	<u>(5,286,477)</u>	<u>(943,735)</u>	<u>7,744,899</u>	<u>143,094,924</u>
Governmental activities capital assets-net	<u>\$ 168,345,420</u>	<u>\$ 5,672,960</u>	<u>\$ (1,104,059)</u>	<u>\$ -</u>	<u>\$ 172,914,321</u>
Business Type Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 22,586,939	170,000	-	-	\$ 22,756,939
Intangible (easement, rights of way)	1,147,002	5,853	-	-	1,152,855
Construction in progress	19,245,769	9,665,035	(539,881)	(21,538,164)	6,832,759
Total capital assets not being depreciated	<u>42,979,710</u>	<u>9,840,888</u>	<u>(539,881)</u>	<u>(21,538,164)</u>	<u>30,742,553</u>
Capital assets being depreciated:					
Buildings	28,252,816	-	-	232,425	28,485,241
Improvements other than buildings	550,473,215	4,999,713	(4,312,168)	21,305,739	572,466,499
Equipment	12,329,851	1,435,476	(822,956)	-	12,942,371
Intangible (softw are)	5,226,300	-	-	-	5,226,300
Total capital assets being depreciated	<u>596,282,182</u>	<u>6,435,189</u>	<u>(5,135,124)</u>	<u>21,538,164</u>	<u>619,120,411</u>
Less accumulated depreciation:					
Buildings	(16,851,663)	(700,857)	-	-	(17,552,520)
Improvements other than buildings	(258,739,820)	(19,269,201)	1,284,644	-	(276,724,377)
Equipment	(7,817,581)	(747,938)	565,061	-	(8,000,458)
Intangible (softw are)	(2,919,027)	(362,154)	-	-	(3,281,181)
Total accumulated depreciation	<u>(286,328,091)</u>	<u>(21,080,150)</u>	<u>1,849,705</u>	<u>-</u>	<u>(305,558,536)</u>
Total capital assets being depreciated-net	<u>309,954,091</u>	<u>(14,644,961)</u>	<u>(3,285,419)</u>	<u>21,538,164</u>	<u>313,561,875</u>
Business-type activities capital assets-net	<u>\$ 352,933,801</u>	<u>\$ (4,804,073)</u>	<u>\$ (3,825,300)</u>	<u>\$ -</u>	<u>\$ 344,304,428</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 6 – CAPITAL ASSETS (Continued)

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

	Depreciation Expense
Governmental activities:	
General government	\$ 563,033
Public safety	641,872
Physical environment	608,476
Transportation	471,025
Human services	-
Economic environment	12,930
Infrastructure	7,292,873
Culture and recreation	560,358
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,320,833
Total depreciation expense - governmental activities	\$ 12,471,400
Business-type activities:	
Electric	\$ 8,136,154
Water and sewer	10,666,935
Sanitation	110,300
Golf Course	446,472
Airport	929,220
Communications	524,679
SunTran	266,390
Total depreciation expense - business-type activities	\$ 21,080,150

NOTE 7 – RISK MANAGEMENT

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

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

The City has general liability insurance with a \$200,000 retention per claimant and \$300,000 retention per occurrence with a \$1,000,000 per occurrence limit. The City has workers' compensation insurance with \$500,000 retention per occurrence with statutory limits per F.S 440. The disability income replacement and auto liability programs are fully self-insured. The City's employee health insurance program was fully self-insured through February 1994, after which it is fully insured except for the prescription program which was fully self-insured through December 1997. Beginning October 1, 2010, the City's employee health insurance program was partially 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, 2016.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 – RISK MANAGEMENT (Continued)

All departments of the City participate in the program. Payments are made by various funds to the Self Insurance Fund based on past experience of the amounts needed to pay current year claims. For the year ended September 30, 2016 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$7,667,485 reported in the Fund at September 30, 2016 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
2013-2014	\$7,342,410	\$4,324,834	\$1,941,156	\$9,726,088
2014-2015	9,726,088	1,576,648	2,761,353	8,541,383
2015-2016	8,541,383	780,117	1,654,015	7,667,485

NOTE 8 – LEASES

Operating – The City has no operating leases as of September 30, 2016.

Capital – The City has one capital lease. See Note 10 for additional information.

NOTE 9 – PENSION PLANS

A. General Employees Retirement System

Plan Descriptions

The City maintains a single-employer defined benefit (2-tiers) pension plan. The original plan (tier 1) was adopted in 1944. A variable hybrid defined benefit (DBVH) pension plan (tier 2) was added for years of service after September 30, 2013. The original plan was amended through local ordinance on August 6, 2013, with an effective date of October 1, 2013, resulting in a benefit freeze on September 30, 2013. The City also added a 401a Defined Contribution Plan. The sole and exclusive administration of and responsibility for the proper operation of the System and for making effective provisions of this ordinance is hereby vested in a Board of Trustees. The Plan is maintained as a Pension Trust Fund and included as part of the City's reporting entity, hence separate financial statements are not issued. The provisions of each of the Plans are established by City Ordinance. Administrative costs are financed through investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. This plan is closed to any new participants.

The plan is administered by a five member pension Board of Trustees which consist of three members appointed by the City Council, and two members of the Plan, who are elected by a majority of General Employees who are members of the Plan. The City is obligated to fund all Plan costs based upon actuarial valuations. The City is also authorized to establish benefit levels and the Plan's Board of Trustees approves the actuarial assumptions used in the determination of the contribution levels. There are three actuarial assumptions that are defined by Ordinance 2013-48: Mortality Rate, Interest Rate and Amortization Method.

At September 30, 2013, there were 59 employees grandfathered into the defined benefit plan (tier 1) in existence prior to any changes by the ordinance. There were 226 employees that moved to the defined contribution plan and the remaining 276 employees moved into the DBVH plan (tier 2).

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

At September 30, 2016 the Plan's participant's consisted of:

	General	
	2016	2015
Retirees and beneficiaries (Inactive members):		
Currently receiving benefits	684	661
DROP retirees	9	9
Disability Retirees	3	3
Terminated employees entitled to benefits, but not yet receiving them	328	336
	1,024	1,009
Current employees (Active members):		
Vested	221	253
Nonvested	29	30
Total	250	283

Pension Benefits:

The Plan provides retirement, termination, disability and death benefits. Benefits were frozen as of September 30, 2013, and Members began a new "DBVH and Contribution Program" on October 1, 2013. Any Member within 5 years of their Normal Retirement Date was grandfathered into the benefit provisions in effect as of September 30, 2013.

Normal Retirement:

Date: First of the month following the earlier of: 1) age 65 and the completion of 5 years of Credited Service, or 2) 30 years of Credited Service, regardless of age.

Benefit: Credited Service on and after October 1, 2013 for Grandfathered Members (tier 1): 2.55% of Average Final Compensation (AFC) times Credited Service plus \$100 supplement.

Benefit for Credited Service on October 1, 2013 and after (tier 2):

Minimum	1.00%
Maximum	2.55%
Current	1.30% as of 4/1/2016

Early Retirement:

Date: Earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: Same as for Normal Retirement but reduced by 3% for each year that Early Retirement precedes Normal Retirement.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Vesting:

Less than 5 years: Refund of Member Contributions without interest

5 years or more: Vested accrued benefit (determined as for Normal Retirement) paid beginning at the otherwise Normal Retirement Date, or a refund of Member Contributions without interest.

Disability Retirement:

Eligibility: After completion of 5 years of Credited Service, or from date of hire if service incurred.

Benefit: \$50, plus 1% of AFC times Credited Service. Minimum benefit is \$100 per month.

Death Benefits:

Vested or Eligible to Retire: Accrued benefit payable to beneficiary for 10 years.

Non-Vested: Refund of Member Contributions without interest.

Cost of Living Adjustment (COLA) (tier 1) (if employed prior to October 1, 2013):

All Retirees, including Normal, Early, Disability, DROP, and Vested Terminated participants, and their joint pensioners and beneficiaries (but excluding pre-retirement death beneficiaries) shall receive a 3% automatic lifetime COLA, beginning the first October 1 after one year of benefit payments.

Supplemental Benefit (tier 1) (if employed prior to October 1, 2013):

\$100.00 per month, payable for life, to all retirees (including disability retirees).

Contributions:

Remaining amount required to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. The member contribution rate for those grandfathered into the original plan is 8.18% and those in the DBVH plan is set at 3%.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2016:

Asset Class	Target Allocation	
	2016	2015
Equity Securities	42.00%	42.00%
Fixed Income Securities	32.00%	32.00%
Hedge Fund of Funds	13.50%	13.50%
Real Estate	12.50%	12.50%
Total	100.00%	100.00%

Concentrations:

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Rate of Return:

For the year ended September 30, 2016 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP) – (terminated February 11, 2013):

Eligibility: Satisfaction of Normal Retirement requirements (earlier of (1) Age 65 and 5 years of Credited Service, or (2) 30 years of Credited Service, regardless of age).

Participation: Not to exceed 96 months (60 months for members entering DROP from January 31, 2011 through February 11, 2013).

Rate of Return: 6.5% or actual net rate of investment return (total return net of brokerage commissions and transaction costs) credited each fiscal quarter.

The DROP balance as of September 30, 2016 is \$2,302,719.

Annual Pension Cost

The contribution requirement for the General Employees' Retirement System for the 2016 fiscal year, established through and actuarial valuation performed as of October 1, 2015, was \$14,186,322 (96.36% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled \$573,878 (3.90% of current covered payroll); actual employer contributions to the General Employees' Retirement System amounted to \$14,186,204 (96.37% of current covered payroll).

Net Pension Liability

The City has used the alternate measurement date of September 30, 2015 to record the net pension liability, deferred inflows and outflows of resources, and pension expense in its September 30, 2016 financial statements.

	Measurement Date	
	9/30/16	9/30/15
Total Pension Liability	\$ 217,061,514	\$ 206,223,229
Plan Fiduciary Net Position	(128,556,359)	(115,010,138)
Sponsor's Net Pension Liability	\$ 88,505,155	\$ 91,213,091
Plan Fiduciary Net Position as a percentage of Total Pension Liability	59.23%	55.77%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions.

	2016	2015
Inflation	3.00%	3.00%
Salary Increases	5.00% - 6.00%	5.00% - 6.00%
Investment Rate of Return	7.00%	7.00%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

RP-2000 Combined Healthy with generational projection by scale AA-Sec Distinct. This assumption is mandated by Ordinance 2013-48. Disabled lives: RP2000 Combined Healthy projected to 2012 set forward five years.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 1997-2010.

Pension expense, Deferred Outflows and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$9,370,925 as the result of implementing GASB No. 68. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions based on a measurement date of September 30, 2015 from the following sources:

<u>Deferred outflows</u>	
Difference between expected and actual experience	\$ 664,586
Difference between expected and actual earnings on investments	8,611,957
Contributions subsequent to the measurement date	13,490,477
Total deferred outflows	\$ 22,767,020
<u>Deferred inflows</u>	
Difference between expected and actual earnings on investments	\$ 1,821,089
Total deferred inflows	\$ 1,821,089

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

2017	\$	(2,210,545)
2018		(1,545,958)
2019		(1,545,958)
2020		(2,152,993)
	\$	(7,455,454)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	2016	2015
Equity Securities	6.75%	6.55%
International Equity	7.45%	7.23%
Fixed Income Securities	1.75%	1.56%
Hedge Fund of Funds	3.75%	3.52%

Discount Rate:

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Measurement Date	1% Decrease	Current Discount	1% Increase
	6.00%	Rate	8.00%
Sponsor's Net Pension Liability 09/30/16 Measurement Date	\$ 116,299,750	\$ 88,505,155	\$ 65,587,321
Sponsor's Net Pension Liability 09/30/15 Measurement Date	\$ 117,079,390	\$ 91,213,091	\$ 69,768,205

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

A. General Employees Retirement System (Continued)

Net Pension Liability

The following table shows the changes in net pension liability along with the breakdown detailing the changes since September 30, 2013.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning balances 9/30/14	\$ 202,942,770	\$ 117,930,568	\$ 85,012,202
Service Cost	1,955,680	-	1,955,680
Interest	13,857,718	-	13,857,718
Differences between Expected and Actual Experience	1,329,173	-	1,329,173
Contributions - Employer	-	13,053,609	(13,053,609)
Contributions - Employee	-	584,624	(584,624)
Net Investment Income	-	(2,523,690)	2,523,690
Benefit Payments	(13,862,112)	(13,862,112)	-
Administrative Expenses	-	(172,861)	172,861
Net Changes	<u>3,280,459</u>	<u>(2,920,430)</u>	<u>6,200,889</u>
Ending balance 9/30/15	<u>\$ 206,223,229</u>	<u>\$ 115,010,138</u>	<u>\$ 91,213,091</u>
Beginning balances 9/30/15	\$ 206,223,229	\$ 115,010,138	\$ 91,213,091
Service Cost	1,852,029	-	1,852,029
Interest	14,160,117	-	14,160,117
Differences between Expected and Actual Experience	1,198,983	-	1,198,983
Change in assumptions	5,202,901	-	5,202,901
Contributions - Employer	-	14,187,965	(14,187,965)
Contributions - Employee	-	574,059	(574,059)
Contributions - Buy Back	-	-	-
Net Investment Income	-	10,585,043	(10,585,043)
Benefit Payments	(11,575,745)	(11,575,745)	-
Administrative Expenses	-	(225,101)	225,101
Net Changes	<u>10,838,285</u>	<u>13,546,221</u>	<u>(2,707,936)</u>
Ending balance 09/30/16	<u>\$ 217,061,514</u>	<u>\$ 128,556,359</u>	<u>\$ 88,505,155</u>

NOTE 9 – PENSION PLANS (Continued)

B. General Employees' 401(a) Defined Contribution Plan

On October 1, 2013, the City implemented a 401 (a) Defined Contribution Plan. Members are 100% vested after their six-month probationary period. The members have a mandatory contribution of 3% of their salary, while the

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

City contributes 8%. Investments are made by the members. The City does not report the balances in this plan on its statements.

C. Police Officers' Retirement System

Plan Descriptions

The City maintains a single-employer, defined benefit pension plan for the police officers known as the *Police Officers' Retirement System*. This is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Police Department who is certified as a law enforcement officer in compliance with the provisions of Chapter 943.14 of the Florida Statutes. Florida Statutes Chapter 185 allows contributions to the Plan by the State of Florida. The provisions of this plan are established by City Ordinance. All benefit provisions, including changes in contribution requirements can be amended by City Ordinance. Administrative costs are financed through investment earnings.

The plan is administered by a five member Board of Trustees comprised of: two City residents appointed by the City Council, two Police Officers elected by the majority of covered members, and a fifth member elected by the other four and appointed by City Council (as a ministerial duty).

At September 30, 2016 the Plan's participant's consisted of:

	Police	
	2016	2015
Retirees and beneficiaries (Inactive members):		
Currently receiving benefits	94	88
DROP retirees	21	18
Disability Retirees	5	5
Terminated employees entitled to benefits, but not yet receiving them	12	13
	132	124
Current employees (Active members):		
Vested	70	76
Nonvested	63	69
Total	133	145

Pension Benefits:

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of 1) Age 52 and 10 years of Credited Service, or 2) 25 years of Credited Service regardless of age.

Benefit: 3.33% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 50 and the completion of 10 years of Credited Service.

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers' Retirement System (Continued)

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Vesting (Termination):

Less than 10 years of service: Refund of Member Contributions without interest

10 years or more: Accrued benefit payable at otherwise Normal Retirement Date, or a refund of Member Contributions without interest.

Disability Retirement:

Eligibility:

Service Incurred – Covered from Date of Employment

Non-Service Incurred – 10 years of Credited Service.

Benefit: Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 24% of Average Final Compensation (Non-Service Incurred).

Death Benefits:

Vested: Accrued benefit payable at Member's otherwise Early or Normal Retirement Date to beneficiary for 10 years.

Non-Vested: Refund of Member Contributions without interest to designated beneficiary.

Supplemental Benefit:

Eligibility: Normal and Early Retirees and their joint pensioners or beneficiaries, excluding vested terminated persons.

Benefit: \$10.00 per month, for each full year of Credited Service.

Contributions:

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. The City is required to contribute 39.17% and the members contribute 8.0% of their salaries or wages to the Police Officers' Retirement System.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2016:

Asset Class	Target Allocation	
	2016	2015
Domestic Equity	37.50%	37.50%
International Equity	15.00%	15.00%
Bonds	27.50%	27.50%
Convertibles	10.00%	10.00%
Private Real Estate	5.00%	5.00%
Master Limited Partnerships	5.00%	5.00%
Total	100.00%	100.00%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers' Retirement System (Continued)

Concentrations:

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

Rate of Return:

For the year ended September 30, 2016 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.78%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP):

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: At member's election (may change method once during DROP participation either: a) 6.5% annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.

The DROP balance as of September 30, 2016 is \$4,657,585.

Annual Pension Cost

The contribution requirement for the Police Officers' Retirement System for the 2016 fiscal year, established through an actuarial valuation performed as of October 1, 2015, was \$3,617,929 (52.78% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled \$672,201 (8.00% of current covered payroll), actual City contributions were \$3,469,395 (43.06% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$516,594 (6.15% 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.

Net Pension Liability

The City has used the alternate measurement date of September 30, 2015 to record the net pension liability, deferred inflows and outflows of resources, and pension expense in its September 30, 2016 financial statements.

	Measurement Date	
	9/30/16	9/30/15
Total Pension Liability	\$ 83,876,123	\$ 80,880,942
Plan Fiduciary Net Position	(62,806,327)	(57,894,276)
Sponsor's Net Pension Liability	\$ 21,069,796	\$ 22,986,666
Plan Fiduciary Net Position as a percentage of Total Pension Liability	74.88%	71.58%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

D. Police Officers’ Retirement System (Continued)

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods.

	<u>2016</u>	<u>2015</u>
Inflation	2.70%	3.00%
Salary Increases	4.00% - 6.00%	4.50% - 6.00%
Investment Rate of Return	8.00%	8.00%

RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period 1997-2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2016</u>	<u>2015</u>
Domestic Equity	8.00%	8.00%
International Equity	3.00%	3.00%
Bonds	4.40%	4.40%
Convertibles	6.40%	6.40%
Private Real Estate	4.60%	4.60%
Master Limited Partnerships	10.40%	10.40%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers' Retirement System (Continued)

Pension expense, Deferred Outflows and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$3,244,031 as the result of implementing GASB No. 68. At September 30, 2016, based on a measurement date of September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows

Difference between expected and actual earnings on investments	\$ 4,604,556
Contributions subsequent to the measurement date	<u>3,821,077</u>
Total deferred outflows	<u><u>\$ 8,425,633</u></u>

Deferred inflows

Difference between expected and actual earnings on investments	\$ 880,236
Difference between expected and actual experience	<u>777,164</u>
Total deferred inflows	<u><u>\$ 1,657,400</u></u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

2017	\$	(663,436)
2018		(663,436)
2019		(663,436)
2020		<u>(956,848)</u>
	\$	<u><u>(2,947,156)</u></u>

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability 09/30/16 Measurement Date	\$ 30,837,827	\$ 21,069,796	\$ 14,117,632
Sponsor's Net Pension Liability 09/30/15 Measurement Date	\$ 31,966,272	\$ 22,986,666	\$ 16,219,961

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

C. Police Officers' Retirement System (Continued)

Net Pension Liability

The following table shows the changes in net pension liability along with the breakdown detailing the changes since September 30, 2013.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Beginning balances 9/30/14	\$ 77,984,509	\$ 58,779,277	\$ 19,205,232
Service Cost	1,639,535	-	1,639,535
Interest	6,207,407	-	6,207,407
Differences between Expected and Actual Experience	(971,456)	-	(971,456)
Current Year Amortization of Change in Assumptions	-	-	-
Contributions - Employer	-	3,111,881	(3,111,881)
Contributions- State	-	471,520	(471,520)
Contributions - Employee	-	629,554	(629,554)
Contributions - Buy Back	83,865	83,865	-
Net Investment Income	-	(1,046,879)	1,046,879
Benefit Payments	(4,062,918)	(4,062,918)	-
Administrative Expenses	-	(72,024)	72,024
Net Changes	<u>2,896,433</u>	<u>(885,001)</u>	<u>3,781,434</u>
Ending balance 9/30/15	<u>\$ 80,880,942</u>	<u>\$ 57,894,276</u>	<u>\$ 22,986,666</u>
Beginning balances 9/30/15	\$ 80,880,942	\$ 57,894,276	\$ 22,986,666
Service Cost	1,629,468	-	1,629,468
Interest	6,316,211	-	6,316,211
Contributions Buy Back	-	-	-
Change in assumptions	1,741,528	-	1,741,528
Changes in Benefit Terms	(1,150,613)	-	(1,150,613)
Differences between Expected and Actual Experience	(727,086)	-	(727,086)
Contributions - Employer	-	3,469,395	(3,469,395)
Contributions - State	-	516,594	(516,594)
Contributions - Employee	-	672,201	(672,201)
Contributions - Buy Back	-	-	-
Net Investment Income	-	5,151,384	(5,151,384)
Benefit Payments	(4,814,327)	(4,814,327)	-
Administrative Expenses	-	(83,196)	83,196
Net Changes	<u>2,995,181</u>	<u>4,912,051</u>	<u>(1,916,870)</u>
Ending balance 09/30/16	<u>\$ 83,876,123</u>	<u>\$ 62,806,327</u>	<u>\$ 21,069,796</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan

Plan Descriptions

The City maintains single-employer, defined benefit pension plan for the firefighters known as the *Firefighters' Retirement Plan*. This is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Fire Department who is certified as a firefighter as a condition of employment in accordance with the provisions of Section 633.35 of the Florida Statutes. Florida Statutes Chapter 175 allows contributions to the Plan by the State of Florida. The provisions of this plan are established by City Ordinance. All benefit provisions, including changes in contribution requirements can be amended by City Ordinance. Administrative costs are financed through investment earnings.

The plan is administered by a five member Board of Trustees comprised of: two City residents appointed by the City Council, two Firefighters elected by the majority of covered members, and a fifth member elected by the other 4 and appointed by City Council (as a ministerial duty).

At September 30, 2016 the Plan's participant's consisted of:

	<u>2016</u>	<u>2015</u>
Retirees and beneficiaries (Inactive members):		
Currently receiving benefits	58	59
DROP retirees	13	9
Disability Retirees	12	12
Terminated employees entitled to benefits, but not yet receiving them	4	5
	87	85
Current employees (Active members):		
Vested	60	65
Nonvested	57	51
Total	117	116

Pension Benefits:

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of 1) Age 55 and 10 years of Credited Service, or 2) Rule of 70, or 25 years of Credited Service regardless of age.

Benefit: 3.00% of Average Monthly Earnings (AME) times Credited Service, maximum of 93% of AME.

Early Retirement:

Date: Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit reduced 2% for each year that Early Retirement precedes Normal Retirement.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Vesting (Termination):

Less than 10 years of service: Refund of Member Contributions without interest

10 years or more: Accrued benefit payable at otherwise Normal Retirement Date, or a refund of Member Contributions with interest.

Disability Retirement:

Eligibility:

Service Incurred – Covered from Date of Employment

Non-Service Incurred – 10 years of Credited Service.

Benefit:

Service Incurred – Benefit accrued to date of disability, but not less than 42% of AME.

Non-Service Incurred – If vested, accrued benefit, but not less than 30% of AME.

Death Benefits:

Vested:

Service Incurred – Choice of: 1) accrued benefit payable for 120 months; or 2) 50% of AME to spouse until death.

Non-Service Incurred – If not eligible for either early or normal retirement, same as for Service Incurred Death Benefits. If eligible for either early or normal retirement, choice of , 1) accrued benefit for 120 months; or 2) 50% of accrued benefit to spouse until death.

Non-Vested: Refund of Member Contributions without interest to designated beneficiary.

COLA:

Benefit payment schedule to be designed by Board. Funding is from 0.50% of member contributions, market return and 50% of State Premium Tax Revenues in excess of \$240,401 (percentage increased to 100% once the Plan becomes 90% funded). A portion of excess returns on COLA assets will be transferred to the plan until the plan becomes 90% funded.

Contributions:

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. The City is required to contribute 27.29% and the members contribute 7.67% to Regular Retirement Plan and 0.50% to COLA Fund (8.17% total).

Pursuant to Florida Statutes Section 175.101, an excise tax amounting to 1.85% of the gross amount of receipts of premiums from policyholders on all premiums collected on casualty insurance policies covering property within the corporate limits of the City is collected by the Insurance Commissioner. Such amounts collected by the Insurance Commissioner, less expenses, are contributed annually to the plan. For the 2016 fiscal year the amount of these contributions totaled \$434,473; however, the amount available to the plan for the provision of benefits is frozen, in accordance with Chapter 175, Florida Statutes at \$240,401.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2016:

Asset Class	Target Allocation	
	2016	2015
Fixed Income	25.00%	25.00%
Domestic Equity	50.00%	50.00%
International Equity	15.00%	15.00%
Real Estate	10.00%	10.00%
Total	100.00%	100.00%

Concentrations:

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

Rate of Return:

For the year ended September 30, 2016 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP):

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: A member shall earn 100 basis points less than the plan's assumed investment rate of return, which would currently be 6.75%.

The DROP balance as of September 30, 2016 is \$2,072,970.

Annual Pension Cost

The contribution requirement for the Firefighters' Retirement Plan for the 2016 fiscal year, established through an actuarial valuation performed as of October 1, 2015, was \$2,370,353(32.32% of current covered payroll). Actual employee contributions to the Firefighters' Retirement Plan totaled \$643,628 (8.78% of current covered payroll), actual City contributions were \$2,490,684 (33.96% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$434,473. Accumulated excess contributions in the Accrued (Prepaid) Position Account were available to assist in funding the City's contribution requirement for the year.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Net Pension Liability

The City has used the alternate measurement date of September 30, 2015 to record the net pension liability, deferred inflows and outflows of resources, and pension expense in its September 30, 2016 financial statements.

	9/30/16	9/30/15
Total Pension Liability	\$ 63,079,708	\$ 59,720,376
Plan Fiduciary Net Position	(51,635,284)	(45,589,356)
Sponsor's Net Pension Liability	\$ 11,444,424	\$ 14,131,020
Plan Fiduciary Net Position as a percentage of Total Pension Liability	81.86%	76.34%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2016 using the following actuarial assumptions.

	2016	2015
Inflation	3.25%	3.25%
Salary Increases	3.25%-7.25%	3.25%-7.25%
Investment Rate of Return	7.75%	7.75%

RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years). The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study for the period 1997-2010.

Pension expense, Deferred Outflows and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$2,050,632 as the result of implementing GASB No. 68. At September 30, 2016, based on a measurement date of September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Deferred outflows

Difference between expected and actual experience	\$ 106,599
Difference between expected and actual earnings on investments	2,813,891
Contributions subsequent to the measurement date	<u>2,925,158</u>
Total deferred outflows	<u>\$ 5,845,648</u>

Deferred inflows

Difference between expected and actual experience	\$ 774,868
Difference between expected and actual earnings on investments	<u>408,367</u>
Total deferred inflows	<u>\$ 1,183,235</u>

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

2017	\$ (315,277)
2018	(315,277)
2019	(315,279)
2020	(486,931)
2021-2025	<u>(304,491)</u>
	<u>\$ (1,737,255)</u>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	2016	2015
Fixed Income	1.00%	1.00%
Domestic Equity	5.80%	5.80%
International Equity	6.50%	6.50%
Real Estate	4.70%	4.70%

Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability 09/30/16 Measurement Date	\$ 18,649,257	\$ 11,444,424	\$ 4,978,155
Sponsor's Net Pension Liability 09/30/15 Measurement Date	\$ 21,048,377	\$ 14,131,020	\$ 8,353,544

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

D. Firefighters' Retirement Plan (Continued)

Net Pension Liability

The following table shows the changes in net pension liability along with the breakdown detailing the changes since September 30, 2013.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning balances 9/30/14	\$ 58,123,645	\$ 45,543,421	\$ 12,580,224
Service Cost	1,121,980	-	1,121,980
Interest	4,471,685	-	4,471,685
Differences between Expected and Actual Experience	(904,013)	-	(904,013)
Contributions - Employer	-	2,180,098	(2,180,098)
Contributions- State	-	467,838	(467,838)
Contributions - Employee	-	554,915	(554,915)
Net Investment Income	-	13,508	(13,508)
Benefit Payments	(3,092,921)	(3,092,921)	-
Administrative Expenses	-	(77,503)	77,503
Net Changes	1,596,731	45,935	1,550,796
Ending balance 9/30/15	<u>\$ 59,720,376</u>	<u>\$ 45,589,356</u>	<u>\$ 14,131,020</u>
Beginning balances 9/30/15	\$ 59,720,376	\$ 45,589,356	\$ 14,131,020
Service Cost	1,227,874	-	1,227,874
Interest	4,637,901	-	4,637,901
Differences between Expected and Actual Experience	258,882	-	258,882
Changes in Benefit Terms	(556,590)	-	(556,590)
Contributions - Employer	-	2,490,684	(2,490,684)
Contributions - State	-	434,473	(434,473)
Contributions - Employee	-	643,628	(643,628)
Net Investment Income	-	4,770,021	(4,770,021)
Benefit Payments	(2,208,735)	(2,208,735)	-
Administrative Expenses	-	(84,143)	84,143
Net Changes	3,359,332	6,045,928	(2,686,596)
Ending balance 09/30/16	<u>\$ 63,079,708</u>	<u>\$ 51,635,284</u>	<u>\$ 11,444,424</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

E. Other Pension Plan Information

Summary of Pension Plan Information

Below is a summary of deferred inflows, outflows, and net pension liability for all three employee pension plans:

	<u>General Employees</u>	<u>Police Plan</u>	<u>Firefighters' Plan</u>	<u>Total</u>
Deferred outflows of resources	\$ 22,767,020	\$ 8,425,633	\$ 5,845,648	\$ 37,038,301
Deferred inflows of resources	1,821,089	1,657,400	1,183,235	4,661,724
Net pension liability	91,213,091	22,986,666	14,131,020	128,330,777
Pension expense	9,370,925	3,244,031	2,050,632	14,665,588

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

E. Other Pension Plan Information (Continued)

The following is the net position for each pension trust fund at September 30, 2016:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Assets				
Cash and cash equivalents	\$ 4,752,201	\$ 1,945,218	\$ 1,387,943	\$ 8,085,362
Receivables:				
Accrued interest receivable	12,461	96,399	84,505	193,365
Accounts receivable	11,198	114,982	821	127,001
Due from other governments	-	-	-	-
Prepaid expense	-	-	-	-
Total receivables	<u>23,659</u>	<u>211,381</u>	<u>85,326</u>	<u>320,366</u>
Investments, at fair value				
Mutual Funds: Bonds	-	-	10,970,642	10,970,642
Fixed income	39,757,347	15,078,553	-	54,835,900
Mutual funds: equities	-	-	18,011,201	18,011,201
Mutual funds: real estate	15,579,070	3,289,156	7,139,581	26,007,807
Common stock	34,135,929	29,694,044	6,413,736	70,243,709
Government obligations	-	5,346,700	-	5,346,700
International equities	14,485,398	7,450,772	7,577,449	29,513,619
Emerging markets	11,533,861	-	-	11,533,861
Hedge fund (mutual fund)	8,161,200	-	-	8,161,200
Total investments	<u>123,652,805</u>	<u>60,859,225</u>	<u>50,112,609</u>	<u>234,624,639</u>
Total Assets	<u>128,428,665</u>	<u>63,015,824</u>	<u>51,585,878</u>	<u>243,030,367</u>
Liabilities				
Accounts payable	179,705	236,235	35,099	451,039
Total liabilities	<u>179,705</u>	<u>236,235</u>	<u>35,099</u>	<u>451,039</u>
Net Position				
Net position reserved for employees' pension benefits	<u>\$ 128,248,960</u>	<u>\$ 62,779,589</u>	<u>\$ 51,550,779</u>	<u>\$ 242,579,328</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

E. Other Pension Plan Information (Continued)

The following is the statement of changes in net position for each pension trust fund for the fiscal year ended September 30, 2016:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Additions:				
Contributions:				
Employer	\$ 14,186,204	\$ 3,469,395	\$ 2,490,684	\$ 20,146,283
State	-	516,594	434,473	951,067
Employee	573,878	672,201	643,628	1,889,707
Total contributions	<u>14,760,082</u>	<u>4,658,190</u>	<u>3,568,785</u>	<u>22,987,057</u>
Investment income:				
Investment income (loss)	10,875,863	5,519,731	4,878,305	21,273,899
Less: Investment management fees	(531,329)	(378,220)	(192,789)	(1,102,338)
Net investment income (loss)	<u>10,344,534</u>	<u>5,141,511</u>	<u>4,685,516</u>	<u>20,171,561</u>
Total additions (reductions)	<u>25,104,616</u>	<u>9,799,701</u>	<u>8,254,301</u>	<u>43,158,618</u>
Deductions:				
Pension payments	11,564,812	4,722,481	2,193,585	18,480,878
Refunds to employees	5,503	104,646	15,150	125,299
Administration	224,471	81,531	84,143	390,145
Total deductions	<u>11,794,786</u>	<u>4,908,658</u>	<u>2,292,878</u>	<u>18,996,322</u>
Net Increase (Decrease)	13,309,830	4,891,043	5,961,423	24,162,296
Net Assets Reserved for Employees' Pension Benefits:				
Beginning of year	<u>114,939,130</u>	<u>57,888,546</u>	<u>45,589,356</u>	<u>218,417,032</u>
End of year	<u>\$ 128,248,960</u>	<u>\$ 62,779,589</u>	<u>\$ 51,550,779</u>	<u>\$ 242,579,328</u>

NOTE 10 – LONG-TERM OBLIGATIONS

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

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

Long-term liability activity for the year ended September 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Revenue Bonds and Certificates					
2007A Capital Improvement Certificates	\$ -	\$ -	\$ -	\$ -	\$ -
2007B Capital Improvement Certificates	40,000	-	(10,000)	30,000	15,000
2012 Refdgd Capital Improvement Certif	6,855,000	-	(805,000)	6,050,000	820,000
2013 Capital Improvement Certificates	6,205,000	-	(1,525,000)	4,680,000	1,545,000
2015 Capital Improvement Certificates	21,440,000	-	-	21,440,000	-
Subtotal	34,540,000	-	(2,340,000)	32,200,000	2,380,000
Unamortized (Discount) Premium	-	-	-	-	-
Total Revenue Bonds and Certificates	34,540,000	-	(2,340,000)	32,200,000	2,380,000
Other liabilities:					
Capital Lease Contract Payable	175,226	-	(54,278)	120,948	55,864
Net Pension Liability	75,557,801	7,966,087	-	83,523,888	-
Compensated Absences	4,909,536	4,816,093	(4,559,126)	5,166,503	2,952,106
OPEB Liability	2,116,538	150,534	-	2,267,072	-
Claims and Judgments	8,541,383	-	(873,898)	7,667,485	1,721,724
Total other liabilities	91,300,484	12,932,714	(5,487,302)	98,745,896	4,729,694
Total Governmental Activities	<u>\$ 125,840,484</u>	<u>\$ 12,932,714</u>	<u>\$ (7,827,302)</u>	<u>\$ 130,945,896</u>	<u>\$ 7,109,694</u>
Business-type Activities:					
Revenue Bonds					
2005A Utility Systems Bonds	\$ 85,000	\$ -	\$ (85,000)	\$ -	-
2005B Utility Systems Bonds	715,000	-	(715,000)	-	-
2007A Utility Systems Bonds	4,100,000	-	-	4,100,000	2,000,000
2007B Utility Systems Bonds	19,825,000	-	(1,130,000)	18,695,000	115,000
2011 Utility Systems Bonds	3,555,000	-	(3,555,000)	-	-
2014A Utility Systems Bonds	24,165,000	-	-	24,165,000	1,925,000
2014B Utility Systems Bonds	28,465,000	-	-	28,465,000	1,705,000
2015 Utility Systems Bonds	65,635,000	-	-	65,635,000	520,000
Subtotal	146,545,000	-	(5,485,000)	141,060,000	6,265,000
Unamortized (Discount) Premium	(89,685)	7,474	-	(82,211)	-
Total Revenue Bonds and Certificates	146,455,315	7,474	(5,485,000)	140,977,789	6,265,000
Other liabilities:					
Net Pension Liability	41,239,857	3,567,032	-	44,806,889	-
CR#3 decommissioning costs payable	10,995,941	-	(10,995,941)	-	-
Compensated Absences	2,662,675	2,473,537	(2,338,500)	2,797,712	1,961,541
OPEB Liability	1,017,667	69,949	-	1,087,616	-
Total other liabilities	55,916,140	6,110,518	(13,334,441)	48,692,217	1,961,541
Total Business-type Activities	<u>\$ 202,371,455</u>	<u>\$ 6,117,992</u>	<u>\$ (18,819,441)</u>	<u>\$ 189,670,006</u>	<u>\$ 8,226,541</u>

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

Capital Leases:

The City has one capital lease agreement with Republic First National Corporation for a cleaning truck. 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 \$334,930 with accumulated depreciation of \$81,872.

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

Fiscal Year Ending September 30	Government Activities
2017	\$ 59,398
2018	66,986
Total Minimum Lease Payments	126,384
Less Amount Representing Interest	(5,436)
Present Value of Minimum Lease Payments	\$ 120,948

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.

Pledged Revenue:

The City has pledged certain revenues, to repay certain bonds and notes outstanding as of September 30, 2016. 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, 2016 has been incorporated into the schedules which show the debt service requirements to maturity for the City's bonded indebtedness for the City's governmental activities and for the City's business-type activities.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

The following is a schedule of bonds outstanding at September 30, 2016:

<u>Description Of Bonds</u>	<u>Purpose Of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
Governmental Activities:				
2007B Capital Improvement Certificates	Capital Projects	\$ 40,000	\$ 30,000	4.00%
2012 Refdg Capital Improvement Certif	Refunding	8,405,000	6,050,000	1.72%
2013 Refdg Capital Improvement Certif	Refunding	7,700,000	4,680,000	1.08%
2015 Capital Improvement Certificate	Refunding	21,440,000	<u>21,440,000</u>	3.00%
Total Governmental Activities			<u>\$ 32,200,000</u>	
Business-Type Activities:				
2005A Utility Systems Bonds	Refunding	\$ 24,625,000	\$ -	3.625%
2005B Utility Systems Bonds	Capital Projects	33,355,000	-	3.625%
2007A Utility System Bonds	Capital Projects	64,025,000	4,100,000	5.00%
2007B Utility Systems Bonds	Refunding	23,925,000	18,695,000	4.00%-4.50%
2011 Utility Systems Bonds	Refunding	13,875,000	-	1.51%
2014A Utility Systems Bonds	Refunding	24,165,000	24,165,000	3.18%
2014B Utility Systems Bonds	Refunding	28,465,000	28,465,000	2.66%
2015 Utility Systems Bonds	Refunding	65,635,000	<u>65,635,000</u>	3.18%
Total Business-Type Activities			<u>\$ 141,060,000</u>	

For the year ended September 30, 2016, principal and interest payments were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Interest Paid	\$ 639,269	\$ 3,787,146
Principal Paid	<u>2,340,000</u>	<u>5,485,000</u>
	<u>\$ 2,979,269</u>	<u>\$ 9,272,146</u>

For the year ended September 30, 2016, capitalization of net interest costs was as follows:

	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Total</u>
Interest expense	\$ 109,792	\$ 12,977	\$ 122,769
Interest income	<u>-</u>	<u>(2,404)</u>	<u>(2,404)</u>
Increase in construction in progress	<u>\$ 109,792</u>	<u>\$ 10,573</u>	<u>\$ 120,365</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>	
	<u>Capital Improvement Certificates</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,380,000	\$ 783,309
2018	2,405,000	751,736
2019	2,625,000	717,091
2020	1,910,000	675,210
2021	1,955,000	628,371
2022-2026	8,605,000	2,427,275
2027-2031	8,540,000	1,222,650
2032-2033	3,780,000	114,300
Total	<u>\$ 32,200,000</u>	<u>\$ 7,319,942</u>

Pledged revenue description

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

Fiscal year 2016 pledged revenues	8,359,167
Fiscal year 2016 principal and interest paid	2,979,269
Outstanding principal and interest	39,519,942
Pledged through fiscal year	2033
Estimated percentage pledged	24.88%

<u>Fiscal Year</u>	<u>Business-Type Activities</u>	
	<u>Utility Systems Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 6,265,000	\$ 4,620,915
2018	6,495,000	4,393,211
2019	6,730,000	4,156,566
2020	6,940,000	3,951,886
2021	7,140,000	3,740,788
2022-2026	39,350,000	15,075,298
2027-2031	46,705,000	7,964,897
2032-2033	21,435,000	1,031,433
Total	<u>\$ 141,060,000</u>	<u>\$ 44,934,994</u>

Pledged revenue description

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

Fiscal year 2016 pledged revenues	\$ 30,327,560
Fiscal year 2016 principal and interest paid	\$ 9,272,146
Outstanding principal and interest	\$ 185,994,994
Pledged through fiscal year	2033

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

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, 2016, the City had no arbitrage rebate liability.

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 20% of the assessed valuation of the taxable real and personal property in the City. At September 30, 2016, there was no general obligation debt outstanding.

Future Bond Refunding

The City intends to issue refunding bonds Series 2017 in the amount of \$19,054,253 on July 12, 2017. The forward interest rate was set on December 16, 2016 at 2.16%. This will be a bank loan and will refund the \$23,925,000 Series 2007B Utility Bonds.

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.

Fund Deficits

At September 30, 2016 there were no funds with deficits in total net positions.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

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

Fire Service Fee – The biggest threat at the present time is the lawsuit related to the Fire Services Fee. In January 2014, Discount Sleep of Ocala LLC d/b/a Mattress Barn and Dale W. Birch filed a lawsuit alleging that the City is illegally charging fire user fees in violation of the State Constitution (Case No: 2014-0426-CA-G). The suit seeks to invalidate a fire user fee established in Section 30, Ocala Code of Ordinances that charges property owners to subsidize fire services. The City receives approximately \$7.5 million annually, and the plaintiffs are seeking \$49 million plus interest, an amount representing the amount charged since the fee’s inception on January 1, 2007. This threat has been significantly diminished. On February 13, 2016, the circuit court dismissed in its entirety this lawsuit against the City. The plaintiff has since filed an appeal of this order of dismissal. The City Attorney is cautiously optimistic that the dismissal will be upheld upon appeal. If the appeal confirms the dismissal, this would end the litigation against the City.

Other Commitments

The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2016, in the respective funds are as follows:

General Fund	\$ 3,561,585
Internal Service Funds	704,646
Electric	912,904
Water and Sewer	1,480,020
Sanitation Fund	26,503
Airport Fund	79,040
Total	<u>\$ 6,764,698</u>

FMPA All Requirements Project (ARP)

The City purchases power exclusively from the Florida Municipal Power Agency (FMPA) through FMPA’s All Requirements Power Supply Project (ARP). The City and FMPA have entered into and ARP Power Supply Contract (effective March 22, 1985, as amended on May 24, 1991, and January 22, 1999) which requires: 1) FMPA to sell and deliver to the City, and 2) the City to purchase from FMPA, all electric power that the City requires. The initial term of the ARP contract is October 1, 2030, however, on each October 1st, after the effective date, the contract automatically extends for an additional one-year period unless either party, at least one year prior to such automatic extension date, notifies the other party in writing of its decision not to extend the contract.

The City pays for electric power under the contract at the rates set forth in the rate schedules to the ARP contract, which FMPA may revise from time to time in accordance with the contract. The contract provides the option for the City to withdraw from the All-requirements Project after notice and making the payment, provided for in Section 29 of the contract (which, generally, is equal to the City’s portion of the ARP and other costs incurred, or expected to be incurred, by the ARP as a result of the City’s withdrawal).

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Power Supply Entitlements

Crystal River Unit No 3 (CR3): The City entered into a Participation Agreement in 1977 with Florida Power Corporation (FPC), which became Progress Energy Florida and is now Duke Energy Florida, to purchase 1.333% undivided ownership interest, approximately 12 MW in Duke Energy's 860-MW nuclear powered electric generating plant. During July 2012, Progress Energy merged with and became a wholly owned subsidiary of Duke Energy. The City does not exercise significant influence or control over the operating or financial policies of Duke Energy. After Duke's failed effort to replace the steam generator, a delamination was discovered in the CR3 containment wall, and on February 5, 2013, Duke Energy made the decision to retire CR3. The City designated FMPA as its agent to negotiate with Duke Energy to settle the City's, as well as other municipal CR3 joint owner's potential claims against Duke Energy resulting from the CR3 delamination and early retirement.

On July 1, 2014, the City Council approved the Settlement, Release and Acquisition Agreement with Duke Energy of Florida, which became effective September 26, 2014.

On October 30, 2016, final settlement closing took place, during which the City received a cash settlement payment of \$12,692,136.24. In return, Duke Energy took all of the City ownership and liability of CR3 including all related CR3 expenses retroactive to October 1, 2013 (\$11,172,683). The Nuclear Regulatory Commission approved the City's transfer of its nuclear operating license to Duke Energy on May 20, 2016. Receipt of the settlement proceeds and transfer of the decommissioning account will be recorded in fiscal year 2016.

- The City's capital asset costs were written off during 2013 when Duke provided the City with insurance proceeds of \$2,698,599 from Duke's settlement with its insurance provider. The City determined that these insurance proceeds were settlement for damages related to the plant. As a result of the settlement, the City wrote off its investment in the plant of \$2,080,466 during 2013, with the gain of \$618,133 classified as restricted rate stabilization funds.
- Decommissioning Liability and Trust Fund: The NRC requires all nuclear powered electric generating plant owners to provide financial assurance that funds would be sufficient and available when needed to pay for future decommissioning costs. In accordance with the NRC requirements, the City established a decommissioning trust fund. The fund was closed in October 2015.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Postemployment benefits extended to retirees include the continued coverage for the retiree and depend in the City's health insurance plan, dental plan, vision plan and life insurance plan. A portion of the health insurance benefits for family coverage is currently being subsidized by the City, but the subsidy is being phased out over a period of time. No other form of direct subsidy is offered to retirees accepting medical coverage. There are currently 242 retirees participating in the plan. Premiums for insurances other than health insurance are fully paid by the retiree.

Plan Description

The Other Postemployment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs which means that the city is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. Accounting standards calls this the "implicit rate subsidy". This subsidy is only available until the retiree becomes Medicare eligible.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Retirees and their dependents are permitted to remain covered under the City’s respective medical and insurance plans as long as they pay a full premium applicable to coverage elected, subject to direct subsidies discussed above. The postemployment benefits are extended to retirees and continued at the discretion of the City, which reserves the right (subject to State Statute and any collective bargaining agreements) to change or terminate benefits, and to change contributions required from retirees in the future as circumstances change. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Postemployment Benefit Plan does not issue a stand-alone report.

Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the City Council. Because “funding” the OPEB obligations would involve using an irrevocable trust fund, the City did not “fund” the net OPEB obligation. Contributions are being made based on a pay-as-you-go financing requirement. Each fund was assessed its share of OPEB costs based on the number of employees in the fund divided by the total number of City employees.

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 Annual Required Contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize an unfunded actuarial liabilities (or fund 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)	\$ 922,831
Interest on net OPEB obligation	125,368
Adjustment to ARC	<u>(145,285)</u>
Annual OPEB cost (expense)	902,914
Contributions made	<u>(682,431)</u>
Increase in net OPEB obligation	220,483
Net OPEB obligation - beginning of year	<u>3,134,205</u>
Net OPEB obligation - end of year	<u><u>\$ 3,354,688</u></u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Schedule of Funding Progress

	[a]	[b]	[b] - [a]	[a] / [b]	[c]	[(b)-[a])/[c] UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (1) (UAAL)	Funded Ratio	Covered Payroll	
10/1/2014	(1) \$ -	\$12,395,195	\$12,395,195	0.00%	\$38,129,491	32.51%

(1) Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

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.

Trend Information

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percent Contributed	Net OPEB Obligation
9/30/2014	\$ 953,497	\$ 727,809	76.33%	\$ 2,985,410
9/30/2015	859,531	678,872	78.98%	3,134,205
9/30/2016	902,914	682,431	75.58%	3,354,688

Actuarial Methods and Assumptions

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

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The actuarial methods are:

Actuarial Valuation Date	October 1, 2014
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percentage of Payroll
Amortization Period	25 years – Closed
Asset Valuation Method	Unfunded
Investment Rate of Return	4.0%
Projected Annual Salaries Increase	6.0%
Inflation Rate	4.0%
Mortality	RP-2000 and Projection Scale AA on a Generational basis for males and females
Healthcare Cost Trend	9% initial trend rate dropping to 5% Decreasing 0.5% annually

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 13 – CHANGES IN ACCOUNTING STANDARDS

A. Adoption of New Accounting Standards

The City implemented GASB Statement No. 72, Fair Value Measurement and Application that was issued February 2015. The Statement addresses accounting and financial reporting issues related to fair value measurements. The provisions of this Statement were in effect for the City beginning with its year ending September 30, 2016. See Fair Value notes on page 60 for City investments and page 65 for Pension Funds.

B. Future Adoption of New Accounting Standards

The City anticipates adopting the following new accounting standards in future years:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of the statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2017.

GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The objective of the statement is to replace the requirements of GASB Statement No.45. In addition, the statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2017.

GASB Statement No. 77, Tax Abatement Disclosures. The statement requires state and local governments to disclose information about tax abatement agreements. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2017.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2017.

GASB Statement No. 82, Pension Issues. This statement amends GASB Statement No. 67, No. 68, and No.73, to improve consistency in the application of pension accounting and financial reporting requirements. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2017.

NOTE 14 – SUBSEQUENT EVENTS

Capital Lease Motorola Radios - On December 6, 2016, the City Council approved a capital lease with Motorola Solutions for encrypted portable and mobile radios for various City departments. The total amount of the lease is \$2,900,757. Payments will be made annually in the amount of \$725,189 with first payment due December 1, 2017.

Capital Lease Golf Cars - The City intends to enter into a lease agreement with PNC Equipment Finance for 72 gas powered golf cars. The lease would be for a term of four years totaling \$166,402 with a purchase option at the end of the lease in the amount of \$162,000.

**CITY OF OCALA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property tax	\$ 24,957,787	\$ 24,957,787	\$ 25,230,432	\$ 272,645
Utility service tax	7,950,000	7,950,000	9,144,899	1,194,899
Communication service tax	2,737,892	2,737,892	2,643,849	(94,043)
Other tax	1,190,000	1,190,000	1,374,123	184,123
State shared revenues	5,357,150	5,357,150	5,917,854	560,704
Permits and fees	1,838,825	1,838,825	2,306,800	467,975
Intergovernmental revenues	1,134,679	7,396,460	2,183,418	(5,213,042)
Charges for services	13,816,958	13,842,173	15,154,977	1,312,804
Fines and forfeitures	465,088	465,088	544,354	79,266
Investment income	654,600	654,600	899,106	244,506
Miscellaneous	524,191	953,453	522,072	(431,381)
Total revenues	<u>60,627,170</u>	<u>67,343,428</u>	<u>65,921,884</u>	<u>(1,421,544)</u>
Expenditures				
Current:				
General government	25,044,017	26,210,613	11,709,642	14,500,971
Public safety	42,540,642	43,320,460	43,210,484	109,976
Physical Environment	2,000	43,980	532,628	(488,648)
Transportation	2,648,308	7,051,938	5,059,330	1,992,608
Economic environment	3,104,769	4,704,449	2,414,180	2,290,269
Culture and recreation	7,020,970	7,874,681	6,569,141	1,305,540
Capital outlay	3,487,837	13,179,202	6,518,475	6,660,727
Total expenditures	<u>83,848,543</u>	<u>102,385,323</u>	<u>76,013,880</u>	<u>26,371,443</u>
Excess (deficiency) of revenues over expenditures	<u>(23,221,373)</u>	<u>(35,041,895)</u>	<u>(10,091,996)</u>	<u>24,949,899</u>
Other Financing Sources (Uses)				
Transfers in	10,762,733	10,761,733	10,754,851	(6,882)
Transfers out	(5,248,589)	(5,304,418)	(5,582,520)	(278,102)
Total other financing sources (uses)	<u>5,514,144</u>	<u>5,457,315</u>	<u>5,172,331</u>	<u>(284,984)</u>
Net change in fund balance	(17,707,229)	(29,584,580)	(4,919,665)	24,664,915
Fund balance - beginning	<u>45,733,521</u>	<u>45,733,521</u>	<u>45,733,521</u>	<u>-</u>
Fund balance - ending	<u>\$ 28,026,292</u>	<u>\$ 16,148,941</u>	<u>\$ 40,813,856</u>	<u>\$ 24,664,915</u>

CITY OF OCALA, FLORIDA
 OCALA/NORTH MAGNOLIA CRA FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	(GAAP Basis)			Positive
	Original	Final		(Negative)
Revenues				
Property tax	\$ 227,973	\$ 205,742	\$ 205,741	\$ (1)
Investment income	85,000	85,000	94,922	9,922
Miscellaneous	-	-	1,251	1,251
Total revenues	<u>312,973</u>	<u>290,742</u>	<u>301,914</u>	<u>11,172</u>
Expenditures				
Current:				
Economic Environment	350,200	2,205,389	974,017	1,231,372
Capital outlay	-	2,305,366	2,255,325	50,041
Total expenditures	<u>350,200</u>	<u>4,510,755</u>	<u>3,229,342</u>	<u>1,281,413</u>
Excess (deficiency) of revenues over expenditures	<u>(37,227)</u>	<u>(4,220,013)</u>	<u>(2,927,428)</u>	<u>1,292,585</u>
Other Financing Sources (Uses)				
Transfers in	354,978	354,567	354,565	(2)
Total other financing sources (uses)	<u>354,978</u>	<u>354,567</u>	<u>354,565</u>	<u>(2)</u>
Net change in fund balance	317,751	(3,865,446)	(2,572,863)	1,292,583
Fund balance - beginning	<u>4,251,696</u>	<u>4,251,696</u>	<u>4,251,696</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,569,447</u>	<u>\$ 386,250</u>	<u>\$ 1,678,833</u>	<u>\$ 1,292,583</u>

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR OPEB
SEPTEMBER 30, 2016**

Other Postemployment Benefits

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (1) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2014 ⁽¹⁾	\$ -	\$12,395,195	\$12,395,195	0.00%	\$ 38,129,491	32.51%
10/1/2012 ⁽¹⁾	-	14,046,180	14,046,180	0.00%	37,381,463	37.58%
10/1/2010 ⁽²⁾	-	18,164,196	18,164,196	0.00%	41,400,677	43.87%

⁽¹⁾ Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

⁽²⁾ Updated valuation to reflect the Voluntary Separation Incentive Program (VSIP).

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

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2016	\$ 902,914	\$ 682,431	75.58%	\$ 3,354,688
2015	859,531	678,872	78.98%	3,134,205
2014	953,497	727,809	76.33%	2,985,410
2013	913,538	728,285	79.72%	2,898,526
2012	1,371,899	763,534	55.66%	2,540,261

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	Measurement Date		
	9/30/2016	9/30/2015	9/30/2014
Total pension liability			
Service cost	\$ 1,852,029	\$ 1,955,680	\$ 2,122,184
Interest	14,160,117	13,857,718	13,643,262
Changes of benefit terms		-	(1,321,935)
Differences between expected and actual experience	1,198,983	1,329,173	
Changes of assumptions	5,202,901		
Contributions - buy back		-	114,387
Benefit payments, including refunds of employee contributions	(11,575,745)	(13,862,112)	(11,437,247)
Net change in total pension liability	10,838,285	3,280,459	3,120,651
Total pension liability - beginning	206,223,229	202,942,770	199,822,119
Total pension liability- ending	<u>\$ 217,061,514</u>	<u>\$ 206,223,229</u>	<u>\$ 202,942,770</u>
Plan fiduciary net position			
Contributions - employer	14,187,965	13,053,609	10,253,005
Contributions - employee	574,059	584,624	675,791
Contributions - buy back		-	114,387
Net investment income	10,585,043	(2,523,690)	10,569,771
Benefit payments, including refunds of employee contributions	(11,575,745)	(13,862,112)	(11,437,247)
Administrative expense	(225,101)	(172,861)	(159,258)
Net change in plan fiduciary net position	13,546,221	(2,920,430)	10,016,449
Plan fiduciary net position - beginning	115,010,138	117,930,568	107,914,119
Plan fiduciary net position - ending	<u>128,556,359</u>	<u>115,010,138</u>	<u>117,930,568</u>
Net pension liability - ending	<u>\$ 88,505,155</u>	<u>\$ 91,213,091</u>	<u>\$ 85,012,202</u>
Plan fiduciary net position as a percentage of the total pension liability	59.23%	55.77%	58.11%
Covered employee payroll	\$ 14,722,210	\$ 21,970,446	\$ 15,593,924
Net pension liability as a percentage of covered employee payroll	601.17%	415.16%	545.16%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

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

	Measurement Date		
	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 14,186,322	\$ 13,053,609	\$ 10,253,005
Contributions in relation to the			
Actuarially determined contribution	14,187,965	13,053,609	10,253,005
Contribution Deficiency (Excess)	<u>\$ (1,643)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 14,722,210	\$ 21,970,446	\$ 15,593,924
Contributions as a percentage of			
Covered employee payroll	96.37%	59.41%	65.75%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 GENERAL EMPLOYEES' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
 (Dollar amounts in thousands)

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual Money - Weighted Rate of Return Net of Investment Expense	9.08%	(2.14%)	9.86%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	Measurement Date		
	9/30/2016	9/30/2015	9/30/2014
Total pension liability			
Service cost	\$ 1,629,468	\$ 1,639,535	\$ 1,688,742
Interest	6,316,211	6,207,407	5,940,330
Changes of benefit terms	(1,150,613)	-	-
Change in Funding Standard Account	-	-	56,039
Differences between expected and actual experience	(727,086)	(971,456)	-
Changes of assumptions	1,741,528	-	-
Contributions - buy back	-	83,865	-
Benefit payments, including refunds of employee contributions	(4,814,327)	(4,062,918)	(4,531,980)
Net change in total pension liability	2,995,181	2,896,433	3,153,131
Total pension liability - beginning	\$ 80,880,942	77,984,509	74,831,378
Total pension liability- ending	<u>\$ 83,876,123</u>	<u>\$80,880,942</u>	<u>\$77,984,509</u>
Plan fiduciary net position			
Contributions - employer	3,469,395	3,111,881	2,961,297
Contributions - State	516,594	471,520	440,294
Contributions - employee	672,201	629,554	632,728
Contributions - buy back	-	83,865	-
Net investment income	5,151,384	(1,046,879)	5,733,534
Benefit payments, including refunds of employee contributions	(4,814,327)	(4,062,918)	(4,531,980)
Administrative expense	(83,196)	(72,024)	(72,694)
Net change in plan fiduciary net position	4,912,051	(885,001)	5,163,179
Plan fiduciary net position - beginning	57,894,276	58,779,277	53,616,098
Plan fiduciary net position - ending	<u>62,806,327</u>	<u>57,894,276</u>	<u>58,779,277</u>
Net pension liability - ending	<u>\$ 21,069,796</u>	<u>\$22,986,666</u>	<u>\$19,205,232</u>
Plan fiduciary net position as a percentage of the total pension liability	74.88%	71.58%	75.37%
Covered employee payroll	\$ 8,402,515	\$ 9,288,611	\$ 7,909,106
Net pension liability as a percentage of covered employee payroll	250.76%	247.47%	242.82%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' RETIREMENT SYSTEM**

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

	Measurement Date		
	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 3,762,646	\$ 3,505,831	\$ 3,345,551
Contributions in relation to the			
Actuarially determined contribution	3,985,989	3,583,401	3,345,551
Contribution Deficiency (Excess)	<u>\$ (223,343)</u>	<u>\$ (77,570)</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,402,515	\$ 9,288,611	\$ 7,909,106
Contributions as a percentage of			
Covered employee payroll	47.44%	38.58%	42.30%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
POLICE OFFICERS' RETIREMENT SYSTEM**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual Money - Weighted Rate of Return Net of Investment Expense	9.78%	(1.76%)	10.63%

* Information prior to fiscal year 2014 is not available.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT PLAN**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	Measurement Date		
	9/30/2016	9/30/2015	9/30/2014
Total pension liability			
Service cost	\$ 1,227,874	\$ 1,121,980	\$ 1,163,818
Interest	4,637,901	4,471,685	4,274,720
Changes of benefit terms	(556,590)	-	-
Differences between expected and actual experience	258,882	(904,013)	142,133
Benefit payments, including refunds of employee contributions	(2,208,735)	(3,092,921)	(2,901,757)
Net change in total pension liability	3,359,332	1,596,731	2,678,914
Total pension liability - beginning	59,720,376	58,123,645	55,444,731
Total pension liability- ending	<u>\$ 63,079,708</u>	<u>\$ 59,720,376</u>	<u>\$ 58,123,645</u>
Plan fiduciary net position			
Contributions - employer	2,490,684	2,180,098	2,117,780
Contributions - State	434,473	467,838	553,787
Contributions - employee	643,628	554,915	450,140
Net investment income	4,770,021	13,508	3,792,085
Benefit payments, including refunds of employee contributions	(2,208,735)	(3,092,921)	(2,901,757)
Administrative expense	(84,143)	(77,503)	(67,517)
Other	-	-	-
Net change in plan fiduciary net position	6,045,928	45,935	3,944,518
Plan fiduciary net position - beginning	45,589,356	45,543,421	41,598,903
Plan fiduciary net position - ending	51,635,284	45,589,356	45,543,421
Net pension liability - ending	<u>\$ 11,444,424</u>	<u>\$ 14,131,020</u>	<u>\$ 12,580,224</u>
Plan fiduciary net position as a percentage of the total pension liability	81.86%	76.34%	78.36%
Covered employee payroll	\$ 7,333,107	\$ 6,311,053	\$ 6,392,458
Net pension liability as a percentage of covered employee payroll	156.07%	223.91%	196.80%

* Information prior to fiscal year 2014 is not available.

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

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

	Measurement Date		
	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 2,370,353	\$ 2,355,312	\$ 2,482,131
Contributions in relation to the			
Actuarially determined contribution	2,731,085	2,420,499	2,358,181
Contribution Deficiency (Excess)	<u>\$ (360,732)</u>	<u>\$ (65,187)</u>	<u>\$ 123,950</u>
Covered employee payroll	\$ 7,333,107	\$ 6,507,660	\$ 6,311,053
Contributions as a percentage of			
Covered employee payroll	37.24%	37.19%	37.37%

* Information prior to fiscal year 2014 is not available.

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

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	9/30/2016	9/30/2015	9/30/2014
Annual Money - Weighted Rate of Return Net of Investment Expense	10.88%	0.06%	9.31%

* Information prior to fiscal year 2014 is not available.

CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2016

NOTE 1 - BUDGETARY INFORMATION

A. 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, 2015.

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 2015, 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, 2015, no expenditures exceeded the budget at the fund level.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable budget appropriation, is utilized by the governmental funds of the City. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget. See Liabilities Note 11, Other Commitments, for a breakdown of significant encumbrances in total by each major fund and nonmajor fund.

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

GENERAL EMPLOYEES' RETIREMENT SYSTEM:

Valuation Date: October 1, 2012

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method (level percentage of pay).

Amortization Method: Level percentage of pay, closed.

Remaining Amortization Period: 25 Years (as of 10/01/2012).

Actuarial Asset Method: The Actuarial Value of Assets is based upon a 5-year straight line recognition of the difference between expected earnings on the net market value of assets and actual earnings on the net market value of assets. The net market value of assets shall be the total fiduciary net position as defined by GASB 67/68, excluding any reserves held which are not designated for currently adopted plan benefits valued as part of the plan liabilities. The resulting value shall be adjusted if it does not fall between 120% and 80% of the market value of assets. This change shall be made assuming that this 5-year recognition method applies to differences between the expected and actual investment returns for the years ending September 30, 2009 and later. This method is mandated by the proposed ordinance.

**CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2016**

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

GENERAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

Prior Method: The Actuarial Value of Assets was brought forward using the historical five-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in an insignificant bias that is above or below the Market Value.

Inflation: 3.0% per year.

Salary Increases: 6% per year for the first 10 years of Credited Service, and 5% for all years of Credited Service greater than 10.

Payroll Increase: None (0.6% per year prior to Plan closure).

Interest Rate: 7% per year, compounded annually, net of investment related expenses. The interest rate is mandated by the proposed ordinance. Previously 8%.

Cost of Living Increases: 3% automatic lifetime COLA, beginning one year after retirement for all categories except pre-retirement death. Applies to future retirees on and after October 1, 2008 to the frozen accrued benefit as of September 30, 2013 only. The grandfathered Members maintain this provision on their entire benefit. No COLA on the variable benefit earned for Credited Service on and after October 1, 2013.

Normal Retirement:	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0	40%
	1	40%
	2	100%

Members with at least 30 years of Credited Service are assumed to retire immediately.

Early Retirement: Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 2% per year.

Termination Rates: See Table Below.

Disability Rates: See Table Below. 75% of disablements are assumed to be service incurred.

Mortality: RP-2000 Combined Healthy with generational projection by AA- - Sex Distinct. This assumption is mandated by the proposed ordinance. Disabled lives are valued using the RP-2000 Combined Healthy projected to 2012 with Schedule AA – Sex Distinct set forward 5 years.

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	20.0%	0.051%
30	12.0%	0.058%
40	8.0%	0.121%
50	6.0%	0.429%
60	5.0%	1.611%

**CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2016**

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

POLICE OFFICERS' RETIREMENT SYSTEM

Valuation Date: October 1, 2012

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost

Method. Amortization Method: Level percentage of pay, closed.

Remaining Amortization Period: 25 Years (as of 10/01/2012).

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 5-year average Market Value return and is then diminished by the Funding Standard Account Credit Balance and further adjusted for the Administrative Expense Account. It is possible that over time this technique will produce an insignificant bias that is above or below the Market Value.

Inflation: 3.0% per year.

Salary Increases:	<u>Years of Credited Service</u>	<u>Salary Scale</u>
	<10	6.0%
	10-15	5.5%
	15-20	5.0%
	20-25	4.5%
	>25	4.0%

Partial Lump Sums: For valuation purposes, no future retirees are assumed to opt for a partial lump sum.

Payroll Increase: 2.0% (previously 2.5%).

Interest Rate: 8% per year, compounded annually, net of investment related expenses.

Retirement Age: Earlier of 1) Age 52 and 10 years of service or 2) 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Early Retirement: Commencing with the earliest Retirement Age, Members are assumed to retire with an immediate benefit at the rate of 5% per year.

Termination Rates: See Table Below.

Disability Rates: See Table Below. 75% of disablements are assumed to be service related.

Mortality: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

**CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2016**

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

POLICE OFFICERS' RETIREMENT SYSTEM (Continued)

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	8.0%	0.14%
30	5.5%	0.18%
40	3.3%	0.30%
50	1.4%	1.00%

FIREFIGHTERS' RETIREMENT PLAN:

Valuation Date: October 1, 2012

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution

rates: Funding Method: Entry Age Method

Amortization Method: Level percentage of pay, closed.

Remaining Amortization Period: 25 Years (as of 10/01/2012).

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 5-year average Market Value return and is then diminished by the Funding Standard Account Credit Balance and further adjusted for the Administrative Expense Account. It is possible that over time this technique will produce an insignificant bias that is above or below the Market Value.

Inflation: 3.25% per year plus the below salary increases.

<u>Salary Increases:</u>	<u>Years of Credited Service</u>	<u>Salary Scale</u>
	<10	6.0%
	10-15	5.5%
	15-20	5.0%
	20-25	4.5%
	>25	4.0%

Partial Lump Sums: For valuation purposes, no future retirees are assumed to opt for a partial lump sum.

Payroll Increase: 2.0% (previously 2.5%).

Interest Rate: 7.75% per year, net of investment expenses.

Retirement Age: Age 55 and 10 years of service, Rule of 70, or 25 years of service.

Early Retirement: Age 50 and 10 years of credited service. Benefits are reduced by 2% for each year prior to normal retirement date.

**CITY OF OCALA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2016**

NOTE 2 – CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)

FIREFIGHTERS' RETIREMENT PLAN (Continued)

Termination Rates: See Table Below.
Disability Rates: See Table Below. 75% of disablements are assumed to be service related.
Mortality: Healthy - RP-2000 Mortality Table, projected to 2020.
Disabled: RP-2000 Mortality Table for Disabled Lives, projected to 2020.
Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	6.68%	0.10%
30	4.18%	0.14%
40	2.28%	0.29%
50	0.98%	0.92%



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**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

SPECIAL REVENUE FUNDS:

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

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

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

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

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

DEBT SERVICE FUNDS:

Debt service funds are used to account for the accumulation of resources for the payment of principal, interest and related costs of the City's general long-term debt. Debt service funds used by the City are:

2007A/2015 Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Revenue Certificates, Series 2015, which refunded the Capital Improvement Revenue Certificates, Series 2007A.

2007B Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2007B.

2012 Improvement Certificates Fund - This fund is used for payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2012.

2013 Improvement Certificates Fund - This fund is used for payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2013.

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2016**

CAPITAL PROJECTS FUNDS:

The Capital Projects Funds are used to account for resources earmarked for the acquisition and construction of major capital facilities and other project oriented activities other than those financed by proprietary funds. Capital project funds used by the City are:

2002 Capital Improvement Fund - This fund is used to account for the resources earmarked for the acquisition and construction of certain capital improvements funded by the Capital Improvement Revenue Certificates, Series 2002.

2007A Capital Improvement Fund - This fund is used to account for the resources earmarked for the acquisition and construction of certain capital improvements funded by the Capital Improvement Revenue Certificates, Series 2007A.



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**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash with fiscal agent	\$ -	\$ 1,907,472	\$ -	\$ 1,907,472
Equity in pooled cash fund	8,604,340	872,030	32,226	9,508,596
Accounts and notes receivables	1,070,366	-	-	1,070,366
Accrued interest receivable	20,870	-	-	20,870
Due from other governments	1,199,652	-	-	1,199,652
Total assets	<u>10,895,228</u>	<u>2,779,502</u>	<u>32,226</u>	<u>13,706,956</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	518,573	-	29,419	547,992
Retainage on contracts	103,162	-	2,191	105,353
Escrow/Deposits	1,008,065	-	-	1,008,065
Total liabilities	<u>1,629,800</u>	<u>-</u>	<u>31,610</u>	<u>1,661,410</u>
Deferred inflows of resources				
Deferred inflows from future revenues	73,374	-	-	73,374
Total deferred inflows of resources	<u>73,374</u>	<u>-</u>	<u>-</u>	<u>73,374</u>
Fund Balances:				
Restricted	3,794,154	2,779,502	616	6,574,272
Committed	5,397,900	-	-	5,397,900
Total fund balances	<u>9,192,054</u>	<u>2,779,502</u>	<u>616</u>	<u>11,972,172</u>
Total liabilities and fund balances	<u>\$ 10,895,228</u>	<u>\$ 2,779,502</u>	<u>\$ 32,226</u>	<u>\$ 13,706,956</u>

**CITY OF OCALA, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property tax	\$ 64,208	\$ -	\$ -	\$ 64,208
Local option gas tax	3,453,019	-	-	3,453,019
Intergovernmental revenues	2,102,907	-	-	2,102,907
Charges for services	5,014,692	-	-	5,014,692
Investment income	211,968	17,384	-	229,352
Miscellaneous	266,459	-	-	266,459
Total revenues	<u>11,113,253</u>	<u>17,384</u>	<u>-</u>	<u>11,130,637</u>
Expenditures				
Current:				
Physical environment	4,459,985	-	-	4,459,985
Public safety	-	-	42,046	42,046
Transportation	4,637,437	-	156,750	4,794,187
Economic environment	354,085	-	4,500	358,585
Culture and recreation	-	-	90,662	90,662
Capital outlay	3,123,064	-	500,702	3,623,766
Debt service:				
Principal payments	-	2,340,000	-	2,340,000
Interest and fees	-	640,869	-	640,869
Total expenditures	<u>12,574,571</u>	<u>2,980,869</u>	<u>794,660</u>	<u>16,350,100</u>
Excess (deficiency) of revenues over expenditures	<u>(1,461,318)</u>	<u>(2,963,485)</u>	<u>(794,660)</u>	<u>(5,219,463)</u>
Other financing sources (uses)				
Transfers in	-	3,175,363	-	3,175,363
Transfers out	(590,186)	(13,288)	-	(603,474)
Total other financing sources (uses)	<u>(590,186)</u>	<u>3,162,075</u>	<u>-</u>	<u>2,571,889</u>
Net change in fund balances	(2,051,504)	198,590	(794,660)	(2,647,574)
Fund balances - beginning	11,243,558	2,580,912	795,276	14,619,746
Fund balances - ending	<u>\$ 9,192,054</u>	<u>\$ 2,779,502</u>	<u>\$ 616</u>	<u>\$ 11,972,172</u>

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016**

	Downtown Development	Local Gasoline Tax
Assets		
Equity in pooled cash and investment fund	\$ 185,418	\$ 4,206,305
Accrued interest receivable	450	10,212
Accounts and notes receivable	-	-
Due from other governments	1,060	365,224
Total assets	186,928	4,581,741
 Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued liabilities	4,612	135,808
Retainage on contracts	-	11,617
Escrow	-	1,008,065
Total liabilities	4,612	1,155,490
 Deferred inflows of resources		
Deferred inflows from future revenues	-	-
Total deferred inflows from resources	-	-
Fund Balances:		
Restricted	182,316	3,426,251
Committed	-	-
Total fund balances	182,316	3,426,251
 Total liabilities and fund balances	\$ 186,928	\$ 4,581,741

Stormwater Utility	SHIP Local Housing Assistance	Total
\$ 4,030,475	\$ 182,142	\$ 8,604,340
9,768	440	20,870
992,831	77,535	1,070,366
833,368	-	1,199,652
<u>5,866,442</u>	<u>260,117</u>	<u>10,895,228</u>
377,934	219	518,573
90,608	937	103,162
-	-	1,008,065
<u>468,542</u>	<u>1,156</u>	<u>1,629,800</u>
-	73,374	73,374
-	<u>73,374</u>	<u>73,374</u>
-	185,587	3,794,154
5,397,900	-	5,397,900
<u>5,397,900</u>	<u>185,587</u>	<u>9,192,054</u>
<u>\$ 5,866,442</u>	<u>\$ 260,117</u>	<u>\$ 10,895,228</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Downtown Development</u>	<u>Local Gasoline Tax</u>
Revenues		
Property taxes	\$ 64,208	\$ -
Local option gas tax	-	3,453,019
Intergovernmental revenues	-	13,546
Charges for services	-	-
Investment income	3,870	98,317
Miscellaneous	-	249,280
Total revenues	<u>68,078</u>	<u>3,814,162</u>
Expenditures		
Current:		
Physical environment	-	-
Transportation	-	4,637,437
Economic environment	58,212	-
Capital outlay	-	797,084
Total expenditures	<u>58,212</u>	<u>5,434,521</u>
Excess (deficiency) of revenues over expenditures	<u>9,866</u>	<u>(1,620,359)</u>
Other financing sources (uses)		
Transfers out	(10,000)	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>
Net change in fund balances	(134)	(1,620,359)
Fund balances - beginning	<u>182,450</u>	<u>5,046,610</u>
Fund balances - ending	<u>\$ 182,316</u>	<u>\$ 3,426,251</u>

<u>Storm water Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Total</u>
\$ -	\$ -	\$ 64,208
-	-	3,453,019
1,805,639	283,722	2,102,907
5,014,692	-	5,014,692
105,849	3,932	211,968
7,700	9,479	266,459
<u>6,933,880</u>	<u>297,133</u>	<u>11,113,253</u>
4,459,985	-	4,459,985
-	-	4,637,437
-	295,873	354,085
2,325,980	-	3,123,064
<u>6,785,965</u>	<u>295,873</u>	<u>12,574,571</u>
<u>147,915</u>	<u>1,260</u>	<u>(1,461,318)</u>
<u>(580,186)</u>	<u>-</u>	<u>(590,186)</u>
<u>(580,186)</u>	<u>-</u>	<u>(590,186)</u>
(432,271)	1,260	(2,051,504)
<u>5,830,171</u>	<u>184,327</u>	<u>11,243,558</u>
<u>\$ 5,397,900</u>	<u>\$ 185,587</u>	<u>\$ 9,192,054</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 64,208	\$ 62,290	\$ 1,918
Investment income	3,870	4,500	(630)
Total revenues	<u>68,078</u>	<u>66,790</u>	<u>1,288</u>
Expenditures			
Current:			
Economic Environment	58,212	88,948	30,736
Capital outlay	-	16,000	16,000
Total expenditures	<u>58,212</u>	<u>104,948</u>	<u>46,736</u>
Excess of revenues over expenditures	<u>9,866</u>	<u>(38,158)</u>	<u>48,024</u>
Other financing (uses)			
Transfers out	(10,000)	(10,000)	-
Total other financing (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	(134)	(48,158)	48,024
Fund balance - beginning	<u>182,450</u>	<u>182,450</u>	<u>-</u>
Fund balance - ending	<u>\$ 182,316</u>	<u>\$ 134,292</u>	<u>\$ 48,024</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LOCAL GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local option gas tax	\$ 3,453,019	\$ 3,301,070	\$ 151,949
Intergovernmental revenues	13,546	2,387,500	(2,373,954)
Investment income	98,317	150,000	(51,683)
Miscellaneous	249,280	218,880	30,400
Total revenues	<u>3,814,162</u>	<u>6,057,450</u>	<u>(2,243,288)</u>
Expenditures			
Current:			
Transportation	4,637,437	5,169,996	532,559
Capital outlay	797,084	4,051,184	3,254,100
Total expenditures	<u>5,434,521</u>	<u>9,221,180</u>	<u>3,786,659</u>
Excess (deficiency) of revenues over expenditures	<u>(1,620,359)</u>	<u>(3,163,730)</u>	<u>1,543,371</u>
Net change in fund balance	(1,620,359)	(3,163,730)	1,543,371
Fund balance - beginning	<u>5,046,610</u>	<u>5,046,610</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,426,251</u>	<u>\$ 1,882,880</u>	<u>\$ 1,543,371</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 1,805,639	\$ 3,794,303	\$ (1,988,664)
Charges for services	5,014,692	4,202,699	811,993
Investment income	105,849	99,800	6,049
Other	7,700	-	7,700
Total revenues	<u>6,933,880</u>	<u>8,096,802</u>	<u>(1,162,922)</u>
Expenditures			
Current:			
Physical environment	4,459,985	7,519,507	3,059,522
Capital outlay	2,325,980	4,589,719	2,263,739
Total expenditures	<u>6,785,965</u>	<u>12,109,226</u>	<u>5,323,261</u>
Excess (deficiency) of revenues over expenditures	<u>147,915</u>	<u>(4,012,424)</u>	<u>4,160,339</u>
Other financing (uses)			
Transfers out	(580,186)	(580,186)	-
Total other financing (uses)	<u>(580,186)</u>	<u>(580,186)</u>	<u>-</u>
Net change in fund balance	(432,271)	(4,592,610)	4,160,339
Fund balance - beginning	<u>5,830,171</u>	<u>5,830,171</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,397,900</u>	<u>\$ 1,237,561</u>	<u>\$ 4,160,339</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SHIP LOCAL HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 283,722	\$ 287,637	\$ (3,915)
Investment income	3,932	-	3,932
Other	9,479		9,479
Total revenues	<u>297,133</u>	<u>287,637</u>	<u>9,496</u>
Expenditures			
Current:			
Economic environment	295,873	468,050	172,177
Total expenditures	<u>295,873</u>	<u>468,050</u>	<u>172,177</u>
Net change in fund balance	1,260	(180,413)	181,673
Fund balance - beginning	<u>184,327</u>	<u>184,327</u>	<u>-</u>
Fund balance - ending	<u>\$ 185,587</u>	<u>\$ 3,914</u>	<u>\$ 181,673</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
 SEPTEMBER 30, 2016**

	<u>2007A/2015 Improvement Certificates</u>	<u>2007B Improvement Certificates</u>	<u>2012 Refunded Improvement Certificates</u>	<u>2013 Refunded Improvement Certificates</u>	<u>Total</u>
Assets					
Cash with fiscal agent	\$ 321,600	\$ 15,600	\$ -	\$ 1,570,272	\$ 1,907,472
Equity in pooled cash and investment fund	-	-	872,030	-	872,030
Total restricted assets	<u>321,600</u>	<u>15,600</u>	<u>872,030</u>	<u>1,570,272</u>	<u>2,779,502</u>
Fund Balances					
Fund Balances: Restricted	<u>321,600</u>	<u>15,600</u>	<u>872,030</u>	<u>1,570,272</u>	<u>2,779,502</u>
Total fund balances	<u>\$ 321,600</u>	<u>\$ 15,600</u>	<u>\$ 872,030</u>	<u>\$ 1,570,272</u>	<u>\$ 2,779,502</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2007A/2015 Improvement Certificates</u>	<u>2007B Improvement Certificates</u>	<u>2012 Refunded Improvement Certificates</u>	<u>2013 Refunded Improvement Certificates</u>	<u>Total</u>
Revenues					
Investment income	\$ 1,699	\$ 77	\$ 5,608	\$ 10,000	\$ 17,384
Total Revenues					
Expenditures					
Debt service:					
Principal payments	-	10,000	805,000	1,525,000	2,340,000
Interest and paying agents' fees	469,707	1,400	110,983	58,779	640,869
Total expenditures	<u>469,707</u>	<u>11,400</u>	<u>915,983</u>	<u>1,583,779</u>	<u>2,980,869</u>
(Deficiency) of revenues over expenditures	<u>(468,008)</u>	<u>(11,323)</u>	<u>(910,375)</u>	<u>(1,573,779)</u>	<u>(2,963,485)</u>
Other financing sources (uses)					
Transfers in	643,200	16,088	924,060	1,592,015	3,175,363
Transfers out	(240)	-	(5,956)	(7,092)	(13,288)
Total other financing sources (uses)	<u>642,960</u>	<u>16,088</u>	<u>918,104</u>	<u>1,584,923</u>	<u>3,162,075</u>
Net change in fund balances	174,952	4,765	7,729	11,144	198,590
Fund balances - beginning	<u>146,648</u>	<u>10,835</u>	<u>864,301</u>	<u>1,559,128</u>	<u>2,580,912</u>
Fund balances - ending	<u>\$ 321,600</u>	<u>\$ 15,600</u>	<u>\$ 872,030</u>	<u>\$ 1,570,272</u>	<u>\$ 2,779,502</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A/2015 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 1,699	\$ 4,120	\$ (2,421)
Total revenues	<u>1,699</u>	<u>4,120</u>	<u>(2,421)</u>
Expenditures			
Debt service:			
Interest and paying agents' fees	469,707	701,806	232,099
Total expenditures	<u>469,707</u>	<u>701,806</u>	<u>232,099</u>
Excess (deficiency) of revenues over expenditures	<u>(468,008)</u>	<u>(697,686)</u>	<u>229,678</u>
Other financing sources (uses)			
Transfers in	643,200	700,206	(57,006)
Transfers out	(240)	(2,520)	2,280
Total other financing sources (uses)	<u>642,960</u>	<u>697,686</u>	<u>(54,726)</u>
Net change in fund balance	174,952	-	174,952
Fund balance - beginning	<u>146,648</u>	<u>146,648</u>	<u>-</u>
Fund balance - ending	<u>\$ 321,600</u>	<u>\$ 146,648</u>	<u>\$ 174,952</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007B IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 77	\$ 1,250	\$ (1,173)
Total revenues	<u>77</u>	<u>1,250</u>	<u>(1,173)</u>
Expenditures			
Debt service:			
Principal payments	10,000	10,000	-
Interest and paying agents' fees	1,400	151,175	149,775
Total expenditures	<u>11,400</u>	<u>161,175</u>	<u>149,775</u>
Excess (deficiency) of revenues over expenditures	<u>(11,323)</u>	<u>(159,925)</u>	<u>148,602</u>
Other financing sources (uses)			
Transfers in	16,088	165,375	(149,287)
Transfers out	-	(650)	650
Total other financing sources (uses)	<u>16,088</u>	<u>164,725</u>	<u>(148,637)</u>
Net change In fund balance	4,765	4,800	(35)
Fund balance - beginning	<u>10,835</u>	<u>10,835</u>	<u>-</u>
Fund balance - ending	<u>\$ 15,600</u>	<u>\$ 15,635</u>	<u>\$ (35)</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2012 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 5,608	\$ 5,000	\$ 608
Total revenues	<u>5,608</u>	<u>5,000</u>	<u>608</u>
Expenditures			
Debt service:			
Principal payments	805,000	805,000	-
Interest and paying agents' fees	110,983	110,983	-
Total expenditures	<u>915,983</u>	<u>915,983</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(910,375)</u>	<u>(910,983)</u>	<u>608</u>
Other financing sources (uses)			
Transfers in	924,060	924,060	-
Transfers out	(5,956)	(5,000)	(956)
Total other financing sources (uses)	<u>918,104</u>	<u>919,060</u>	<u>(956)</u>
Net change in fund balance	7,729	8,077	(348)
Fund balance - beginning	<u>864,301</u>	<u>864,301</u>	<u>-</u>
Fund balance - ending	<u>\$ 872,030</u>	<u>\$ 872,378</u>	<u>\$ (348)</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2013 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 10,000	\$ 12,000	\$ (2,000)
Total revenues	<u>10,000</u>	<u>12,000</u>	<u>(2,000)</u>
Expenditures			
Debt service:			
Principal payments	1,525,000	1,525,000	-
Interest and paying agents' fees	58,779	58,779	-
Total expenditures	<u>1,583,779</u>	<u>1,583,779</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,573,779)</u>	<u>(1,571,779)</u>	<u>(2,000)</u>
Other financing sources (uses)			
Transfers in	1,592,015	1,595,544	(3,529)
Transfers out	(7,092)	(12,000)	4,908
Total other financing sources (uses)	<u>1,584,923</u>	<u>1,583,544</u>	<u>1,379</u>
Net change in fund balance	11,144	11,765	(621)
Fund balance - beginning	<u>1,559,128</u>	<u>1,559,128</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,570,272</u>	<u>\$ 1,570,893</u>	<u>\$ (621)</u>

CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2016

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
Assets			
Equity in pooled cash and investment fund	\$ 14,290	\$ 17,936	\$ 32,226
Total assets	<u>14,290</u>	<u>17,936</u>	<u>32,226</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	12,092	17,327	29,419
Retainage on contracts	2,191	-	2,191
Total liabilities	<u>14,283</u>	<u>17,327</u>	<u>31,610</u>
Fund Balances:			
Restricted	7	609	616
Total fund balances	<u>7</u>	<u>609</u>	<u>616</u>
Total liabilities and fund balances	<u>\$ 14,290</u>	<u>\$ 17,936</u>	<u>\$ 32,226</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
Revenues	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:			
Transportation	494	156,256	156,750
Public safety	-	42,046	42,046
Economic environment	-	4,500	4,500
Culture and recreation	4,545	86,117	90,662
Capital outlay	193,815	306,887	500,702
Total expenditures	<u>198,854</u>	<u>595,806</u>	<u>794,660</u>
Net change in fund balances	(198,854)	(595,806)	(794,660)
Fund balances - beginning	<u>198,861</u>	<u>596,415</u>	<u>795,276</u>
Fund balances - ending	<u>\$ 7</u>	<u>\$ 609</u>	<u>\$ 616</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:			
Transportation	494	72,898	72,404
Culture and recreation	4,545	-	(4,545)
Capital outlay	193,815	125,963	(67,852)
Total expenditures	<u>198,854</u>	<u>198,861</u>	<u>7</u>
Net change In fund balance	(198,854)	(198,861)	7
Fund balance - beginning	<u>198,861</u>	<u>198,861</u>	<u>-</u>
Fund balance - ending	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:			
Transportation	156,256	6,680	(149,576)
Public safety	42,046	-	(42,046)
Economic environment	4,500	-	(4,500)
Culture and recreation	86,117	-	(86,117)
Capital outlay	306,887	589,735	282,848
Total expenditures	<u>595,806</u>	<u>596,415</u>	<u>609</u>
Net change in fund balance	(595,806)	(596,415)	609
Fund balance - beginning	<u>596,415</u>	<u>596,415</u>	<u>-</u>
Fund balance - ending	<u>\$ 609</u>	<u>\$ -</u>	<u>\$ 609</u>

**CITY OF OCALA, FLORIDA
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016**

INTERNAL SERVICE FUNDS:

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

Fleet & Facilities and Information Technology Management Fund - This fund accounts for the operation of the fleet and facilities management department, which is responsible for replacing, specifying, acquiring, maintaining and disposing of approximately 1,027 units of fuel-driven vehicles and equipment, as well as approximately 100 facilities. This fund also accounts for capital purchases for all areas.

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

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016**

	Fleet, Facilities and Information Technology Management	Self- Insurance	Total
Assets			
Current Assets:			
Equity in pooled cash and investment fund	\$ 3,439,040	\$ 25,060,223	\$ 28,499,263
Accrued interest receivable	8,345	60,255	68,600
Total current assets	3,447,385	25,120,478	28,567,863
Capital Assets, Net	16,031,875	-	16,031,875
Total assets	19,479,260	25,120,478	44,599,738
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	301,773	739,498	1,041,271
Claims payable	-	1,721,724	1,721,724
Capital lease	55,864	-	55,864
Unearned revenue	-	1,314	1,314
Total current liabilities	357,637	2,462,536	2,820,173
Noncurrent Liabilities:			
Claims payable	-	5,945,761	5,945,761
Capital lease	65,084	-	65,084
Total noncurrent liabilities	65,084	5,945,761	6,010,845
Total liabilities	422,721	8,408,297	8,831,018
Net Position			
Net invested in capital assets	15,910,927	-	15,910,927
Unrestricted	3,145,612	16,712,181	19,857,793
Total net position	\$ 19,056,539	\$ 16,712,181	\$ 35,768,720

**CITY OF OCALA, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Fleet, Facilities and Information Technology Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:			
Fees and rentals	\$ -	\$ 1,043,592	\$ 1,043,592
City insurance contributions	-	11,346,304	11,346,304
Employee insurance contributions	-	2,470,020	2,470,020
Other	352,812	2,064,604	2,417,416
Total operating revenues	<u>352,812</u>	<u>16,924,520</u>	<u>17,277,332</u>
Operating Expenses:			
Insurance, administration and other	2,017,174	14,628,481	16,645,655
Depreciation	2,320,833	-	2,320,833
Total operating expenses	<u>4,338,007</u>	<u>14,628,481</u>	<u>18,966,488</u>
Operating income (loss)	<u>(3,985,195)</u>	<u>2,296,039</u>	<u>(1,689,156)</u>
Non-Operating Revenues:			
Investment income	70,742	466,621	537,363
Interest expense	(5,120)	-	(5,120)
Total non-operating revenues	<u>65,622</u>	<u>466,621</u>	<u>532,243</u>
Income before operating transfers	<u>(3,919,573)</u>	<u>2,762,660</u>	<u>(1,156,913)</u>
Transfers:			
Transfers in	5,825,172	-	5,825,172
Transfers out	-	(9,642)	(9,642)
Total transfers	<u>5,825,172</u>	<u>(9,642)</u>	<u>5,815,530</u>
Change in net position	<u>1,905,599</u>	<u>2,753,018</u>	<u>4,658,617</u>
Net position - October 1	<u>17,150,940</u>	<u>13,959,163</u>	<u>31,110,103</u>
Net position - September 30	<u>\$ 19,056,539</u>	<u>\$ 16,712,181</u>	<u>\$ 35,768,720</u>

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Fleet, Facilities and Information Technology Management	Self- Insurance	Total
Cash Flows from Operating Activities:			
Cash received from employees	\$ -	\$ 2,470,020	\$ 2,470,020
Cash received from customers	9,600	-	9,600
Cash paid to suppliers for goods and services	(976,142)	(4,234,102)	(5,210,244)
Cash paid to employees for services	-	(1,717)	(1,717)
Cash received from other funds	-	12,389,896	12,389,896
Cash paid for insurance claims	-	(9,145,922)	(9,145,922)
Net cash provided by operating activities	<u>(966,542)</u>	<u>1,478,175</u>	<u>511,633</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	5,825,172	-	5,825,172
Transfers out	-	(9,642)	(9,642)
Net cash used in non-capital financing activities	<u>5,825,172</u>	<u>(9,642)</u>	<u>5,815,530</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital lease and notes payable	(54,278)	-	(54,278)
Interest paid on capital lease and notes payable	(5,120)	-	(5,120)
Proceeds from sale of capital assets	343,212	-	343,212
Acquisition and construction of capital assets	(5,223,381)	-	(5,223,381)
Net cash used in capital and related financing activities	<u>(4,939,567)</u>	<u>-</u>	<u>(4,939,567)</u>
Cash Flows from Investing Activities:			
Investment income	75,821	458,532	534,353
Net cash provided by investing activities	<u>75,821</u>	<u>458,532</u>	<u>534,353</u>
Net increase (decrease) in cash and cash equivalents	(5,116)	1,927,065	1,921,949
Cash and cash equivalents, beginning	<u>3,444,156</u>	<u>23,133,158</u>	<u>26,577,314</u>
Cash and cash equivalents, ending	<u>\$ 3,439,040</u>	<u>\$ 25,060,223</u>	<u>\$ 28,499,263</u>

(Continued)

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Fleet, Facilities and Information Technology Management	Self- Insurance	Total
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:			
Operating income (loss)	\$ (3,985,195)	\$ 2,296,039	\$ (1,689,156)
Adjustment to reconcile operating income to cash flows provided by operating activities:			
Depreciation	2,320,833	-	2,320,833
Other (expense)	(343,212)	-	(343,212)
Loss (gain) on capital asset disposal	932,157	-	932,157
(Increase) decrease in assets:			
Accounts and notes receivable	-	40,432	40,432
Other current assets	-	31,195	31,195
Increase (decrease) in liabilities:			
Accounts payable	108,875	(15,334)	93,541
Compensated absences payable	-	(259)	(259)
Claims payable	-	(873,898)	(873,898)
Net cash provided by operating activities	\$ (966,542)	\$ 1,478,175	\$ 511,633

**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	<u>Pages</u>
Financial Trends	152-161
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	162-166
These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity	168-173
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	174-177
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	178-183
These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net invested in capital assets	\$ 141,390,721	\$ 128,759,607	\$ 146,661,774	\$ 141,149,863
Restricted	15,879,457	26,539,950	10,589,689	19,911,292
Unrestricted	<u>39,241,861</u>	<u>54,148,084</u>	<u>63,224,481</u>	<u>70,447,522</u>
Total governmental activities net position	<u>196,512,039</u>	<u>209,447,641</u>	<u>220,475,944</u>	<u>231,508,677</u>
Business-type activities				
Net invested in capital assets	223,036,346	232,698,752	250,066,606	257,326,336
Restricted	27,844,378	28,358,718	32,252,690	38,519,090
Unrestricted	<u>68,682,510</u>	<u>66,983,643</u>	<u>65,557,333</u>	<u>48,567,143</u>
Total business-type activities net position	<u>319,563,234</u>	<u>328,041,113</u>	<u>347,876,629</u>	<u>344,412,569</u>
Primary government				
Net invested in capital assets (1) (2)	364,427,067	361,458,359	396,728,380	398,476,199
Restricted	43,723,835	54,898,668	42,842,379	58,430,382
Unrestricted (3)	<u>107,924,371</u>	<u>121,131,727</u>	<u>128,781,814</u>	<u>119,014,665</u>
Total primary government net position	<u>\$ 516,075,273</u>	<u>\$ 537,488,754</u>	<u>\$ 568,352,573</u>	<u>\$ 575,921,246</u>

(1) Fiscal year 2012 net invested in capital assets has been restated due to the implementation of GASB 63 and 65.

(2) Fiscal year 2013 net invested in capital assets has been restated due to adjustment of the City's capital assets.

(3) Fiscal year 2014 unrestricted net position has been restated due to the implementation of GASB 68.

2011	2012	2013	2014	2015	2016
\$ 139,025,810	\$ 143,798,547	\$ 141,311,511	\$ 138,868,835	\$ 136,345,185	\$ 142,447,242
21,083,016	15,804,304	14,389,998	16,443,002	14,253,874	7,405,688
66,879,269	61,671,543	64,263,573	(11,486,172)	(6,091,460)	(4,629,276)
<u>226,988,095</u>	<u>221,274,394</u>	<u>219,965,082</u>	<u>143,825,665</u>	<u>144,507,599</u>	<u>145,223,654</u>
252,616,203	238,797,203	232,258,907	217,624,156	226,332,226	228,909,169
23,487,318	18,151,713	16,814,430	14,661,259	12,975,219	12,966,465
58,444,825	76,551,821	80,593,174	54,698,310	56,262,159	49,974,407
<u>334,548,346</u>	<u>333,500,737</u>	<u>329,666,511</u>	<u>286,983,725</u>	<u>295,569,604</u>	<u>291,850,041</u>
391,642,013	382,595,750	373,570,418	356,492,991	362,677,411	371,356,411
44,570,334	33,956,017	31,204,428	31,104,261	27,229,093	20,372,153
125,324,094	138,223,364	144,856,747	43,212,138	50,170,699	45,345,131
<u>\$ 561,536,441</u>	<u>\$ 554,775,131</u>	<u>\$ 549,631,593</u>	<u>\$ 430,809,390</u>	<u>\$ 440,077,203</u>	<u>\$ 437,073,695</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses				
Governmental Activities:				
General government	\$ 9,042,965	\$ 7,347,987	\$ 10,239,676	\$ 16,752,242
Public safety	33,789,230	37,270,168	37,143,770	34,749,900
Public works	19,294,535	15,599,695	13,839,479	16,158,833
Physical environment	78,778	120,691	51,956	95,797
Transportation	595,319	519,577	583,024	544,636
Economic environment	1,018,874	1,199,010	1,391,668	1,141,505
Human services	175,581	181,926	202,033	210,689
Culture and recreation	5,290,190	5,290,461	4,937,571	4,459,167
Interest on long-term debt	1,787,386	2,238,101	2,219,848	2,130,575
Total Governmental Activities	<u>71,072,858</u>	<u>69,767,616</u>	<u>70,609,025</u>	<u>76,243,344</u>
Business-type Activities:				
Electric	143,298,835	166,633,502	167,299,569	159,685,595
Water and sewer	21,899,008	26,199,859	25,677,661	24,979,015
Sanitation	10,207,833	11,249,757	9,490,485	9,226,066
Municipal golf courses	2,956,984	3,201,620	2,835,780	2,750,571
Municipal trailer park	108,164	185,069	313,027	1,585
International airport	1,315,256	1,276,023	1,152,341	1,065,738
Adult athletic complex	213,599	249,338	321,388	-
Communications	1,160,423	1,290,286	1,326,462	1,692,881
SunTran	2,076,317	2,385,529	2,279,470	2,424,357
Total Business-type Activities	<u>183,236,419</u>	<u>212,670,983</u>	<u>210,696,183</u>	<u>201,825,808</u>
Total Expenses	<u>254,309,277</u>	<u>282,438,599</u>	<u>281,305,208</u>	<u>278,069,152</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	5,769,933	4,786,682	2,640,352	6,188,395
Public safety	5,395,245	7,776,470	8,223,438	8,195,210
Physical environment	-	-	-	-
Public works	4,617,381	5,105,758	4,642,705	4,614,709
Economic environment	-	-	-	-
Human services	-	83,612	-	-
Culture and recreation	847,408	708,726	494,433	493,733
Housing and urban development	216,853	89,845	18,502	43,933
Operating grants and contributions	8,171,315	8,932,926	3,914,934	4,274,901
Capital grants and contributions	10,393,761	350,420	4,105,649	3,540,911
Total governmental activities	<u>35,411,896</u>	<u>27,834,439</u>	<u>24,040,013</u>	<u>27,351,792</u>
Business-type Activities:				
Charges for services:				
Electric	151,504,058	176,235,678	177,960,026	173,550,081
Water and sewer	26,282,949	29,897,392	26,352,644	26,212,019
Sanitation	10,704,172	10,722,931	10,367,214	10,227,176
Municipal golf courses	2,069,934	1,988,105	1,423,620	1,813,360
Municipal trailer park	122,667	119,587	46,646	-
International airport	846,820	793,948	874,514	693,157
Adult athletic complex	162,187	155,461	140,640	-
Communications	1,758,988	1,861,780	1,890,773	2,178,868
SunTran	274,241	258,529	298,481	312,821
Operating grants and contributions	1,344,736	672,437	4,157,687	2,124,323
Capital grants and contributions	14,001,918	4,931,655	6,734,016	2,042,164
Total Business-type Activities	<u>209,072,670</u>	<u>227,637,503</u>	<u>230,246,261</u>	<u>219,153,969</u>
Total Program Revenues	<u>\$ 244,484,566</u>	<u>\$ 255,471,942</u>	<u>\$ 254,286,274</u>	<u>\$ 246,505,761</u>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	24,264,441	\$ 21,121,585	\$ 19,281,318	\$ 19,534,066	\$ 12,098,361	\$ 11,597,693
	38,347,627	38,601,843	37,679,867	40,478,307	39,867,780	42,665,312
	-	-	-	-	-	-
	2,926,147	3,371,441	3,360,975	3,237,167	4,827,696	6,154,252
	15,289,841	16,209,344	13,965,893	13,795,747	16,251,420	17,375,706
	1,693,471	1,421,490	1,307,330	1,161,368	2,145,278	3,778,358
	344,194	295,471	24,280	16,097	2,825	5,247
	5,688,221	5,532,341	5,277,119	6,344,312	5,982,171	7,159,916
	1,973,381	1,901,112	1,539,021	1,081,931	768,408	2,417,186
	<u>90,527,323</u>	<u>88,454,627</u>	<u>82,435,803</u>	<u>85,648,995</u>	<u>81,943,939</u>	<u>91,153,670</u>
	141,265,888	131,739,257	138,811,204	139,883,927	131,540,076	136,853,553
	26,910,448	27,502,689	28,609,880	29,073,065	29,444,099	30,830,593
	8,300,874	8,403,943	7,882,244	8,500,528	8,218,564	8,933,087
	1,864,304	1,838,581	1,677,306	1,713,929	1,791,935	1,938,067
	-	-	-	-	-	-
	1,319,583	2,133,709	2,118,046	1,559,991	1,718,391	1,838,267
	-	-	-	-	-	-
	1,918,905	1,718,074	1,920,583	1,867,882	2,472,288	2,695,714
	2,552,321	2,723,710	3,218,583	3,064,160	3,213,971	3,059,382
	<u>184,132,323</u>	<u>176,059,963</u>	<u>184,237,846</u>	<u>185,663,482</u>	<u>178,399,324</u>	<u>186,148,663</u>
	<u>274,659,646</u>	<u>264,514,590</u>	<u>266,673,649</u>	<u>271,312,477</u>	<u>260,343,263</u>	<u>277,302,333</u>
	11,554,007	11,756,605	12,120,493	12,573,121	11,976,789	12,961,644
	8,132,401	8,180,181	8,633,327	9,222,433	9,316,289	9,401,196
	-	-	-	-	6,621	128
	-	-	-	-	-	-
	29,006	30,604	63,899	73,697	33,269	61,865
	-	-	-	-	-	-
	393,910	387,020	391,944	615,502	625,997	585,640
	-	-	-	-	-	-
	4,768,303	4,531,360	3,576,996	1,730,087	2,080,103	2,429,040
	1,474,530	290,385	2,453,222	2,055,142	101,321	1,867,635
	<u>26,352,157</u>	<u>25,176,155</u>	<u>27,239,881</u>	<u>26,269,982</u>	<u>24,140,389</u>	<u>27,307,148</u>
	139,919,007	139,183,371	150,344,736	149,081,307	143,366,578	143,790,825
	26,417,073	26,575,860	26,228,504	26,343,265	26,665,395	28,267,876
	10,143,158	10,049,016	10,035,141	10,226,021	10,212,366	10,598,109
	1,167,391	1,113,876	1,141,808	1,162,307	1,014,454	1,227,082
	-	-	-	-	-	-
	727,728	674,507	767,090	771,685	988,125	1,065,576
	-	-	-	-	-	-
	2,297,997	2,437,730	2,530,414	2,709,641	3,100,306	3,588,651
	357,467	371,062	361,693	381,085	430,559	365,528
	2,084,740	2,039,616	2,936,061	2,096,501	2,495,443	2,027,718
	2,582,497	738,514	1,479,180	3,105,852	7,548,606	2,879,731
	<u>185,697,058</u>	<u>183,183,552</u>	<u>195,824,627</u>	<u>195,877,664</u>	<u>195,821,832</u>	<u>193,811,096</u>
\$	<u>212,049,215</u>	<u>208,359,707</u>	<u>223,064,508</u>	<u>222,147,646</u>	<u>219,962,221</u>	<u>221,118,244</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue:				
Governmental Activities	\$ (35,660,962)	\$ (41,933,177)	\$ (46,569,012)	\$ (48,891,552)
Business-type Activities	25,836,251	14,966,520	19,550,078	17,328,161
Total net expense	<u>(9,824,711)</u>	<u>(26,966,657)</u>	<u>(27,018,934)</u>	<u>(31,563,391)</u>
General Revenues				
Governmental Activities:				
Property taxes	21,147,093	21,102,963	20,978,586	21,677,666
Utility service tax	11,613,177	12,468,590	13,209,971	13,327,736
Other taxes	1,723,911	1,111,427	4,504,911	5,718,242
Unrestricted revenues	4,898,299	4,897,376	4,752,300	4,341,188
Investment income	3,834,054	2,646,691	5,898,766	3,149,151
Miscellaneous	197,315	1,391,588	1,241,128	677,770
Transfers	<u>10,834,688</u>	<u>11,250,144</u>	<u>7,011,653</u>	<u>11,032,532</u>
Total governmental revenues and transfers	<u>54,248,537</u>	<u>54,868,779</u>	<u>57,597,315</u>	<u>59,924,285</u>
Business-type Activities:				
Investment income	6,025,971	4,761,503	7,297,091	3,217,987
Transfers	<u>(10,834,688)</u>	<u>(11,250,144)</u>	<u>(7,011,653)</u>	<u>(11,032,532)</u>
Total business-type activities	<u>(4,808,717)</u>	<u>(6,488,641)</u>	<u>285,438</u>	<u>(7,814,545)</u>
Total primary government	<u>49,439,820</u>	<u>48,380,138</u>	<u>57,882,753</u>	<u>52,109,740</u>
Change in Net Position				
Governmental Activities	18,587,575	12,935,602	11,028,303	11,032,733
Business-type Activities	<u>21,027,534</u>	<u>8,477,879</u>	<u>19,835,516</u>	<u>9,513,616</u>
Total Change in Net Position	<u>\$ 39,615,109</u>	<u>\$ 21,413,481</u>	<u>\$ 30,863,819</u>	<u>\$ 20,546,349</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ (64,175,166)	\$ (63,278,472)	\$ (55,195,922)	\$ (59,379,013)	\$ (57,803,550)	\$ (63,846,522)
1,564,735	7,123,589	11,586,781	10,214,182	17,422,508	7,662,433
<u>(62,610,431)</u>	<u>(56,154,883)</u>	<u>(43,609,141)</u>	<u>(49,164,831)</u>	<u>(40,381,042)</u>	<u>(56,184,089)</u>
21,631,286	21,480,323	21,305,973	21,894,229	22,160,053	25,500,381
10,866,057	11,406,395	8,599,445	8,664,000	9,786,858	9,144,899
5,808,190	5,582,859	8,972,446	7,689,252	7,494,498	7,470,991
4,250,585	4,624,982	4,840,855	5,163,266	5,465,229	5,917,854
1,504,673	2,069,520	82,061	1,061,063	1,424,026	1,760,743
1,521,444	1,226,162	1,009,236	375,033	1,339,232	853,394
14,072,349	11,174,530	11,232,009	14,789,361	10,815,588	13,914,315
<u>59,654,584</u>	<u>57,564,771</u>	<u>56,042,025</u>	<u>59,636,204</u>	<u>58,485,484</u>	<u>64,562,577</u>
2,643,391	3,003,332	762,696	1,507,101	1,978,959	2,532,319
<u>(14,072,349)</u>	<u>(11,174,530)</u>	<u>(11,232,009)</u>	<u>(14,789,361)</u>	<u>(10,815,588)</u>	<u>(13,914,315)</u>
<u>(11,428,958)</u>	<u>(8,171,198)</u>	<u>(10,469,313)</u>	<u>(13,282,260)</u>	<u>(8,836,629)</u>	<u>(11,381,996)</u>
<u>48,225,626</u>	<u>49,393,573</u>	<u>45,572,712</u>	<u>46,353,944</u>	<u>49,648,855</u>	<u>53,180,581</u>
(4,520,582)	(5,713,701)	846,103	257,191	681,934	716,055
<u>(9,864,223)</u>	<u>(1,047,609)</u>	<u>1,117,468</u>	<u>(3,068,078)</u>	<u>8,585,879</u>	<u>(3,719,563)</u>
<u>\$ (14,384,805)</u>	<u>\$ (6,761,310)</u>	<u>\$ 1,963,571</u>	<u>\$ (2,810,887)</u>	<u>\$ 9,267,813</u>	<u>\$ (3,003,508)</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	233,683
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	25,945,812	27,070,783	31,278,522	38,771,465
Total general fund	<u>25,945,812</u>	<u>27,070,783</u>	<u>31,278,522</u>	<u>39,005,148</u>
CRA fund				
Restricted	-	-	-	-
Total CRA fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
All other governmental funds				
Restricted	-	-	-	-
Committed	-	-	-	-
Reserved	16,712,856	27,659,497	22,914,895	22,065,677
Unreserved, reported in:				
Special revenue funds	2,900,260	4,671,581	4,337,328	4,697,335
Total all other governmental funds	<u>\$ 19,613,116</u>	<u>\$ 32,331,078</u>	<u>\$ 27,252,223</u>	<u>\$ 26,763,012</u>

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 296,457	\$ 357,305	\$ 312,239	\$ 356,272	\$ 269,708	\$ 545,193
-	-	-	-	-	-
2,623,303	2,698,762	2,250,114	2,244,478	2,247,645	1,097,701
2,757,930	2,231,685	2,075,156	2,111,603	2,150,167	1,521,527
20,392,709	18,439,496	19,470,337	21,092,119	25,530,135	20,553,148
15,065,839	15,196,270	17,366,628	17,566,179	15,535,866	17,096,287
-	-	-	-	-	-
<u>41,136,238</u>	<u>38,923,518</u>	<u>41,474,474</u>	<u>43,370,651</u>	<u>45,733,521</u>	<u>40,813,856</u>
-	3,685,413	3,854,480	4,054,507	4,251,696	1,678,833
<u>-</u>	<u>3,685,413</u>	<u>3,854,480</u>	<u>4,054,507</u>	<u>4,251,696</u>	<u>1,678,833</u>
19,147,131	13,856,726	11,466,604	12,696,455	8,789,576	6,574,272
5,398,490	5,344,244	5,825,062	5,235,565	5,830,170	5,397,900
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 24,545,621</u>	<u>\$ 19,200,970</u>	<u>\$ 17,291,666</u>	<u>\$ 17,932,020</u>	<u>\$ 14,619,746</u>	<u>\$ 11,972,172</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:				
Property tax	\$ 21,147,093	\$ 21,102,963	\$ 20,978,586	\$ 21,677,666
Utility service tax	11,613,177	12,468,590	13,209,971	13,327,736
Communication service tax				
Local option gas tax	1,799,011	1,111,427	4,504,911	5,718,242
Other tax				
State revenue sharing	1,694,938	4,897,376	4,752,300	4,341,188
Other intergovernmental revenue	9,771,807	9,267,258	5,475,893	7,602,864
Parking meters and facilities	38,358	55,009	59,354	-
Licenses, permits and fees	2,223,801	1,869,393	948,981	2,063,405
Fines and forfeitures	666,486	461,016	582,352	495,370
Charges for services	13,213,581	15,453,587	14,637,036	16,977,204
Investment income	3,023,206	2,093,104	4,199,163	2,152,552
Gifts	3,157,632	547,044	1,840,756	212,949
Miscellaneous	931,583	1,391,588	1,241,128	677,770
Total revenues	<u>69,280,673</u>	<u>70,718,355</u>	<u>72,430,431</u>	<u>75,246,946</u>
Expenditures:				
General government	9,373,452	14,354,658	10,170,481	16,052,937
Public safety	33,840,516	36,498,069	37,118,704	34,806,006
Public works	13,681,476	9,695,188	8,979,723	9,643,723
Physical environment	79,288	81,207	22,228	-
Transportation	627,682	545,969	630,474	552,731
Economic environment	950,547	1,184,083	1,389,402	1,144,566
Human services	175,714	164,528	197,435	205,492
Culture and recreation	5,301,517	5,157,138	5,144,054	4,395,486
Capital outlay	14,257,745	10,551,340	11,171,184	10,348,794
Debt service				
Principal payments	2,940,000	3,020,000	3,368,600	3,318,601
Issuance Costs				
Interest and fees	1,768,469	1,894,751	2,204,915	2,117,452
Total expenditures	<u>82,996,406</u>	<u>83,146,931</u>	<u>80,397,200</u>	<u>82,585,788</u>
Excess of revenues over (under) expenditures	<u>(13,715,733)</u>	<u>(12,428,576)</u>	<u>(7,966,769)</u>	<u>(7,338,842)</u>
Other financing sources (uses):				
Transfers in	17,940,728	20,330,785	18,677,751	21,747,904
Transfers out	(7,099,735)	(10,192,662)	(11,582,098)	(7,171,647)
Issuance of debt	-	20,707,201	-	-
Bond premium (discount)	-	(378,596)	-	-
Payment to bond escrow agent	-	(4,195,219)	-	-
Total other financing sources (uses)	<u>10,840,993</u>	<u>26,271,509</u>	<u>7,095,653</u>	<u>14,576,257</u>
Net change in fund balances	<u>\$ (2,874,740)</u>	<u>\$ 13,842,933</u>	<u>\$ (871,116)</u>	<u>\$ 7,237,415</u>
Debt service as a percentage of noncapital expenditures	6.85%	6.77%	8.05%	7.53%

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	21,631,286	\$ 21,480,323	\$ 21,305,973	\$ 21,894,229	\$ 22,160,053	\$ 25,500,381
	10,866,057	11,406,395	8,599,445	8,664,000	9,786,858	9,144,899
			3,284,777	2,950,539	2,695,896	2,643,849
	5,808,190	5,582,859	4,742,861	3,848,278	3,866,844	3,453,019
			944,808	890,435	931,758	1,374,123
	4,250,585	4,624,982	4,840,855	5,163,266	5,465,229	5,917,854
	6,242,833	3,617,375	4,721,562	4,015,546	2,485,782	4,286,325
	-	-	-	-	-	-
	2,127,999	1,968,607	1,961,915	2,322,118	2,263,047	2,306,800
	493,956	551,217	525,780	662,904	795,029	544,354
	17,487,369	17,834,586	18,721,968	19,269,414	18,462,867	20,169,669
	1,028,367	1,451,612	15,094	745,075	939,000	1,223,380
	137,589	1,204,370	70,747	113,672	72,643	-
	1,383,855	1,226,162	917,713	258,860	1,304,467	789,782
	<u>71,458,086</u>	<u>70,948,488</u>	<u>70,653,498</u>	<u>70,798,336</u>	<u>71,229,473</u>	<u>77,354,435</u>
	19,524,363	18,349,850	17,510,262	17,883,219	12,551,399	11,709,642
	35,713,344	36,171,183	36,209,453	39,180,970	41,668,300	43,252,530
	-	-	-	-	-	-
	2,540,183	2,954,633	2,959,543	3,142,876	4,181,600	4,992,613
	7,841,187	8,169,030	5,901,177	5,897,941	8,652,943	9,853,517
	1,623,516	1,293,888	1,172,458	1,162,813	2,149,273	3,746,782
	252,015	284,499	18,507	10,119	-	-
	5,122,702	5,002,921	4,791,829	5,301,046	5,744,114	6,659,803
	7,033,957	7,764,972	5,498,520	5,426,673	4,590,914	12,397,566
	3,135,000	3,905,000	5,280,000	765,000	2,300,000	2,340,000
				-	143,920	-
	2,023,321	2,139,000	1,768,039	1,043,746	1,051,611	640,869
	<u>84,809,588</u>	<u>86,034,976</u>	<u>81,109,788</u>	<u>79,814,403</u>	<u>83,034,074</u>	<u>95,593,322</u>
	<u>(13,351,502)</u>	<u>(15,086,488)</u>	<u>(10,456,290)</u>	<u>(9,016,067)</u>	<u>(11,804,601)</u>	<u>(18,238,887)</u>
	19,144,620	16,776,990	15,802,925	16,020,763	15,532,524	14,284,779
	(5,879,419)	(5,602,460)	(4,570,916)	(4,268,138)	(4,595,045)	(6,185,994)
	-	8,405,000	7,700,000	-	21,440,000	-
	-	-	-	-	-	-
	-	(8,365,000)	(7,665,000)	-	(21,325,093)	-
	13,265,201	11,214,530	11,267,009	11,752,625	11,052,386	8,098,785
\$	<u>(86,301)</u>	<u>(3,871,958)</u>	<u>810,719</u>	<u>2,736,558</u>	<u>(752,215)</u>	<u>(10,140,102)</u>
	6.63%	7.72%	9.32%	2.43%	4.27%	3.58%

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

Fiscal Year Ended Sept. 30, ⁽²⁾	Residential Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property	Vacant Land/Other
2007	\$ 2,167,036,569	\$ 398,331,679	\$ 105,585,327	\$ 271,471,369	\$ 434,025,442	\$ 173,483,303
2008	2,949,994,448	482,610,648	93,641,860	307,406,690	481,497,048	268,788,561
2009	2,965,292,837	533,735,948	100,123,252	324,414,667	490,801,375	271,011,673
2010	2,556,679,147	477,635,303	100,123,252	324,414,667	503,103,052	223,798,124
2011	2,181,585,419	435,601,285	73,955,610	294,136,778	476,559,144	180,770,925
2012	1,968,142,445	417,870,693	78,020,561	288,016,230	463,576,509	177,245,591
2013	1,810,585,718	408,603,966	75,116,698	284,089,821	454,817,624	162,167,340
2014	1,790,978,723	412,041,209	75,561,748	293,035,789	444,745,227	145,917,091
2015	1,865,190,878	414,249,269	82,114,250	341,278,836	495,473,914	148,895,802
2016	1,936,663,122	425,141,543	80,989,470	459,505,926	433,974,369	141,256,751

Source: Marion County, Florida, Property Appraiser

Notes:

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

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

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

⁽³⁾ Includes tax-exempt property

<u>Total Real Estate Property</u>	<u>Tangible Personal Property</u>	<u>Total Tax Exempt</u>	<u>Total Assessed Value</u>	<u>Direct 2016 Rate ⁽¹⁾</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value⁽³⁾ as a Percentage of Actual Value</u>
\$ 3,549,933,689	\$ 547,189,434	\$ 1,402,552,458	\$ 2,694,570,665	5.676	\$ 2,869,617,322	93.90%
4,583,939,255	614,223,942	1,739,792,892	3,458,370,305	4.529	3,561,658,399	97.10%
6,032,349,509	653,897,260	1,959,757,717	4,726,489,052	4.529	4,818,031,653	98.10%
5,543,544,948	597,457,634	1,724,507,750	4,416,494,832	4.966	4,420,915,748	99.90%
4,845,623,544	545,408,952	1,485,187,355	3,905,845,141	5.618	3,997,794,412	97.70%
3,392,872,029	500,461,641	1,372,659,330	2,520,674,340	5.933	2,574,743,963	97.90%
3,195,381,167	498,291,991	1,296,059,078	2,397,614,080	6.150	2,400,014,094	99.90%
3,162,279,787	528,584,657	1,273,547,950	2,417,316,494	6.250	2,499,810,232	96.70%
3,347,202,949	528,032,771	1,401,872,609	2,473,363,111	6.164	2,625,650,861	94.20%
3,477,531,181	586,397,669	1,388,167,060	2,675,761,790	6.617	2,825,514,034	94.70%

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

MILLAGE RATES

Fiscal Year ⁽¹⁾	<u>Direct</u>	<u>Overlapping</u>			<u>Total</u>
	<u>City</u>	<u>County</u>	<u>School</u>	<u>Water Mgmt Districts</u>	
2007	5.68	4.57	7.87	0.46	18.58
2008	4.53	3.49	7.61	0.42	16.04
2009	4.53	3.89	7.50	0.42	16.33
2010	4.97	3.90	7.48	0.42	16.76
2011	5.62	3.89	7.49	0.42	17.42
2012	5.93	3.89	7.71	0.33	17.86
2013	6.15	3.89	7.67	0.33	18.04
2014	6.25	3.90	7.34	0.33	17.82
2015	6.16	3.90	7.30	0.32	17.67
2016	6.62	3.90	8.17	0.30	18.99

Source: Marion County, Florida, Property Appraiser
<http://www.pa.marion.fl.us/reports/14final.pdf>

Note:

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

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

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

Taxpayer	2016			2007		
	Taxable Assessed Valuation Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value
Marion County Hospital District	\$ 115,647,574	1	3.37%	\$ -		0.00%
Marion Community Hospital	54,128,440	2	1.58%	-		0.00%
K-Mart Corporation	52,051,258	3	1.52%	60,715,681	2	1.29%
Paddock Mall Associates	41,414,762	4	1.21%	35,754,395	5	0.76%
Carlton Arms Apartments	30,068,960	5	0.88%	37,421,736	4	0.79%
Wal-Mart	28,450,500	6	0.83%	30,801,459	7	0.65%
Embarq	24,061,394	7	0.70%	-		0.00%
Silver Springs Bottled	21,289,176	8	0.62%	-		0.00%
Closetmaid Corporation	-			32,467,491	6	0.69%
FEM Ocala LLC	20,909,389	9	0.61%	-		0.00%
C.C. Ocala Joint Venture	-			21,234,447	8	0.45%
AGM Paddock Park	20,867,062	10	0.61%	-		0.00%
Sprint Florida, Inc.	-			72,471,128	1	1.54%
Highlands Apartments LLC	-			20,938,424	9	0.44%
Cheney Brothers Inc.	-			20,390,222	10	0.43%
Total	\$ 408,888,515		6.97%	\$ 332,194,983		7.05%

Source: Marion County Property Appraiser

Note: City of Ocala taxpayers pay City, County, School Board and certain water district levies.

Only the City levy is shown here.

Excludes property tax levies of the Downtown Development Districts.

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

<u>Fiscal Year Ended September 30</u>	<u>Taxes Levied For Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collection to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2007	\$ 21,386,729	\$ 20,690,703	96.75%	\$ 223,248	\$ 20,913,951	97.79%
2008	21,372,488	20,544,371	96.13%	231,458	20,775,829	97.21%
2009	21,405,324	20,394,711	95.28%	191,247	20,585,958	96.17%
2010	21,950,174	21,057,371	95.93%	232,430	21,289,801	96.99%
2011	21,944,215	21,221,107	96.70%	99,890	21,320,997	97.16%
2012	21,891,859	20,865,755	95.31%	133,400	20,999,155	95.92%
2013	21,791,532	20,808,891	95.49%	243,563	21,052,454	96.61%
2014	22,285,641	21,479,733	96.38%	152,997	21,632,730	97.07%
2015	22,630,418	21,803,282	96.35%	97,409	21,900,691	96.78%
2016	26,103,617	25,107,454	96.18%	122,978	25,230,432	96.65%

Source: Marion County, Florida, Property Appraiser and City of Ocala Office of Business and Financial Services.

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

Excludes property tax levies of the Downtown Development Commission.

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Improvement Certificates	Optional Gas Tax Bonds	Total	Utility Systems Revenue Bonds	Water and Sewer Revenue Bonds	Total			
2007	\$ 29,910	\$ 11,210	\$ 41,120	\$ 56,860	\$ 53,425	\$ 110,285	\$ 151,405	10.17%	\$ 2,791
2008	44,575	9,515	54,090	144,170	27,605	171,775	225,865	14.66%	4,164
2009	43,215	7,780	50,995	143,520	24,165	167,685	218,680	13.58%	3,991
2010	41,805	6,145	47,950	142,860	20,575	163,435	211,385	12.77%	3,754
2011	40,355	4,460	44,815	139,220	16,830	156,050	200,865	11.68%	3,552
2012	38,230	2,720	40,950	154,380	-	154,380	195,330	11.26%	3,424
2013	35,427	-	35,427	153,137	-	153,137	188,564	10.44%	3,286
2014	34,940	-	34,940	145,795	-	145,795	180,735	9.55%	3,144
2015	34,540	-	34,540	146,545	-	146,545	181,085	9.02%	3,103
2016	32,200	-	32,200	141,060	-	141,060	173,260	8.07%	2,901

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

Per Capita Income - Florida Research and Economic Database.

Population - The City of Ocala Office of Budget and Finance, Bureau of Economic and Business Research, University of Florida.

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

The City of Ocala had no outstanding general obligation debt during the fiscal years ending September 30, 2007-2016.

**CITY OF OCALA, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
SEPTEMBER 30, 2016**

<u>Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Applicable to City of Ocala</u>	
		<u>Percent ⁽²⁾</u>	<u>Amount</u>
Marion County Limited Ad Valorem Refunding Tax Bonds, Series 1998	\$ 1,450,000	26.36%	\$ 382,178
Total Overlapping Debt			<u>382,178</u>
City direct debt			<u>34,540,000</u>
Total direct and overlapping debt			<u><u>\$ 34,922,178</u></u>

(1) The City of Ocala had no outstanding general obligation debt during the fiscal year ended September 30, 2016.

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed Value (100% at market as of January 1, 2015)	<u>\$ 3,762,147,735</u>	<u>\$ 4,712,043,212</u>	<u>\$ 4,726,489,052</u>	<u>\$ 4,416,494,782</u>
Debt Limit: 20% of Assessed Value	752,429,547	942,408,642	945,297,810	883,298,956
Amount of General Obligation Debt Outstanding	-	-	-	-
Legal Debt Margin	<u>\$ 752,429,547</u>	<u>\$ 942,408,642</u>	<u>\$ 945,297,810</u>	<u>\$ 883,298,956</u>

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

2011	2012	2013	2014	2015	2016
<u>\$ 3,905,845,141</u>	<u>\$ 3,689,722,224</u>	<u>\$ 3,543,221,693</u>	<u>\$ 3,565,587,027</u>	<u>\$ 3,671,502,621</u>	<u>\$ 3,944,515,628</u>
781,169,028	737,944,445	708,644,339	713,117,405	734,300,524	788,903,126
-	-	-	-	-	-
<u>\$ 781,169,028</u>	<u>\$ 737,944,445</u>	<u>\$ 708,644,339</u>	<u>\$ 713,117,405</u>	<u>\$ 734,300,524</u>	<u>\$ 788,903,126</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital Improvement Bonds and Certificates:				
Net revenue available for debt service	\$ 9,628,290	\$ 8,733,751	\$ 9,907,154	\$ 8,463,599
Debt Service payments:				
Principal	1,290,000	1,325,000	1,360,000	1,410,000
Interest	1,331,339	1,580,000	1,915,464	1,878,711
Total debt service payments	<u>\$ 2,621,339</u>	<u>\$ 2,905,000</u>	<u>\$ 3,275,464</u>	<u>\$ 3,288,711</u>
Coverage (times)	3.67	3.01	3.02	2.57
Optional Gas Tax Bonds:				
Net revenue available for debt service	\$ 3,180,946	\$ 2,892,928	\$ 2,900,317	\$ 2,840,703
Debt Service payments:				
Principal	1,480,000	1,520,000	1,555,000	1,600,000
Interest	372,060	328,436	281,365	231,779
Total debt service payments	<u>\$ 1,852,060</u>	<u>\$ 1,848,436</u>	<u>\$ 1,836,365</u>	<u>\$ 1,831,779</u>
Coverage (times)	1.72	1.57	1.58	1.55
Electric System Bonds:				
Gross revenues	\$ 151,504,058	\$ 175,441,091	\$ 177,960,026	\$ 174,289,475
Less: operating expenses	138,048,277	159,954,673	161,634,774	152,595,345
Net revenue available for debt service	<u>13,455,781</u>	<u>15,486,418</u>	<u>16,325,252</u>	<u>21,694,130</u>
Water & Sewer Bonds:				
Gross revenues	\$ 26,282,949	\$ 27,064,562	\$ 26,352,644	\$ 27,855,619
Less: operating expenses	11,487,524	13,475,885	13,015,589	12,100,557
Net revenue available for debt service	<u>14,795,425</u>	<u>13,588,677</u>	<u>13,337,055</u>	<u>15,755,062</u>
Debt Service payments:				
Principal	3,170,000	3,295,000	3,440,000	3,590,000
Interest	2,575,873	1,951,105	1,120,591	969,335
Total debt service payments	<u>\$ 5,745,873</u>	<u>\$ 5,246,105</u>	<u>\$ 4,560,591</u>	<u>\$ 4,559,335</u>
Coverage (times)	2.57	2.59	2.92	3.46
Utility System Bonds:				
Net revenue available for debt service	\$ 22,505,333	\$ 23,828,990	\$ 25,101,716	\$ 32,889,857
Debt Service payments:				
Principal	625,000	640,000	650,000	660,000
Interest	2,718,536	4,431,856	6,835,339	6,818,629
Total debt service payments	<u>\$ 3,343,536</u>	<u>\$ 5,071,856</u>	<u>\$ 7,485,339</u>	<u>\$ 7,478,629</u>
Coverage (times)	6.73	4.70	3.35	4.40

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

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

2011	2012	2013	2014	2015	2016
\$ 8,223,166	\$ 8,241,933	\$ 8,167,557	\$ 8,261,105	\$ 8,333,770	8,359,167
1,450,000	1,490,000	2,560,000	765,000	2,300,000	2,340,000
1,837,357	1,791,234	1,701,799	1,043,246	1,088,305	639,269
\$ 3,287,357	\$ 3,281,234	\$ 4,261,799	\$ 1,808,246	\$ 3,388,305	\$ 2,979,269
2.50	2.51	1.92	4.57	2.46	2.81
\$ 2,664,586	\$ 2,547,557	\$ 2,471,488	-	-	-
1,650,000	1,740,000	2,720,000	-	-	-
179,724	123,105	63,290	-	-	-
\$ 1,829,724	\$ 1,863,105	\$ 2,783,290	\$ -	\$ -	\$ -
1.46	1.37	0.89	N/A	N/A	N/A
\$ 141,324,385	\$ 140,511,811	\$ 150,413,508	\$ 149,817,925	\$ 144,341,225	145,415,283
131,538,100	122,286,613	128,161,245	129,528,370	121,428,949	126,925,324
9,786,285	18,225,198	22,252,263	20,289,555	22,912,276	18,489,959
\$ 27,109,092	\$ 27,994,759	\$ 26,291,964	\$ 26,974,511	\$ 27,477,111	28,907,441
13,963,526	13,708,115	14,441,410	14,908,787	15,383,110	17,069,840
13,145,566	14,286,644	11,850,554	12,065,724	12,094,001	11,837,601
3,745,000	-	-	-	-	-
807,685	145,495	-	-	-	-
\$ 4,552,685	\$ 145,495	\$ -	\$ -	\$ -	\$ -
2.89	98.19	N/A	N/A	N/A	N/A
\$ 18,379,166	\$ 32,366,347	\$ 34,102,817	\$ 32,355,279	\$ 35,006,277	\$ 30,327,560
685,000	1,670,000	5,095,000	5,245,000	5,360,000	5,485,000
6,799,444	6,758,853	6,880,763	6,763,874	6,146,150	3,787,146
\$ 7,484,444	\$ 8,428,853	\$ 11,975,763	\$ 12,008,874	\$ 11,506,150	\$ 9,272,146
2.46	3.84	2.85	2.69	3.04	3.27

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

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income ⁴	Median Household Income ^{3,4}	County Unemployment Rate ³
2007	54,238	\$ 1,562,512,924	\$ 28,808	\$ 39,661	3.2%
2008	54,462	1,608,190,168	29,529	41,644	5.4%
2009	54,800	1,658,625,128	30,267	43,727	8.6%
2010	56,315	1,747,091,441	31,024	45,913	13.2%
2011	56,545	1,798,082,530	31,799	48,209	13.9%
2012	57,041	1,836,528,091	32,197	49,414	12.4%
2013	57,387	1,870,763,977	32,599	50,649	9.8%
2014	57,494	1,958,593,423	34,066	51,915	7.6%
2015	58,355	2,077,404,623	35,599	53,213	7.3%
2016	59,720	2,221,667,745	37,201	54,543	6.7%

¹ The City of Ocala Office of Business and Financial Services, 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 Bureau of Labor Statistics. 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**

Employer	September 30, 2016			September 30, 2007		
	Total Employees	Rank	Percent of Total City/County Employment	Total Employees	Rank	Percent of Total City/County Employment
Marion County School Board	6,070	1	5.04%	6,000		6.74%
Munroe Regional Medical Center	2,648	2	2.20%	2,500		2.81%
State of Florida	2,600	3	2.16%	2,263		2.54%
Wal-Mart	2,370	4	1.97%	2,385		2.68%
Ocala Regional Medical Center and West Marion Community Hospital	2,200	5	1.83%	1,301		1.46%
Publix Supermarkets	1,488	6	1.24%	1,450		1.63%
Marion County Board of Commissioners	1,368	7	1.14%	1,324		1.49%
AT&T	1,000	8	0.83%	1,000		1.12%
City of Ocala	989	9	0.82%	1,148		1.29%
Lockheed Martin	981	10	0.82%	N/A		N/A
Emergency One, Inc.	N/A	-		1,110		1.25%
Total	21,714		18.04%	20,481		23.01%
Ocala MSA Labor Force			120,357			89,000

Source: Ocala/Marion County Chamber & Economic Partnership.

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**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Legislative.....	6.00	6.00	6.00	6.00	6.00
Executive.....	28.75	26.00	25.00	23.00	19.00
Business and Financial Services.....	22.00	22.00	21.00	23.00	19.00
Purchasing.....	13.00	13.00	14.00	-	-
Human Resources and Risk.....	7.00	7.00	7.00	5.00	9.00
Development Services.....					
Planning.....	11.50	10.50	10.00	32.00	33.00
Building.....	26.00	26.00	30.00	-	-
Police					
Officers.....	171.00	171.00	171.00	159.00	170.00
Civilians.....	85.00	86.25	85.50	84.00	88.00
Fire					
Firefighters and Officers.....	133.00	133.00	133.00	131.00	130.00
Civilians.....	13.00	13.00	12.00	15.00	17.00
Engineering.....	67.00	67.00	62.00	59.00	27.00
Recreation.....	64.25	64.75	30.50	53.00	58.00
Public Works.....	148.00	141.00	154.50	97.00	101.00
Fleet/Facilities.....	32.00	32.00	31.00	38.00	39.00
Airport.....	5.00	5.00	5.00	5.00	5.00
Golf.....	31.00	31.00	27.50	13.00	8.00
Water & Sewer.....	73.75	76.75	76.75	72.00	79.00
Telecommunications.....	6.00	6.00	6.00	6.00	6.00
Electric.....	174.00	181.00	173.00	161.00	165.00
Stormwater.....	8.00	8.00	8.00	8.00	18.00
Information & Technology.....	17.50	17.00	17.00	16.00	17.00
Community Programs.....	5.00	5.00	5.00	2.00	2.00
Total	1,147.75	1,148.25	1,110.75	1,008.00	1,016.00

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

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

2012	2013	2014	2015	2016
6.00	6.00	6.00	6.00	6.00
16.00	13.75	14.00	14.00	18.00
21.00	23.50	23.63	26.63	28.00
-	-	-	-	-
10.00	9.00	7.00	8.00	9.00
38.00	40.25	35.25	36.38	40.68
-	-	-	-	-
-	-	-	-	-
161.00	164.00	164.00	151.64	147.19
95.00	89.50	81.50	96.00	103.00
127.00	129.00	125.00	129.63	128.88
21.00	15.00	6.00	4.00	4.00
26.00	22.00	19.00	19.00	19.00
66.00	64.00	53.41	63.41	58.25
115.00	99.00	107.00	101.25	102.00
37.00	31.75	28.56	22.04	36.43
5.00	5.00	5.00	5.00	5.00
8.00	-	-	-	-
78.00	77.25	89.30	84.70	85.40
6.00	7.00	7.00	7.00	11.00
165.00	155.75	153.25	150.55	159.80
-	-	-	-	-
17.00	17.00	15.00	14.00	12.00
1.00	1.00	1.25	1.50	1.55
1,019.00	969.75	941.15	940.73	975.18

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Leases at Airport:			
Sports Complex Lease	\$ 132,512	\$ 132,512	\$ 132,512
Water & Sewer Lease	10,805	-	-
Total Value of City Leases	<u>143,317</u>	<u>132,512</u>	<u>132,512</u>
City Payment For Leases at Airport:			
Water & Sewer Lease	10,805	-	-
Total Payments For City Leases	<u>10,805</u>	<u>-</u>	<u>-</u>
City Leases - Less Payments made:	<u>(132,512)</u>	<u>(132,512)</u>	<u>(132,512)</u>
City Funds Expended on Behalf of Airport:			
Grant Match	167,885	-	-
Total City Funds Expended on Behalf of Airport	<u>167,885</u>	<u>-</u>	<u>-</u>
Net Subsidy	<u>\$ 35,373</u>	<u>\$ (132,512)</u>	<u>\$ (132,512)</u>

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>TOTAL</u>
\$ 132,512	\$ 160,960	\$ 165,760	\$ 856,768
-	-	-	10,805
<u>132,512</u>	<u>160,960</u>	<u>165,760</u>	<u>867,573</u>
-	-	-	10,805
-	-	-	10,805
<u>(132,512)</u>	<u>(160,960)</u>	<u>(165,760)</u>	<u>(856,768)</u>
-	-	-	167,885
-	-	-	167,885
<u>\$ (132,512)</u>	<u>\$ (160,960)</u>	<u>\$ (165,760)</u>	<u>\$ (688,883)</u>



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

	2012	2013	2014	2015	2016
Police					
Number of calls for service	233,500	239,167	233,516	272,552	249,085
Traffic citations issued	12,841	11,887	14,114	12,210	12,306
Cases investigated	5,825	6,099	7,208	10,010	5,672
Arrests	2,804	2,959	3,105	2,766	3,398
Fire					
Number of calls for service	11,192	19,802	17,309	19,238	24,358
Fires reported	238	178	262	238	337
Inspections	2,038	2,469	2,816	2,595	2,416
Building Permits: (includes plumbing, gas, (electric, water , heating & air conditioning)					
Building permits issued	1,526	1,616	1,630	1,738	1,840
Value of permits issued (in thousands)	\$79,351,004	\$68,726,914	\$169,265,866	\$111,252,423	\$82,956,019
New Construction - Units and Value:					
Commercial - Number of Units	54	31	41	49	28
Commercial - Value	\$ 36,029,542	\$ 11,551,770	\$ 76,095,142	\$ 10,050,568	\$14,365,711
Residential - Number of Units	31	76	81	121	91
Residential - Value	\$ 4,652,855	\$ 17,730,674	\$ 22,875,600	\$ 29,516,113	\$17,725,394
Streets and Drainage					
Street Resurfacing (miles)	-	2.50	4.60	9.77	19
Potholes repaired	463	566	745	1,345	731
Parks and Recreation					
Athletic field permits issued	79	116	83	177	95
Participants using the pools	25,450	26,130	39,733	28,705	28,109
Golf rounds	83,607	83,612	81,746	73,580	81,846
Fleet Maintenance					
Vehicles owned by the City	1,207	1,213	1,223	1,274	1,447
Percent maintained by Fleet	58	40	51	96	99
Preventive maintenance completed	1,069	854	1,255	693	1,268
Solid Waste					
Number of customers	15,022	15,312	15,236	15,486	15,668
Residential refuse collected (in tons)	16,086	14,655	15,079	15,154	13,484
Residential recyclables collected (in tons)	2,323	3,788	3,925	3,777	3,804
Commercial refuse collected (in tons)	34,448	35,902	37,289	38,052	39,187
Electric					
Avg. Number of active customers	50,552	50,769	48,834	49,439	49,975
Avg. Monthly Consumption (in KWH)	1,956	1,954	2,037	2,086	2,140
Water					
Number of customers	23,386	23,699	23,250	23,353	23,696
Max. daily plant capacity (in gallons)	24,420	24,420	24,420	24,420	24,420
Avg. monthly consumption	14,212	10,419	10,455	10,726	11,230
Wastewater					
Number of customers	27,909	28,429	27,509	26,880	28,463
Sanitary/Storm Mains Cleaned (ft.)	152,797	156,398	16,029	29,887	25,992

Source: The City of Ocala

* Operating Indicators information not available prior to 2012

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

FUNCTION:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Area: Land (square miles)	43.74	44.48	44.48	44.48
Miles of Streets, Sidewalks and Bike Paths				
Streets - Paved	291.32	292.32	296.10	296.10
Streets - Unpaved	6.26	6.26	4.81	4.81
Sidewalks	69.42	76.20	225.58	228.38
Bike Paths	25.81	32.41	33.21	36.46
Miles of Sewers				
Storm	76.63	80.95	264.60	380.05
Sanitary	312.22	317.31	340.00	341.30
Force Main	80.09	82.80	79.60	80.00
Water Lines	350.0	356.4	530.0	534.0
Number of Lift Stations	114	118	118	119
Building Permits: (includes plumbing, gas, (electric, water , heating & air conditioning)				
Permits Issued	2,607	2,159	1,826	1,676
Permit Value	\$ 265,150,530	\$ 189,168,148	\$ 77,215,703	\$ 82,992,944
New Construction - Units and Value:				
Commercial - Number of Units	175	134	52	38
Commercial - Value	\$ 151,119,124	\$ 133,422,696	\$ 26,693,633	\$ 23,428,680
Residential - Number of Units	393	253	67	106
Residential - Value	\$ 70,027,178	\$ 38,741,704	\$ 10,916,289	\$ 18,038,057
Fire Protection				
Stations	6	6	6	6
Employees - Sworn	133	133	133	131
Employees - Civilian	12	12	12	15
Fire and rescue response time (minutes)	4.5	4.5	6.7	6.8
Police Protection				
Stations	5	6	6	5
Employees - Sworn	160	158	158	159
Employees - Civilian	85	86	86	84
Vehicular Patrol Units - Marked Vehicles	113	113	113	119
Vehicular Patrol Units - Motorcycles	6	9	9	8
Vehicular Patrol Units - Other Vehicles	73	78	78	82
Recreation				
Land area (acres)	755	693	693	424
Activity centers	6	6	6	6
Pools	2	2	2	2
Playgrounds (not reported prior to 2004)	19	17	17	17

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	44.72	44.72	44.72	44.79	44.79	44.79
	297.12	335.00	338.00	339.35	339.70	398.73
	4.81	3.38	3.38	3.38	3.38	2.3
	233.28	233.30	223.30	242.20	242.20	242.2
	36.46	18.62	18.62	27.30	27.30	27.3
	281.80	285.36	277.20	277.20	280.00	283
	343.10	349.76	353.45	352.68	360.30	379.12
	81.20	89.00	91.50	90.00	90.00	96.82
	536.0	555.5	562.5	568.2	575.5	589.16
	121	122	123	129	129	132
	1,524					
\$	66,223,835					
	52					
\$	33,214,686					
	39					
\$	7,753,050					
	6	5	5	6	6	6
	130	127	129	129	129	130
	17	21	3	4	4	4
	6.8	5.8	6.3	6.3	6.7	6
	5	4	4	4	4	4
	170	161	164	164	165	165
	88	95	96	96	100	100
	119	114	124	124	126	125
	8	7	6	6	6	4
	82	81	80	80	78	78
	424	795	805	837	837	837
	9	5	5	5	5	6
	2	2	2	2	2	2
	19	18	18	20	23	24

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

**CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR 2016**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
<i>Direct Programs:</i>			
Rural Business Enterprise Grants	10.769	09-042-596000392	\$ 18,838
Total U.S. Department of Agriculture			18,838
<u>U.S. Department of Housing and Urban Development:</u>			
<i>Direct Programs:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-12-0029	141,115
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-12-0029	50,683
<i>Total CDBG-Entitlement Grants Cluster</i>			<u>191,798</u>
<i>Passed through Marion County, Florida:</i>			
HOME Investment Partnership Program	14.239	MC-10-DC-10-0232	128,574
HOME Investment Partnership Program	14.239	MC-11-DC-13-0232	35,175
HOME Investment Partnership Program	14.239	MC-12-DC-13-0232	133,141
HOME Investment Partnership Program	14.239	MC-13-DC-13-0232	29,733
HOME Investment Partnership Program	14.239	MC-14-DC-14-0232	28,498
HOME Investment Partnership Program	14.239	MC-15-DC-13-0232	1,823
<i>Total HOME Investment Partnership Program Grants</i>			<u>356,944</u>
Total U.S. Department of Housing and Urban Development			548,742
<u>U.S. Department of Justice:</u>			
<i>Passed through State Office of Attorney General:</i>			
Crime Victim Assistance	16.575	V058-14071	51,229
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	16.607	2014BUBX1407067	11,854
<i>Total Bulletproof Vest Partnership Program Grants</i>			<u>11,854</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0848	1,480
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0452	6,990
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1038	18,514
<i>Passed through Florida Department of Law Enforcement</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JAGC-MARI-1-H3-207	30,592
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>			<u>57,576</u>
Total U.S. Department of Justice			120,659
<u>U.S. Department of Transportation:</u>			
<i>Direct Programs:</i>			
Airport Improvement Program	20.106	3-12-0055-024-2015	483,384
<i>Total Airport Improvement Program</i>			<u>483,384</u>
<i>Passed through Florida Department of Transportation:</i>			
Highway Planning & Construction FM# 417960-1-14-91	20.205	A5065	393,249
Highway Planning & Construction FM# 417960-1-14-94	20.205	A5065	155,553
Highway Planning & Construction FM# 417960-1-14-95	20.205	A5065	61,863
Highway Planning & Construction FM# 417960-1-14-96	20.205	A5065	66,943
Highway Planning & Construction FM# 417960-1-14-98	20.205	A5065	19,830
Highway Planning & Construction FM# 435490-1-18-01	20.205	ARC98	92,241
Highway Planning & Construction FM# 435492-1-38-01	20.205	ARG37	64,675
Highway Planning & Construction FM# 439331-1-14-01	20.205	G0A96	166,919
<i>Total Highway Planning & Construction</i>			<u>1,021,273</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR 2016
(CONTINUED)

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Department of Transportation (continued):</u>			
<i>Passed through Florida Department of Transportation: Rail Line Relocation and Improvement</i>	20.320	FR-LRI-0065-15-01-00	115,728
<i>Passed through Florida Department of Transportation: Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research FM# 422440-1-14-23 Total Metropolitan Planning Program</i>	20.505	AQN78	8,101 <u>8,101</u>
<i>Direct Programs: Federal Transit Formula Grants</i>	20.507	FL-90-X857	258,995
<i>Federal Transit Formula Grants</i>	20.507	FL-90-X892	1,021,754
<i>Total Federal Transit Cluster</i>			<u>1,280,748</u>
Total U.S. Department of Transportation			<u>2,909,234</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Florida Department of Health: Injury Prevention and Control Research and State and Community Based Programs</i>	93.136	AD4548	4,980
<i>Passed through Florida Department of Health: Grants to States to Support Oral Health Workforce Activities</i>	93.236	AE62F9	13,903
Total U.S. Department of Health and Human Services			<u>18,883</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Programs: Disaster Grants - Public Assistance (Presidentially Declared Disasters)</i>	97.036	17-PA-W1-05-52-01-094	278,529
<i>Passed through Marion County, Florida: Homeland Security Grant Program</i>	97.067	16-DS-T9-05-52-01	1,617
Total U.S. Department of Homeland Security			<u>280,146</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS:			<u><u>3,896,502</u></u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR 2016
(CONCLUDED)**

State Grantor/ Pass-Through Grantor/Program Title	State CSFA Number	Pass-Through Grantor Number	State Expenditures
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Environmental Protection:</u>			
<i>Direct Programs:</i>			
Florida Recreation Development Assistance Program	37.017	A5146	2,900
Florida Recreation Development Assistance Program	37.017	A5147	22,386
<i>Total Florida Recreation Development Assistance Program</i>			<u>25,286</u>
Statewide Surface Water Restoration and Wastewater Projects	37.039	S0870	257,939
Statewide Surface Water Restoration and Wastewater Projects	37.039	S0915	2,033
Statewide Surface Water Restoration and Wastewater Projects	37.039	G0428	3,583
<i>Total Statewide Surface Water Restoration and Wastewater Projects</i>			<u>263,555</u>
<i>Passed through St. Johns River Water Management District</i>			
Florida Springs Grant Program	37.052	28128	452,994
Florida Springs Grant Program	37.052	27656	52,834
<i>Total Florida Springs Grant Program</i>			<u>505,828</u>
Total Florida Department of Environmental Protection			<u>794,669</u>
<u>Florida Housing Finance Corporation:</u>			
<i>Direct Programs:</i>			
State Housing Initiatives Partnership Program	40.901	SHIP	295,873
Total Florida Housing Finance Corporation			<u>295,873</u>
<u>Florida Department of State:</u>			
<i>Direct Programs:</i>			
Aquisition, Restoration of Historic Properties	45.032	SC623	33,000
Total Florida Department of State			<u>33,000</u>
<u>Florida Department of Transportation:</u>			
<i>Direct Programs:</i>			
Florida Highway Beautification Grant Program- Keep Florida Beautiful FM# 435701-1-74-01	55.003	ARE55	84,623
Aviation Grant Programs FM# 431585-1-94-01	55.004	AR104	21,608
Aviation Grant Programs FM# 414447-1-94-01	55.004	ARI60	429,741
Aviation Grant Programs FM# 437609-1-94-01	55.004	G0101	1,302
Aviation Grant Programs FM# 431586-1-94-01	55.004	G0102	7,288
<i>Total Aviation Grant Programs</i>			<u>459,940</u>
Public Transit Block Grant Program FM# 424123-1-84-01	55.010	ARP19	533,551
<i>Total Public Transit Block Grant Program</i>			<u>533,551</u>
Total Florida Department of Transportation			<u>1,078,113</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:			<u>2,201,655</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE:			<u>\$ 6,098,157</u>

Notes:

(1) The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Ocala, Florida and is presented on the accrual basis of accounting. The City has elected not to apply the 10% de minimis indirect cost rate. There are no outstanding loan balances at the end of the audit period. The information in this schedule is presented in accordance with the requirements of Federal OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ocala, Florida (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants

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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 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 from 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 24, 2017.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



March 24, 2017
Ocala, Florida

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major Federal Program and State Project

We have audited City of Ocala, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Department of Financial Services, *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal award programs and state projects for the year ended September 30, 2016. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state projects. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2016.

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

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)**

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project, and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



March 24, 2017
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
CITY OF OCALA, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements of the City of Ocala, Florida (the City).
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City.
3. No instances of noncompliance material to the basic financial statements of the City are reported in the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal programs and state projects are reported in the report on compliance with requirements applicable to each major federal programs' and state projects' internal control over compliance in accordance with the Uniform Guidance, *Compliance Supplement*, and Chapter 10.550, *Rules of the Auditor General*.
5. The independent auditors' report on compliance with requirements applicable to each major federal programs' and state projects' internal control over compliance in accordance with the Uniform Guidance, *Compliance Supplement*, and Chapter 10.550, *Rules of the Auditor General* expresses an unmodified opinion for the major federal award programs and state projects for the City.
6. The audit disclosed no findings required to be reported under Section 516(a) of the Uniform Guidance and Chapter 10.557, *Rules of the Auditor General* relative to the major federal programs and state projects for the City.
7. The program/projects tested as major program/projects included the following:
 - **Federal Program**
 - U.S. Department of Transportation:
 - ▶ Airport Improvement Program, CFDA No. 20.106
 - ▶ Federal Transit Formula Grants, CFDA No. 20.507
 - **State Projects**
 - Florida Department of Environmental Protection:
 - ▶ Florida Springs Grant Program, CFSA No. 37.052
 - Florida Department of Transportation:
 - ▶ Aviation Grant Programs, CFSA No. 55.004
 - ▶ Public Transit Block Grant Program, CFSA No. 55.010
8. The threshold for distinguishing Type A and Type B programs was \$750,000 for major federal award programs and \$300,000 for major state projects.
9. The City qualified as a low-risk auditee pursuant to the Uniform Guidance.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
CITY OF OCALA, FLORIDA
(Concluded)**

PART B - FINDINGS - FINANCIAL STATEMENTS

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

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

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

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

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

PART E - SUMMARY SCHEDULE OF PRIOR FINDINGS

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

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

INDEPENDENT ACCOUNTANTS' REPORT

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

Report on Compliance

We have examined City of Ocala, Florida's (the City) compliance with requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, including examining on a test basis evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specific requirements.

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Restriction on Use

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members, and applicable management, and is not intended to be and should not be used by anyone other than those specified parties.

Purvis, Gray and Company, LLP

March 24, 2017
Ocala, Florida

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Ocala, Florida (the City) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 24, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for each Major Federal Program and State Project and Report on Internal Control Over Compliance; and Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 24, 2017, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the table below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2014-2015 FY Finding #	2013-2014 FY Finding #
2016-1	2015-4	n/a
2016-2	2015-3	n/a

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in the Management Letter, unless disclosed in the notes to the financial statements (see Note 1 of the City's basic financial statements as of and for the year ended September 30, 2016, for this information).

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

MANAGEMENT LETTER
(Concluded)

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, 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 year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the Management Letter any recommendations to improve financial management. Current year findings are included in the Management Letter Comments as reference numbers 2016-01 through 2016-04.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Honorable Mayor and City Council, and management, and is not intended to be and should not be used by anyone other than these specified parties.

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



March 24, 2017
Ocala, Florida

MANAGEMENT LETTER COMMENTS

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

During the course of our audit, the following items came to our attention. These items involve primarily operational matters, which, if improved, will result in more efficient and effective operations:

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

While much progress has been made in the item below, it is not yet complete and we recommend that the City continue its efforts:

2016-01—Interim Financial Reporting

The City Council and key management currently review special “budget to actual” revenue and expenditure reports monthly; however, this provides limited information to decision makers because the information is provided only at the detailed level, without appropriate summarization and the related balance sheet to present the funds’ financial position and results of operations. Additionally, these reports must be extracted from the financial management software by a special report writing program because the current financial management system does not have built in reporting capabilities.

Accordingly, we recommend that the City develop a quarterly financial reporting format and methodology that would provide summarized balance sheet and income statements for each major utility and governmental funds that would provide a more complete and big picture view for decision makers. We also recommend that the City consider the possible replacement of the existing financial management software to one that has the ability to automatically present summarized financial statements for all major funds.

2016 Update—During 2016, the City created two separate quarterly financial reporting formats in an attempt to address our recommendation above. Our review of these new formats indicates that while they are an improvement from the current practices described above, they fall short of what we envisioned. Accordingly, we recommend that the City continue its efforts in this area and make system generated interim reporting a key feature as the City looks to replace the current financial applications.

2016-02—Information Technology (IT) Controls

IT plays an integral role in the City financial reporting system and control environment. During our review of the City’s use of IT in the financial reporting process, we noted opportunities to improve and strengthen the control environment and the quality and integrity of information generated by the IT systems. We recommend the following for management’s consideration:

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MANAGEMENT LETTER COMMENTS
(Continued)

2016-02—Information Technology (IT) Controls (Concluded)

■ **User Access Reviews**

Information Technology sends out security access reports quarterly to the departments for them to verify a user's need for access, but they do not always reply. There is no apparent enforcement of the process or a policy on it. It is also important that the roles and responsibilities of both IT and User Departments be clearly communicated.

We recommend management establish policy and document the procedures to describe the monitoring and review process for user access, who is responsible for performing these procedures and any documentation that is to be maintained to verify compliance. Also, while reviewing, management needs to ensure a user's access does not violate a proper segregation of duties. The process should also include the validation of network accounts.

■ **Disaster Recovery**

We recommend that the City complete development of the Disaster Recovery Plan and test application recovery capability. The test plan should contain measurable criteria to determine with reasonable assurance that the critical systems can be recovered to achieve the City's recovery time and recovery point objectives. The City should also continue to evaluate (plan for) and implement a backup solution (e.g., redundancy) to eliminate any potential single points of failure within your backup infrastructure. It is important that critical backups are reliable.

■ **Policy and Procedure**

Management has made progress in developing additional Policies and Procedures for IT control processes that are awaiting approval. We recommend IT continue to document their key control processes for those that remain undocumented. One of the processes would be monitoring and review of user access.

2016 Update—During 2016 the City adequately dealt with several of our prior year IT recommendations regarding password security, security awareness programs, removal of unauthorized user accounts from the active directory, review of the network for stale accounts, and has made certain progress on the items remaining above.

Current Year Comments and Recommendations

2016-03—Pension Accounting

Currently the pension accounting is performed outside of the Finance and Accounting Department (the Department). The three defined benefit pension plans of the City hold assets of nearly \$250 million spread over multiple managers each employing a separate investment specialty. Each manager account must be analyzed monthly and the activity and changes in values of the investments recorded, which requires a significant work effort.

During the audit it was necessary to make several adjustments to the pension trust funds resulting primarily from inadequate supervisory review by the Department. Accordingly, we recommend that someone familiar with pensions and investments within the Department be assigned to oversee and perhaps help out with the pension fund accounting.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

Current Year Comments and Recommendations (Concluded)

2016-03—Pension Accounting (Concluded)

Additionally, we noted that there are differences in the 2016 pension trust fund accounting per the actuarial reports to that of the City's for the Firefighters Pension Plan, which affect GASB 67 Pension disclosures in 2016 and will affect 2017 employer accounting for the Net Pension Liability if not corrected. We recommend that the City contact the plan actuary and reconcile these differences.

2016-04—Key Finance and Accounting Staff Turnover

Subsequent to year-end the finance department of the City experienced staff turnover in the Director of Finance and Assistant Director of Finance positions. With the loss of these key positions comes the loss of great technical industry and institutional knowledge. This loss if not managed properly can lead to inefficiencies, possible lack of segregation of duties, and a potential for errors with financial reporting associated with the array of municipal functions that the City performs and a general slowdown or work flow in the department.

While the Finance Director's position has recently been filled the department is still looking for an Assistant Director and a Senior Accountant position. With all of these top level positions being filled at the same time, there is an expected learning curve for the new staff and the entire Department. There is also a potential for a breakdown in continuity as the transition for the Department begins.

Accordingly, we recommend that the City carefully chose the individuals to fill these remaining key positions with ones that have significant education, training, and experience with the accounting and financial reporting for a full service City. This would include but not be limited to experience with; grant accounting, pension accounting, electric, water, waste water, sanitation, communications, golf and airport accounting as well as investments, tax exempt bond issues, Ad Valorem and state shared revenues, CAFR preparation and other similar areas. A breakdown in filling these key positions could have a significant negative affect on the Department's ability to function at the high level it has been over the past several years.

Our Management Letter Comments are intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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



March 24, 2017
Ocala, Florida



**FINANCE DEPARTMENT
201 SE 3RD STREET
OCALA, FLORIDA 34471**

City's Response to Auditor's Recommendations

Prior Year Comments:

2016-01: Staff concurs that while interim reporting is vital for decision making, the current software being utilized doesn't support the ability to create these reports. The City is working on upgrading its software in the future in order to enable better reporting.

2016-02: Staff concurs and is continuing to work on efficiency and security of its Information Technology Department.

Current Year Comments:

2016-03: Staff fully agrees with this recommendation. The City will consider alternative options to improve pension accounting activities including the use of a third party CPA firm (not our current auditors) to analyze and provide monthly pension accounting entries.

2016-04: Staff agrees with this recommendation and will be fully staffed with professionals who will meet the standards necessary for the City to maintain fiscal responsibility and sustainability.