



Progress Energy

Crystal River Nuclear Plant
Docket No. 50-302
Operating License No. DPR-72

Ref: 10 CFR 50.71(b)

July 17, 2003
3F0703-02

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555-0001

Subject: Crystal River Unit 3 - 2002 Annual Financial Reports

Reference: PEF to NRC letter, 3F0503-05, dated May 6, 2003

Dear Sir:

Pursuant to 10 CFR 50.71(b), Progress Energy Florida, Inc. (PEF) hereby submits the 2002 annual financial reports for two (2) of the participating co-owners of the Crystal River Unit 3 (CR-3) Nuclear Station.

PEF submitted its annual financial report (Progress Energy 2002 Annual Report) and the annual financial reports for seven (7) of the nine (9) participating co-owners of CR-3 in the above referenced letter. Due to delays in printing production, annual financial reports for the City of Alachua and the City of Ocala were received by PEF after the referenced letter was submitted to the Nuclear Regulatory Commission.

If you have any questions regarding this submittal, please contact me at (352) 563-4883.

Sincerely,

S. C. Powell
Supervisor
Licensing and Regulatory Programs

SCP/ff

Attachments

xc: NRR Project Manager (w/o att.)
Regional Administrator, Region II (w/o att.)
Senior Resident Inspector (w/o att.)

Progress Energy Florida, Inc.
Crystal River Nuclear Plant
15760 W. Powerline Street
Crystal River, FL 34428

MDD4

PROGRESS ENERGY FLORIDA, INC.
CRYSTAL RIVER UNIT 3
DOCKET NUMBER 50-302/LICENSE NUMBER DPR-72

2002 ANNUAL FINANCIAL REPORTS

- City of Alachua
- City of Ocala



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDING SEPTEMBER 30, 2002

CITY OF OCALA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

September 30, 2002

**Prepared by:
Department of Finance and
Administrative Services**

CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2002

CITY COUNCIL

Gerald K. Ergle, Mayor
Michael S. Amsden, President
R. Kent Guinn, President Pro-Tem
Kyle A. Kay
Daniel Owen
Mary S. Rich

CITY OFFICIALS

City Manager	Susan M. Miller
Assistant City Manager	Paul K. Nugent
Assistant City Manager	Bill J. Looney
Airport Director	William R. Pruitt
Building, Zoning and Licensing Director	Jacques Skutt
City Attorney	Patrick G. Gilligan
City Clerk	Valerie J. Forster
City Engineer	Bruce H. Phillips
Community Programs Director	William L. Patten
Electric Utility Director	Dean G. Shaw
Finance and Administrative Services Director	Donald A. Corley
Acting Fire Chief	Charles R. Burnett
Fleet Management Director	Glenn A. Stephens
Human Resources Director	Sandra R. Wilson
Internal Auditor	Eric J. Lewerenz
M.I.S. Director	Lynne M. Ciaraldi
Planning Director	Tye L. Chighizola
Police Chief	Andy L. Kriemeyer
Public Works Director	Daryl J. Poole
Acting Purchasing Director	James F. Tillman, Jr.
Recreation and Parks Director	David J. Pritchard
Risk Manager	James A. Dalke
Water and Sewer Director	Henry K. Hicks

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2002**

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City of Ocala
**FINANCE AND ADMINISTRATIVE
SERVICES DEPARTMENT**
P.O. Box 1270, OCALA, FLORIDA 34478-1270
(352) 629-8501 FAX (352) 690-2025



June 6, 2003

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

Ladies and Gentlemen:

It is a pleasure to submit this Comprehensive Annual Financial Report (CAFR) for the City of Ocala, Florida for the fiscal year ended September 30, 2002. The report fulfills the requirements set forth in the Florida Statutes, Chapter 166.241(4) and the Rules of the Florida Auditor General, Chapter 10.550.

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

With the presentation of the CAFR for the fiscal year ended September 30, 2002, the City is implementing Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments, which represents a dramatic change in governmental financial reporting. The format and purpose of these changes are addressed in the Management Discussion and Analysis (See page 3). Additionally, the notes to the financial statements discuss the changes (See Notes 1 and 11) and explain the effects of these changes.

***With this CAFR,
the City is
implementing
GASB 34 . . .***

***The CAFR is
presented in
three sections:
Introductory,
Financial and
Statistical.***

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

The Florida Statutes require an independent audit of the books, financial records and transactions of all administrative departments of the City by a Certified Public Accountant selected by City Council. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the financial statements presented herein are in conformity with GAAP. The auditor's report on the City's general-purpose financial statements, the combining and individual fund statements and the schedules is included in the Financial Section of this report.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section contains the table of contents, this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting for the 2001 CAFR and the City's organizational chart.

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

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

The Notes to Financial Statements in the Financial Section are necessary to understand the the statements. The notes include a summary of significant accounting policies and other necessary disclosures relating to the financial position of the City.

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

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

The financial activities of all municipal boards and commissions are included in the City's financial statements. Only the Ocala Housing Authority does not meet the established criteria for reporting and is excluded from this report. The Community Redevelopment Agency is included because of City Council's capacity to significantly influence their operations.

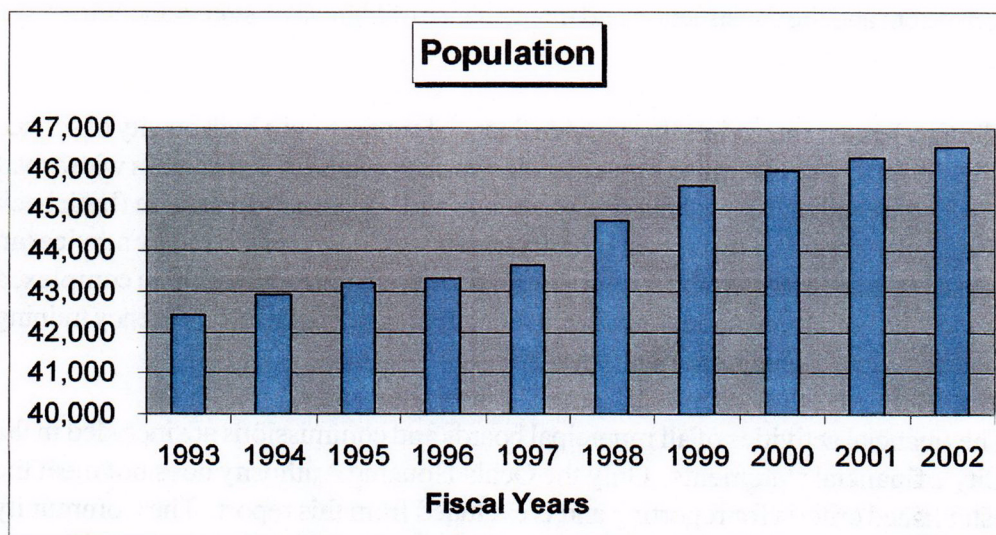
Budgetary controls are maintained on an annual allotment basis, based on prior working capital and revenue projections for the current year. Expenditures and encumbrances are reported against budgeted appropriations. At mid-year, City department heads are required to reassess their appropriations for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

The City has ten enterprises that provide financial support and a high quality of service . . .

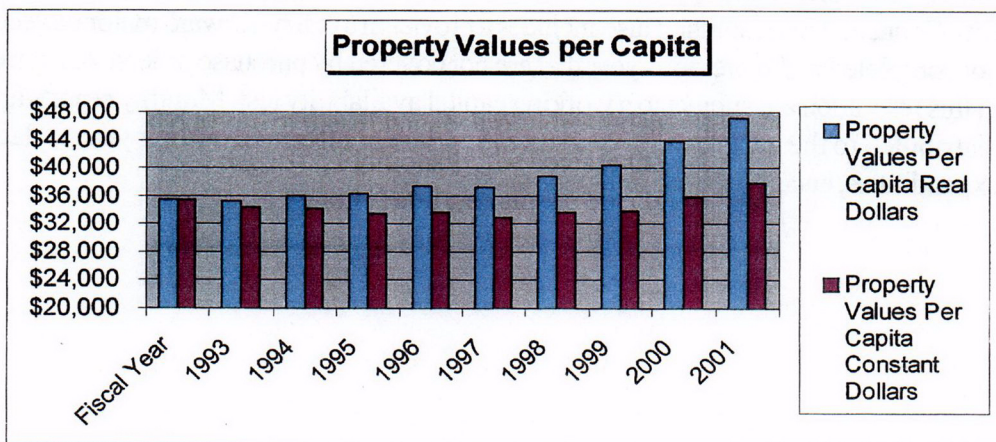
Local Demographic Statistics

Population growth has averaged less than one percent per year for the last ten years. The growth has resulted primarily from new residents relocating to the City from other areas of the country and, to a lesser extent, the annexation of approximately eight square miles during the ten-year period.

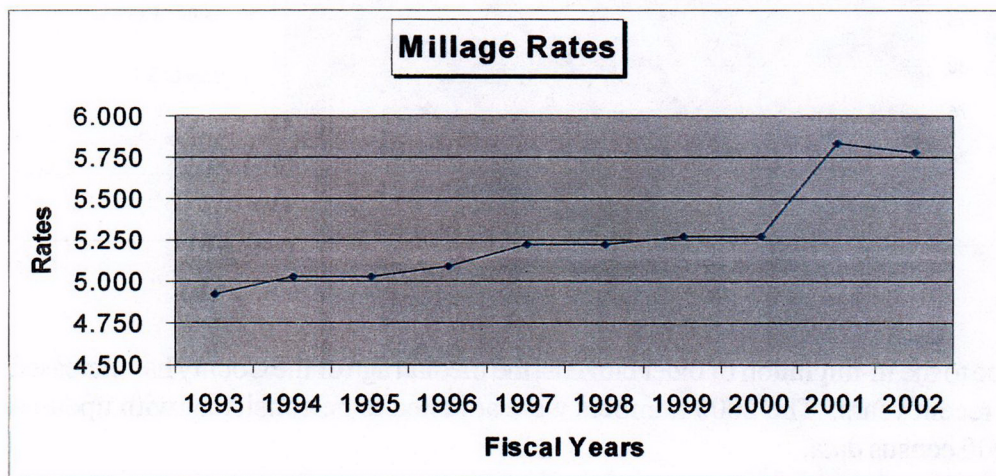
*... City
population has
grown slowly
over the last
decade ...*



The increasing property values are due to a combination of new construction, annexation and reassessments of existing property in the area. Ad Valorem taxes based on property values are a major revenue source to the City's General Fund for providing public safety and other essential City services.

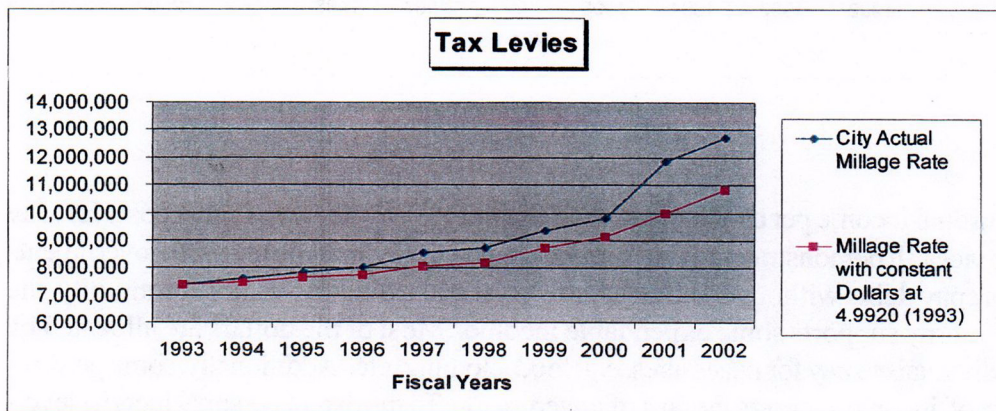


After many years of a relatively constant millage rate, the rate was increased by approximately 10.6 percent in 2001 in order to increase the general fund balance to a more appropriate level and to provide necessary public safety capital and operating resources in excess of baseline budgets. The City Council in striving to keep the millage rate at the lowest level possible while continuing to provide quality service to the citizens of Ocala. The rate was reduced by one percent in 2002.

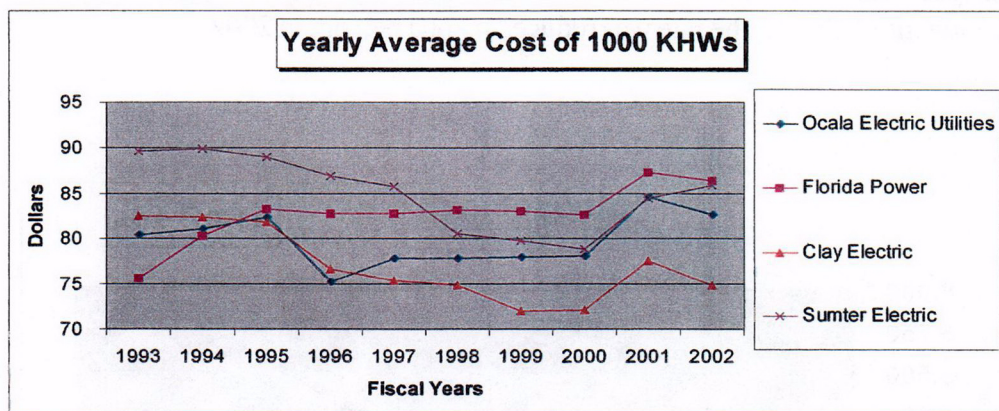


The City has experienced a steady increase in the tax levies due to a 46 percent increase in the assessed valuation of property within the City over the last ten years. The constant millage rate (1993) shows that the City's increase in tax levies is largely due to the increase in assessed valuation rather than an increase in the millage rate.

... assessed valuation of properties has increased 46 percent in the same decade ...

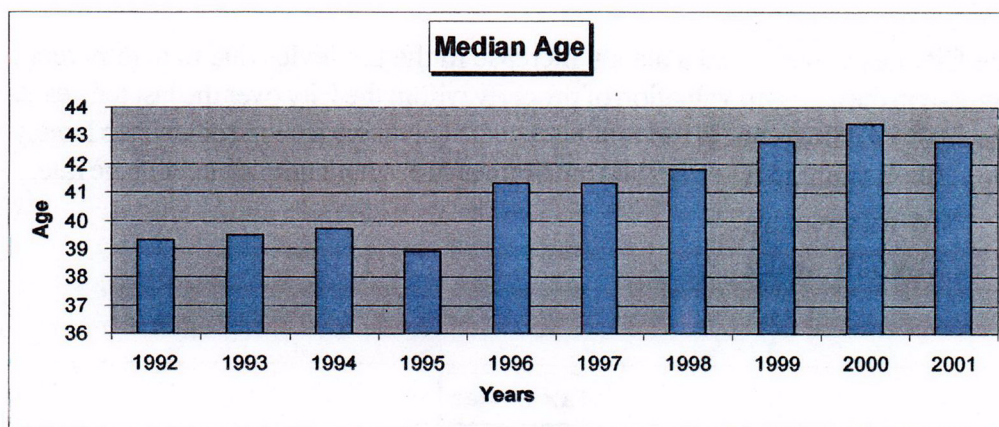


Ocala Electric Utilities, the City's Electric Department, remains competitive with other local electric companies in the average cost to consumers. The current year decreases reflect the recent decreases in the cost of energy over the previous year.

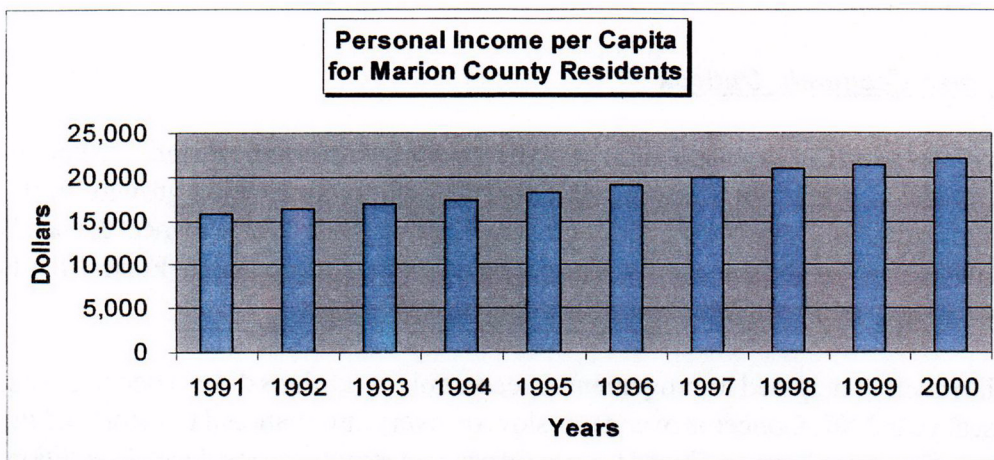


Ocala Electric Utilities remains competitive with other local electric companies . . .

Due to the in-migration of older citizens, the median age of the County has increased in recent years. The 2000 numbers were adjusted to be consistent with updated 2000 census data.



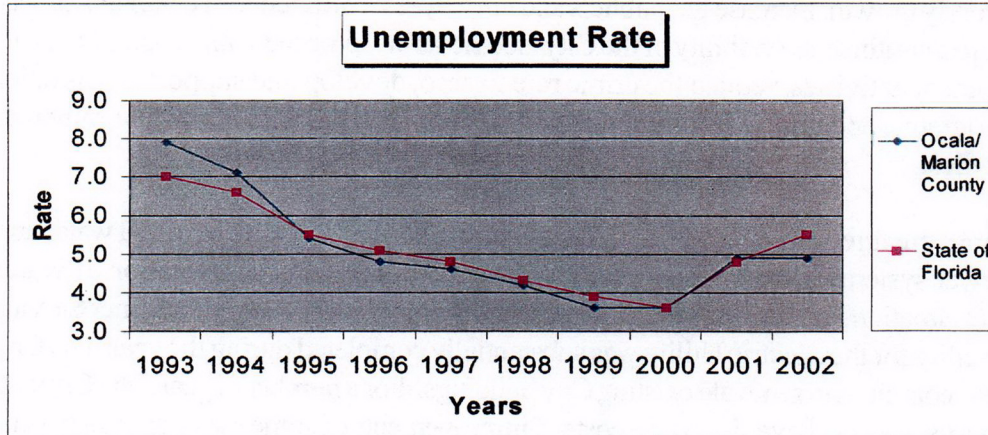
Personal income per capita measures the ability to pay taxes and other costs for City services. It demonstrates to credit rating agencies the capability of local governments to repay debts without creating a hardship for its citizenry. In the community, the economy supports some expendable income. Most of the dollars are allocated by individuals to pay for necessities, e.g. food, clothing, etc. Additionally, some percentage of income supports the cost of government. To the extent personal income levels do not keep pace with inflation, there is a commensurate reduction in an individual's ability to pay for governmental services.



Historically, Marion County has experienced an unemployment rate similar to the unemployment rate of the State of Florida, but in fiscal year 2002, Marion County did significantly better. This is attributable to the City's efforts in economic development. The City's Electric Utility allocates dollars annually to leverage against other community resources, which has resulted in a much stronger employment base. The City's unemployment rate has consistently been better than the State of Florida and national averages.

***In 2002,
Marion County
did significantly
better than the
State of Florida
in regard to
unemployment***

...



Major Industries affecting the Local Economy

Horse breeding, dominated by Thoroughbreds and Arabians, is a major industry in the Ocala area. The tourist industry also has a significant impact on the economy, with Silver Springs Attraction and the Ocala National Forest nearby. Some other local industries making Ocala the place for their operations are Emergency One, Inc., Clairson International Corporation (Closet Maid), K-Mart Corporation (K-Mart Distribution Center), Merillat Industries, Inc., Class I, CarQuest, Cingular Wireless Call Center and Signature Brands, LLC.

Future Economic Outlook

Ocala/Marion County population growth rate ranks 27th among Florida's 67 counties. Net migration to Marion County is expected to outpace job growth for the intermediate and long-term future, ensuring a sufficient workforce to meet the needs of the expanding local economy. The City's Economic Improvement Fund (EIF) is used to help new industries set up their operations in Ocala.

The much-anticipated improvements in economic conditions did not occur during fiscal year 2002. Concerns over a too-slow recovery, international tensions and the possibility of war have combined to keep investment returns at a low level. In addition, shortfalls in the State budget, primarily due to a decline in tourism post-911 and the passing of several very costly Constitutional amendments in recent years threaten future Revenue Sharing funds for the City and other local governments. These conditions could impose difficult economic times and tight budgets for the City over the next few years.

MAJOR INITIATIVES

For the Year

The City's major goals for 2002, as directed by the City Council, were to maintain orderly growth, increase the public's and employees' confidence in Council's procedures, continue the viability of the City electric utility, proceed with economic development activities, reduce the crime rate to zero, develop and support community programs, and improve communication and cooperation with other governmental bodies.

Infrastructure improvement projects are still underway in the electric and water and sewer systems. During fiscal year 2002, the City continued construction of Water Reclamation Facility #3, which is approaching completion. A new Customer Service Facility for the Electric Utility was substantially completed during the year. The City also continues to renovate existing City buildings. For a number of years, the City and Marion County have shared the costs of improvements of some major arterial streets. In 2002, the City approached completion of Phase 1B of the SE 31st Street road project and began major improvements to SW 19th Avenue Road (Easy Street).

In addition, the following programs and projects are underway to foster growth and development in the community as a whole:

- Congruent with the Council's policy objective of providing services to low income individuals in the community, "Operations Infrastructure" provides grants to qualified property owners to pay utility connection fees and related expenses. This funding is coupled with the CDBG allocation to provide ample funding to meet the needs of the southwest quadrant of the community. The southwest quadrant is the first phase of the project.

***The City will
continue
to upgrade
infrastructure . . .***

- During the fiscal year 2001, the Council adopted a water and sewer rate ordinance. Effectuation of the rate structure in the ordinance is providing the needed revenue to support an expansive five-year capital improvement program, which includes the construction of Water Reclamation Plant #3.
- In September, the 1992 Optional Gas Tax Refunding Revenue Bonds were refunded. As a result of this action, the City realized over \$224,000 in annual savings on debt service payments. These monies are being allocated to roadway improvements.
- During fiscal year 2001, staff in the Electric Department conducted a workshop with Council related to long-term planning for the electric system. There were several projects identified that are geared toward making the system more reliable and efficient. The magnitude of the total five-year capital improvement program is \$39.5 million.
- The Telecommunications Fund generated a profit for fiscal year 2002. This is primarily attributable to the City departments paying a rate for telephone services that is half of that charged by Sprint. These rates will be adjusted periodically to be consistent with the market.
- The Recreation and Parks department continues its facility improvements and the acquisition of new parkland. During fiscal year 2002 the City began construction of family water parks at the Martin Luther King Center and Jervey Gantt Park. The funding source for these parks are neighborhood enhancement funds.

The City saved over \$224,000 in annual debt service payments by refunding bonds . . .

For the Future

The City will continue to upgrade infrastructure, and programs are already underway to improve and expand the electric system, the water and sewer system and streets. The City has developed a capital improvement program that includes \$77 million in water and sewer projects, which include the new water reclamation plant and several replacement and renewal projects. A portion of the capital improvements was financed through the issuance of the Water and Sewer Revenue Bonds, Series 2001. Additionally, the Electric Utility has an expansive \$39 million capital improvement program, which will add capacity for the future.

The City has also embarked on key activities related to downtown development. These activities include creating selected site-specific redevelopment plans, an overall strategic development schedule and a comprehensive marketing analysis. Those activities will lead to planned physical development that complements and enhances the downtown Community Redevelopment Area (CRA).

***The City has
committed to lead
the revitalization
effort of the West
Ocala Historic
District . . .***

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

A week-long celebration of Racial Harmony and Cultural Awareness is planned in 2003 by the City Of Ocala. The observance will bring together diverse groups of citizens to promote racial harmony, encourage appreciation and respect for cultural differences and spotlight racial and cultural issues that need to be addressed in the community.

In September, the City issued \$17.6 million in Optional Gas Tax Refunding and Improvement Revenue Bonds and \$14.3 million in General Government Capital Improvement Revenue Certificates. The proceeds from the gas tax bonds will refund the outstanding 1992 gas tax bonds and finance the City's share of the improvements for Southeast 20th Street, Southeast Lake Weir Avenue, Southeast Ft. King Street, State Road 200A, and Northwest 44th Avenue. These projects will be jointly funded by the City of Ocala and Marion County and negotiations are currently underway to determine how to apportion the costs to each government.

The General Capital Improvement Certificates will finance economic development, City aquatic facilities, replacement of the 800 MHz radio system, a financial management system, and other park and road projects and special transportation-related projects.

OTHER INFORMATION

Pension Trust Fund Operations

The City sponsors separate contributory defined benefit pension plans for its Police Officers and its Firefighters and a non-contributory defined benefit pension plan for all other full-time employees. The assets of each plan are managed by multiple investment managers and the board of each plan retains an advisor who prepares quarterly reports evaluating the results achieved by the plan's investment managers. Each year independent actuaries engaged by the various pension boards calculate the amount of the annual contribution that the City must make to the pension plans to ensure that they will be able to fully meet their obligations to the City's retirees.

Due to adverse market conditions, the combined Pension Trust Funds experienced a \$6.4 million decrease in plan net assets during 2002. The combined funds had a net investment losses of \$4,627,424 and \$4,526,963 for the years ending September 30, 2001 and 2002, respectively, resulting from realized and unrealized investment losses which more than offset dividend income. As a result, the City has increased its contribution for fiscal year 2003 to all employees pension plans by 1.25 percent of payroll, from 6.65 percent to 7.9 percent. In addition, for fiscal year 2003 the police officers are increasing their contribution by 3 percent of payroll to a total of 8 percent and the firefighters are increasing their contribution to 8.42 percent of payroll.

Debt Administration

At September 30, 2002, the City had \$155,315,000 in outstanding serial and term bonds and certificates. Of this amount, \$101,665,000 is associated with enterprise funds and \$53,650,000 is associated with governmental funds. Both of the City's issues carry the highest ratings. Debt coverage ratios for the City's bond issues are included in the statistical section of this report. Although the City may issue general obligation debt in an amount up to 20 percent of the assessed valuation of the taxable real and personal property in the City according to article IX, §9.02, of the *City Charter*, there is no general obligation debt outstanding.

In Fiscal Year 2002, the City issued \$17.6 million in Optional Gas Tax Refunding and Improvement Revenue Bonds and \$14.3 million in General Government Capital Improvement Revenue Certificates. All of these issues are fully insured and secured by appropriate revenue streams.

Cash Management

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

Cash temporarily idle during the year was invested in the State Board of Administration Local government Surplus Trust Fund, which is an investment pool administered by the State of Florida. At September 30, 2002, these investments with the State Board of Administration were earning 1.89 percent.

During fiscal 1998, the City hired Sawgrass Asset Management, L.L.C. as its investment manager to maximize earnings. Sawgrass Asset Management, within the confines of the City investment policy, invests the City reserve funds in broadly diversified U.S. Government, U.S. Agency and corporate debt obligations. Compliance to the terms of the City investment policy restrictions with regard to credit and market risk is strictly monitored. Sawgrass investments range from 30 days to 7 years to maturity

*Each year,
the City adjusts
the amount
contributed to its
pension plans to
ensure that they
will meet
the future needs
of retirees . . .*

with the average maturity of 28.8 months deriving a yield of 7.2 percent. The City's investment portfolio of \$106,922,560 managed by Sawgrass Asset Management at September 30, 2002 consisted of U. S. Government and federal agency securities (59 percent), corporate bonds (39 percent) and cash equivalents (2 percent). Interest earnings on those investments during fiscal year 2002 were \$5,641,690.

Risk Management

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

Employee Insurance - Health Benefits, Dependent Coverage, Life Insurance, Disability Insurance

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

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

More detailed information about the City's insurance coverage can be found in the Statistical Section of this report.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ocala, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2001. This was the twentieth consecutive year that the City of Ocala has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

***The City has
received
twenty
consecutive
awards for
Excellence
in Financial
Reporting ...***

The City was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association of the United States and Canada for its annual budgets for the fiscal years beginning October 1, 1987 through 2001. In order to receive this award, which is valid for a period of one year only, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

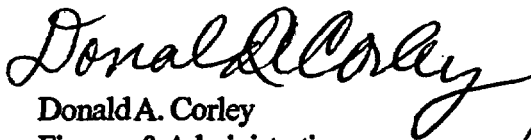
*The City was
awarded the
Distinguished
Budget
Presentation
Award by the
GFOA . . .*

Acknowledgements

The preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance and Administrative Services Department. Sincere appreciation is extended to specific individuals who worked diligently throughout the audit: Diane M. McDonald, Controller; Wayne C. Hodge, Chief Accountant; Cheryl Knight, Accountant III; Robert Coggin, Accountant III; Stephanie Miller, Management Analyst and Myron Taylor, Revenue Officer. Appreciation is also extended to Eric Lewerenz, the City's Internal Auditor for his assistance in this effort.

In closing, without the leadership and support of the City Council, whose continued interest in maintaining a financially sound government as an invaluable asset to our community, the preparation of this report would not have been possible.

Respectfully submitted,



Donald A. Corley
Finance & Administrative
Services Director



Susan M. Miller
City Manager

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, 2001

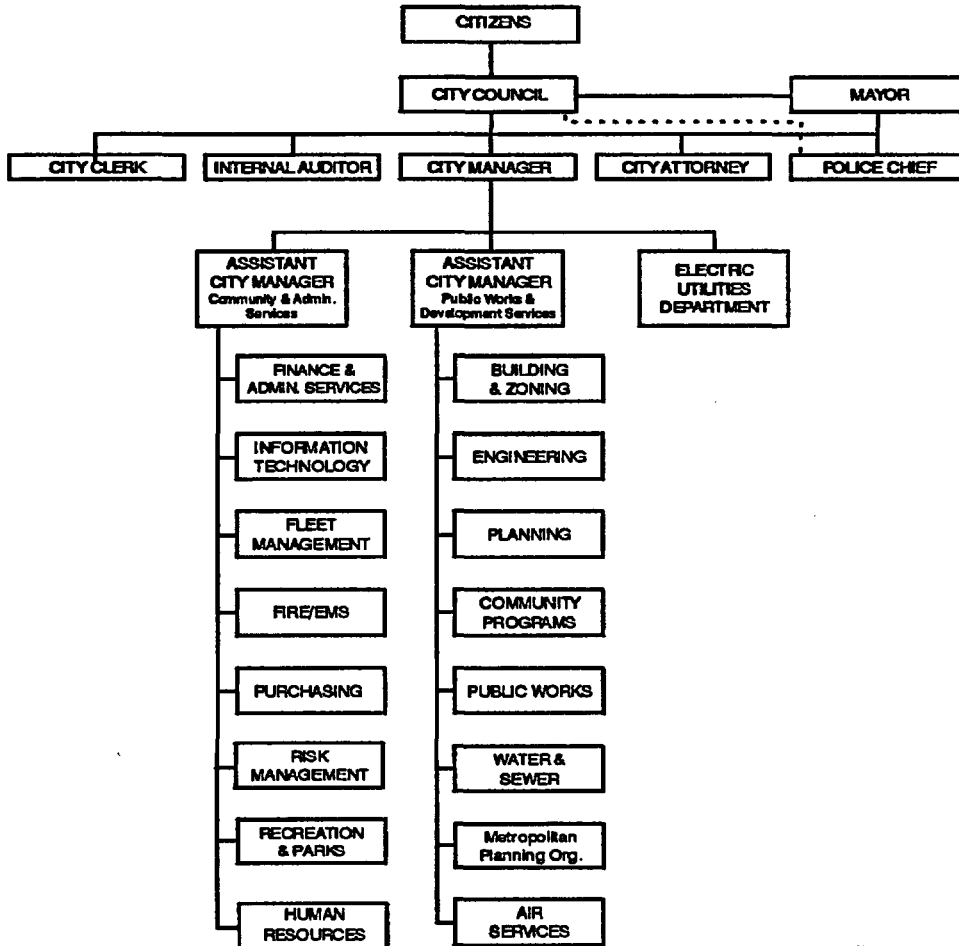
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

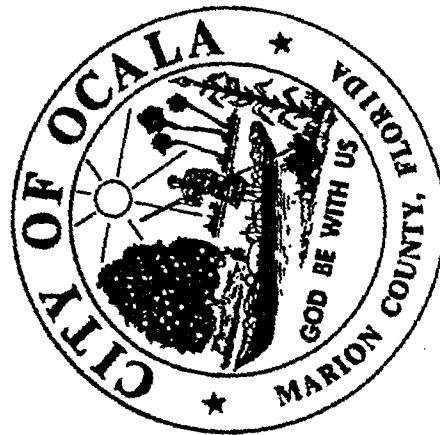


William Patrick Pate
President

Jeffrey L. Esser
Executive Director

CITY OF OCALA Organizational Chart





INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ocala, Florida, (the City) as of and for the year ended September 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2002, and the respective changes in financial position and the cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 11, during the year ended September 30, 2002, the City adopted *Governmental Accounting Standards Board* (GASB) Statement Nos. 34, 37, 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

The Management's Discussion and Analysis and the major fund budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the GASB. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

April 4, 2003
Ocala, Florida

Purvis, Hays and Company

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2002**

The City's management discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2002. Please read it in conjunction with the Letter of Transmittal, beginning on page i, and the City's financial statements beginning on page 12.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2002 by \$430,486,307 (net assets). Of this amount, \$103,246,834 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At September 30, 2002, the City's governmental funds reported combined ending fund balances of \$52,034,075, an increase of \$21,865,972 in comparison with the prior year, due mainly to the unspent proceeds from the Optional Gas Tax and Capital Improvement revenue bonds that were issued during September, 2002.
- At September 30, 2002, unreserved and undesignated fund balance for the General Fund was \$4,842,327 or 7.4% of total general fund expenditures and transfers out.
- Governmental funds revenues increased \$3,572,284 or 8.1% over the prior fiscal year.
- The City's outstanding long-term debt increased by \$33,612,493 during fiscal year 2002. The key factor contributing to this increase was the issuance of Optional Gas Tax and Capital Improvement revenue bonds.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during fiscal year 2002. All changes in net assets are reported as soon as the underlying event, giving rise to the change, occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave).

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

The government-wide financial statements can be found on pages 12 and 13 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

Fund financial statements

A *fund* is a grouping of related accounts that is 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 finance-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.

Because the focus of governmental funds is narrower than that of the 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 reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The City adopts an annual appropriated budget for its general, special revenue and certain capital projects funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* (electric utility, water and sewer, sanitation, etc.) in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for its internal service, fleet management, and self-insurance and risk management 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.

The basic proprietary fund financial statements can be found on pages 19 through 28 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

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 the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The fiduciary funds of the City are pension trust funds.

The basic fiduciary fund financial statements can be found on pages 29 and 30 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 31 through 54 of this report.

Other information

In addition to the basic financial statements and accompanying notes, *required supplementary information* is included which presents budgetary comparison schedules for the City's general fund as well as historical trend information for pension trust funds. Required supplementary information can be found on pages 55 through 59 of this report.

The combining statements and budgetary comparison schedules referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented in the other supplemental information section of this report. Combining and individual fund schedules for the nonmajor governmental funds as well as for the internal service funds can be found on pages 60 through 85 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$430,486,307 at the close of the fiscal year ended September 30, 2002.

At the end of fiscal year 2002, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF OCALA, FLORIDA
NET ASSETS**

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 75,447,299	\$ 140,419,883	\$ 215,867,182
Capital assets (net)	168,436,856	239,850,148	408,287,004
Total Assets	<u>243,884,155</u>	<u>380,270,031</u>	<u>624,154,186</u>
Current and other liabilities	11,260,216	27,196,981	38,457,197
Long-term liabilities	56,144,974	99,065,708	155,210,682
Total Liabilities	<u>67,405,190</u>	<u>126,262,689</u>	<u>193,667,879</u>
Net Assets:			
Invested in capital assets, net of related debt	115,625,140	141,875,832	257,500,972
Restricted	37,546,316	32,192,185	69,738,501
Unrestricted	23,307,509	79,939,325	103,246,834
Total Net Assets	<u>\$ 176,478,965</u>	<u>\$ 254,007,342</u>	<u>\$ 430,486,307</u>

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

The largest portion of the City's net assets (59.8%) are reflected in the investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net assets* (\$103,246,834) may be used to meet the government's ongoing obligations to citizens and creditors and to provide the funding for various projects. There was a net increase of \$13,944,268 in net assets reported in connection with the City's business-type activities. This represented a 17.4% increase of total unrestricted net assets for business-type activities at year-end. Governmental activities increased the City's net assets by \$483,406, thereby accounting for 3.4% percent of the total growth in the net assets of the City.

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

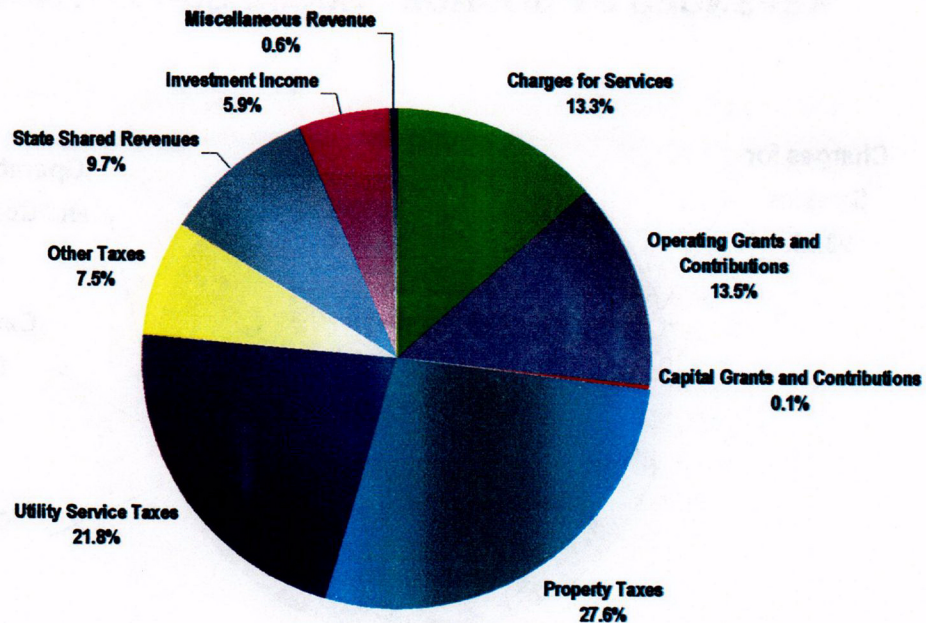
	Governmental Activities	Business-Type Activities	Total
REVENUES:			
Program revenues:			
Charges for services	\$ 5,979,540	\$ 132,440,819	\$ 138,420,159
Operating grants and contributions	8,107,358	845,718	6,953,074
Capital grants and contributions	27,512	4,010,287	4,037,799
General revenues:			
Property taxes	12,438,199	-	12,438,199
Other taxes	13,230,084	-	13,230,084
Other	7,275,381	5,172,632	12,448,013
Total Revenues	<u>45,056,072</u>	<u>142,469,258</u>	<u>187,525,328</u>
EXPENSES:			
General Government	5,932,435	-	5,932,435
Public Safety	24,889,143	-	24,889,143
Public Works	16,209,451	-	16,209,451
Culture and Recreation	4,199,839	-	4,199,839
Housing Rehabilitation	338,440	-	338,440
Non-departmental	258,040	-	258,040
Other	1,195,309	-	1,195,309
Interest On Long Term Debt	1,608,367	-	1,608,367
Electric	-	90,428,168	90,428,168
Water and Sewer	-	14,165,701	14,165,701
Sanitation	-	7,770,720	7,770,720
Municipal Golf Courses	-	2,687,599	2,687,599
Municipal Trailer Park	-	96,207	96,207
International Airport	-	868,865	868,865
Emergency Training Facility	-	441,877	441,877
Adult Athletic Complex	-	191,705	191,705
Communications	-	618,371	618,371
Suntran	-	1,221,617	1,221,617
Total expenses	<u>54,829,024</u>	<u>118,468,630</u>	<u>173,097,654</u>
Change in Net Assets Before Transfers	(9,572,952)	24,000,826	14,427,874
Transfers	10,058,358	(10,058,358)	-
Change in Net Assets	483,406	13,944,268	14,427,674
Net Assets - Beginning	175,995,559	240,063,074	416,058,633
Net Assets - Ending	<u>\$ 176,962,371</u>	<u>\$ 267,951,610</u>	<u>\$ 444,913,981</u>

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General Government	\$ 5,932,435	10.8%	\$ 3,005,306	24.8%	\$ (2,927,129)
Public Safety	24,889,143	45.6%	1,766,135	14.6%	(23,123,008)
Public Works	16,209,451	29.7%	5,421,484	44.7%	(10,787,967)
Culture and Recreation	4,199,839	7.7%	621,444	5.1%	(3,578,395)
Housing Rehabilitation	336,440	0.6%	336,440	2.8%	-
Non-departmental	258,040	0.5%	-	0.0%	(258,040)
Other	1,195,309	2.2%	963,599	8.0%	(231,710)
Interest On Long Term Debt	1,608,367	2.9%	-	0.0%	(1,608,367)
	<u>\$ 54,629,024</u>	<u>100.0%</u>	<u>\$ 12,114,408</u>	<u>100.0%</u>	<u>\$ (42,514,616)</u>

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Business-type activities

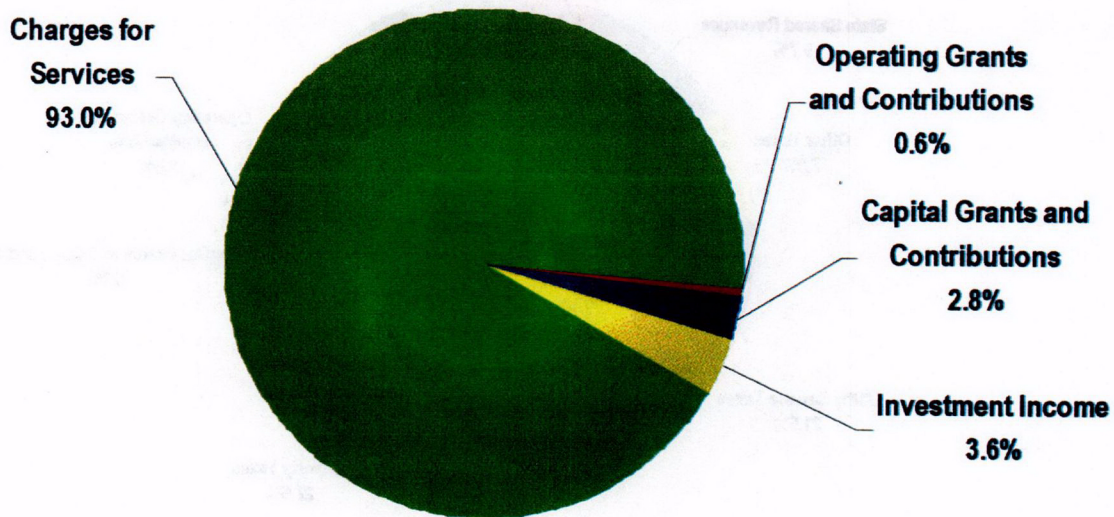
Business-type activities increased the City's net assets by \$13,944,268, accounting for 96.6% of the total growth in the government's net assets. Key elements of this increase are the increases in net assets of the Electric and Water and Sewer funds of \$8,140,170 and \$5,906,875, respectively.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Electric	\$ 90,426,168	76.3%	\$ 105,994,448	77.2%	\$ 15,568,280
Water and Sewer	14,165,701	12.0%	18,432,720	13.4%	4,267,019
Sanitation	7,770,720	6.5%	7,308,366	5.3%	(462,354)
Municipal Golf Courses	2,667,599	2.3%	2,147,531	1.6%	(520,068)
Municipal Trailer Park	96,207	0.1%	97,126	0.1%	919
International Airport	868,865	0.7%	706,441	0.5%	(162,424)
Emergency Training Facility	441,677	0.4%	13,426	0.0%	(428,251)
Adult Athletic Complex	191,705	0.2%	96,323	0.1%	(95,382)
Communications	618,371	0.5%	1,112,616	0.8%	494,245
Suntran	1,221,617	1.0%	1,387,627	1.0%	166,010
	<u>\$ 118,468,630</u>	<u>100.0%</u>	<u>\$ 137,296,624</u>	<u>100.0%</u>	<u>\$ 18,827,994</u>

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



A comparative analysis of government-wide data will be presented in future years when the information is available.

Financial Analysis of the City's Funds

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

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

Governmental funds

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

As of the end of fiscal year 2002, the City's governmental funds reported combined ending fund balances of \$52,034,075, an increase of \$30,184,966 in comparison with the prior year, due mainly to the issuance of Gas Tax and Capital Improvement bonds. *Unreserved fund balance* of the governmental funds is \$13,926,923, of which \$8,984,596 is designated for specific projects. The unreserved and undesignated fund balance of \$4,942,327 is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The General Fund is the primary operating fund of the City. At the end of fiscal year 2002, the fund balance of the General Fund was \$13,926,923, all of which was unreserved. Of the total unreserved fund balance, \$8,984,586 is designated for specific projects and \$4,942,327 is unreserved and undesignated. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. In this case, they are one in the same and represent a healthy 33.2% of the total general fund expenditures.

The fund balance of the City's General Fund increased by \$526,142 during the current fiscal year. Key factors in this growth are as follows:

- An increase in revenues of \$2,420,278 over fiscal year 2001, primarily in taxes, which was predominately due to the communication services tax.
- Expenditures increased by \$3,361,891, primarily in public safety and public works.
- Less than 100% of the appropriated budget was expended.

Proprietary funds

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

Unrestricted net assets of proprietary funds at the end of the year amounted to:

<u>Fund</u>	<u>Unrestricted Net Assets</u>
Electric System Revenue	\$ 48,702,517
Water and Sewer	49,387,347
Sanitation	918,530
Municipal Golf Course	(514,019)
Municipal Trailer Park	114,613
Ocala International Airport	(1,039,667)
Adult Athletic Complex	(342,988)
Communications	233,023
SunTran	70
Total	<u>\$ 97,459,426</u>

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

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

General Fund Budgetary Highlights

The following is a brief review of the budgeting changes from the original to final budget (please see budget to actual comparison on page 55).

The increase in revenue was primarily attributable to a \$1,521,999 increase in other intergovernmental revenues. This was offset in part by a \$845,287 decrease in charges for services revenue. The corresponding increases in appropriations are primarily attributable to a \$2,482,886 increase in capital outlay, a \$779,025 increase in other current expenditures and a \$1,081,533 decrease in nondepartmental appropriations.

The budget anticipated \$7,382,286 to be expended from available Fund Balance. During the year, however, revenues exceeded and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance. In large measure, this was due to the transportation capital program. The year's actual operations resulted in a \$526,142 positive position.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2002 amounts to \$408,287,004 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, leasehold improvements, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 7.6%, attributable almost entirely to business-type activities. Major capital asset changes implemented during the current fiscal year included the following:

- The capital assets related to governmental activities were restated to include infrastructure. Infrastructure was not previously capitalized by the City.
- The majority of the increase in capital assets attributable to business-type activities occurred in the Water and Sewer Fund. The construction of the City's new Water Reclamation Facility # 3 was in process during the year,
- To a lesser extent, the increase in capital assets attributable to business-type activities occurred in the Electric System Revenue Fund with the construction in progress of the new Customer Service Office.

**CITY OF OCALA, FLORIDA
CAPITAL ASSETS**

	Governmental Activities	Business-Type Activities	Total
Land	\$ 5,038,165	\$ 17,274,041	\$ 22,312,206
Buildings	25,954,755	10,100,818	36,055,573
Improvements Other Than Buildings	-	264,698,065	264,698,065
Crystal River Unit # 3	-	16,168,423	16,168,423
Equipment	30,599,653	9,401,972	40,001,625
Infrastructure	248,573,201	-	248,573,201
Construction in Progress	12,595,020	37,230,277	49,825,297
	<u>322,760,794</u>	<u>354,871,596</u>	<u>677,632,390</u>
Less: Accumulated Depreciation	(154,323,938)	(115,021,448)	(269,345,386)
Capital Assets, Net	<u>\$ 168,436,856</u>	<u>\$ 239,850,148</u>	<u>\$ 408,287,004</u>

Additional information on the City's capital assets can be found in Note 4 on pages 43 - 44 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2002**

Long-term debt

At the end of fiscal year 2002, the City had total long-term debt outstanding of \$162,762,398. Of this amount, \$155,315,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). \$53,650,000 of the revenue bonds are applicable to governmental activities, and \$101,665,000 are for the business-type activities. Other items included in long-term debt include self-insurance claims payable and compensated absences.

The City's bonded debt had a net increase of \$21,840,000 or 16.4% during fiscal year 2002. The key factor in this increase was the issuance of Gas Tax and Capital Improvement revenue bonds.

Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002, were Issued in September, 2002, and consisted of \$15,500,000 in serial bonds and \$2,065,000 of term bonds. The proceeds of this issue are being used for the current refunding of the outstanding Optional Gas Tax Refunding Revenue Bonds, Series 1992, and for the financing of the costs of acquisition and construction of certain roads and road improvements within the City.

Capital Improvement Revenue Certificates, Series 2002, were Issued in September, 2002, and consisted of \$14,340,000 in serial certificates. The proceeds of this issue are being used primarily for the purpose of financing certain capital improvements within the City.

Additional information on the City's debt can be found in Note 6 on pages 48 - 50 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City at September 30, 2002 was 4.9 percent. This represents no change from the prior year.
- The taxable value of commercial and residential property increased 6.38 percent in the 2002 fiscal year.
- Building permit activity decreased 23.8 percent for residential and increased 40.3 percent for commercial in the 2002 fiscal year.
- Population increased approximately .6 percent from the prior fiscal year to 46,543 at September 30, 2002.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$13,926,327, of which \$8,984,596 is designated for special projects. Of the remaining \$4,942,327 unreserved and undesignated fund balance, the City has appropriated \$137,948 of this amount for spending in the adopted budget for fiscal year 2003. The ad valorem tax rate for the General Fund was not increased for the 2003 fiscal year budget.

Requests for Information

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



**CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2002**

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Investments	\$ 26,102,262	\$ 25,327,556	\$ 51,429,818
Equity In Pooled Cash Fund	42,024,929	93,842,825	135,867,754
Receivables (net)	662,744	17,256,433	17,919,177
Internal Balances	893,368	(893,368)	-
Due From Other Governments	4,887,329	944,987	5,832,316
Inventories	-	2,522,421	2,522,421
Other Assets	876,667	1,419,029	2,295,696
Capital Assets, net of accumulated depreciation:			
Land	5,038,185	17,274,041	22,312,206
Buildings	17,290,694	6,691,427	23,982,121
Improvements Other than Buildings	-	175,023,238	175,023,238
Machinery and Equipment	12,518,409	3,631,165	16,149,574
Infrastructure	120,994,568	-	120,994,568
Construction in Progress	12,595,020	37,230,277	49,825,297
Total Assets	<u>243,884,155</u>	<u>380,270,031</u>	<u>624,154,186</u>
Liabilities			
Accounts Payable	6,703,555	15,793,532	22,497,087
Accrued Liabilities	631,638	2,380,367	3,012,005
Deferred Revenue	1,454,411	657,285	2,111,696
Other Liabilities	-	3,284,693	3,284,693
Long Term Liabilities:			
Due Within One Year	2,470,612	5,081,104	7,551,716
Due In More Than One Year	56,144,974	99,065,708	155,210,682
Total Liabilities	<u>67,405,190</u>	<u>126,262,689</u>	<u>193,667,879</u>
Net Assets			
Invested In Capital Assets, Net Of Related Debt	115,625,140	141,875,832	257,500,972
Restricted For:			
Special Revenue Activities	12,104,585	-	12,104,585
Capital Projects	24,856,731	31,110,052	55,966,783
Debt Service	585,000	1,082,133	1,667,133
Unrestricted	23,307,509	79,939,325	103,246,834
Total Net Assets	<u>\$ 176,478,965</u>	<u>\$ 254,007,342</u>	<u>\$ 430,486,307</u>

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

**CITY OF OCALA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 5,932,435	\$ 2,564,083	\$ 441,223	\$ -
Public Safety	24,889,143	694,776	1,063,347	8,012
Public Works	16,209,451	2,176,140	3,245,344	-
Culture and Recreation	4,199,839	409,650	192,294	19,500
Housing Rehabilitation	336,440	-	336,440	-
Non-departmental	258,040	-	-	-
Other	1,195,309	134,891	828,708	-
Interest On Long Term Debt	1,608,367	-	-	-
Total Governmental Activities	54,629,024	5,979,540	6,107,356	27,512
Business Type Activities:				
Electric	90,426,168	105,442,675	4,500	547,273
Water and Sewer	14,165,701	15,640,830	91,459	2,700,431
Sanitation	7,770,720	7,308,366	-	-
Municipal Golf Courses	2,667,599	2,147,531	-	-
Municipal Trailer Park	96,207	97,126	-	-
International Airport	868,865	432,748	-	273,693
Emergency Training Facility	441,677	13,426	-	-
Adult Athletic Complex	191,705	96,323	-	-
Communications	618,371	1,112,616	-	-
Suntran	1,221,617	148,978	749,759	488,890
Total Business Type Activities	\$ 118,468,630	\$ 132,440,619	\$ 845,718	\$ 4,010,287

General Revenues:

Taxes:

Property Taxes

Utility Service Taxes

Other Taxes

State Shared Revenues

Investment Income

Miscellaneous

Transfers

Total General Revenues, Special Items and Transfers

Change in Net Assets

Net Assets-Beginning

Net Assets-Ending

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

Net (Expense) Revenue and Change In Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (2,927,129)	\$ -	\$ (2,927,129)
(23,123,008)	-	(23,123,008)
(10,787,967)	-	(10,787,967)
(3,578,395)	-	(3,578,395)
-	-	-
(258,040)	-	(258,040)
(231,710)	-	(231,710)
(1,608,367)	-	(1,608,367)
<u>(42,514,616)</u>	<u>-</u>	<u>(42,514,616)</u>

-	15,568,280	15,568,280
-	4,267,019	4,267,019
-	(462,354)	(462,354)
-	(520,068)	(520,068)
-	919	919
-	(162,424)	(162,424)
-	(428,251)	(428,251)
-	(95,382)	(95,382)
-	494,245	494,245
-	166,010	166,010
<u>\$ -</u>	<u>\$ 18,827,994</u>	<u>\$ 18,827,994</u>

\$ 12,436,199	\$ -	\$ 12,436,199
9,826,251	-	9,826,251
3,403,833	-	3,403,833
4,384,898	-	4,384,898
2,642,330	5,172,632	7,814,962
248,153	-	248,153
10,056,358	(10,056,358)	-
<u>42,998,022</u>	<u>(4,883,726)</u>	<u>38,114,296</u>
483,406	13,944,268	14,427,674
175,995,559	240,063,074	
<u>\$ 176,478,965</u>	<u>\$ 254,007,342</u>	<u>\$ 14,427,674</u>

**CITY OF OCALA, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2002**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Investments	\$ 4,735	\$ 26,096,427	26,101,162
Equity In Pooled Cash Fund	16,998,940	10,822,107	27,821,047
Receivables (net)	348,995	110,099	459,094
Due From Other Funds	935,574	104,119	1,039,693
Due From Other Governments	1,742,857	3,144,472	4,887,329
Other Assets	16,919	782	17,701
Total Assets	<u>\$ 20,048,020</u>	<u>\$ 40,278,006</u>	<u>\$ 60,326,026</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 4,149,034	\$ 1,430,218	\$ 5,579,252
Accrued Liabilities	1,012,781	99,182	1,111,963
Deferred Revenue	833,706	620,705	1,454,411
Advances To Other Funds	125,576	20,749	146,325
Total Liabilities	<u>6,121,097</u>	<u>2,170,854</u>	<u>8,291,951</u>
Fund Balances:			
Reserved For:			
Debt Service Funds	-	1,145,836	1,145,836
Special Revenue Funds	-	12,104,585	12,104,585
Capital Projects	-	24,856,731	24,856,731
Unreserved:			
Designated For Specific Projects	8,984,596	-	8,984,596
Unreserved and Undesignated	4,942,327	-	4,942,327
Total Fund Balances	<u>13,926,923</u>	<u>38,107,152</u>	<u>52,034,075</u>
Total Liabilities and Fund Balances	<u>\$ 20,048,020</u>	<u>\$ 40,278,006</u>	<u>\$ 60,326,026</u>

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

**CITY OF OCALA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2002**

Total Fund Balances of Governmental Funds	\$ 52,034,075
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Amounts reported for governmental activities in the statement of assets are different because;

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$ 287,975,733, and the accumulated depreciation is \$137,180,074.	150,795,659
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The internal service fund is used by management to charge the costs of fleet management, risk management, information technology and other services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	27,714,565
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Long term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long term are reported in the Statement Of Net Assets. Long term liabilities at year end consist of:

Revenue bonds and certificates	(53,650,000)
Less: Deferred charge on refunding (to be amortized as interest expense).	202,315
Deferred charge for issuance costs (to be amortized over life of debt)	567,157
Bond discount (to be amortized over life of debt)	68,812
Accrued interest payable	(560,836)
Compensated absences	(692,782)

Total net assets of governmental activities	\$ 176,478,965
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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
SEPTEMBER 30, 2002**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 12,273,927	162,272	\$ 12,436,199
Utility Service Taxes	9,826,251	-	9,826,251
Other Taxes	395,596	-	395,596
State Revenue Sharing	1,391,703	-	1,391,703
Other Intergovernmental Revenues	5,371,927	6,602,088	11,974,015
Parking Meters and Facilities	-	62,673	62,673
Licenses and Permits	1,055,928	-	1,055,928
Fines and Forfeitures	395,292	8,471	403,763
Charges For Services	1,857,905	2,173,980	4,031,885
Investment Income	992,330	785,199	1,777,529
Gifts	106,820	58,584	165,404
Other	659,282	11,043	670,325
Total Revenues	<u>34,326,961</u>	<u>9,864,310</u>	<u>44,191,271</u>
Expenditures			
Current			
General Government	5,323,862	398,282	5,722,144
Public Safety	23,546,305	-	23,546,305
Public Works	5,482,418	3,241,735	8,724,153
Culture and Recreation	3,922,136	-	3,922,136
Housing Rehabilitation	336,440	-	336,440
Nondepartmental	215,439	567,157	782,596
Other	1,067,762	73,281	1,141,043
Capital Outlay	1,979,978	6,482,375	8,462,353
Debt Service:			
Principal Payments	-	3,385,000	3,385,000
Interest and Fees	11,438	1,768,234	1,779,672
Total Expenditures	<u>41,885,778</u>	<u>15,916,064</u>	<u>57,801,842</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(7,558,817)</u>	<u>(6,051,754)</u>	<u>(13,610,571)</u>
Other Financing Sources (Uses)			
Transfers In	10,584,830	3,696,647	14,281,477
Transfers Out	(2,499,871)	(1,718,936)	(4,218,807)
Bond Proceeds	-	31,905,000	31,905,000
Bond Discount	-	(68,812)	(68,812)
Payment To Refunding Bonds Escrow Agent	-	(6,422,315)	(6,422,315)
Total Other Financing Sources (Uses)	<u>8,084,959</u>	<u>27,391,584</u>	<u>35,476,543</u>
Net Change In Fund Balances	526,142	21,339,830	21,865,972
Fund Balances-Beginning	13,400,781	16,767,322	30,168,103
Fund Balances-Ending	<u>\$ 13,926,923</u>	<u>\$ 38,107,152</u>	<u>\$ 52,034,075</u>

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

**CITY OF OCALA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

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

Net change in fund balances - total governmental funds	\$ 21,865,972
Governmental funds report capital purchases as expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which capital purchases of \$8,462,353 exceeded depreciation expense of \$7,487,038	974,915
<p>The issuance of bonds and similar long term debt provides current financial resources to governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. Also governmental funds report the effect of issuance costs, premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts of the items that make up these differences in treatment of long term debt and related items are:</p>	
Debt issued or incurred:	
Issuance of bonds	(31,905,000)
Bond discount	68,812
Bond issuance costs	567,157
Principal repayments:	
Bonds and Certificates	3,385,000
Payment to escrow agent for refunding	6,422,315
Some expenses reported in the statement of activities such as compensated absences and accrued interest, do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Compensated absences	(136,479)
Accrued interest on long term debt	171,305
The internal service fund is used by management to charge the costs of activities that benefit the entire government. The net income (expense) of the internal service fund is reported with governmental activities.	(930,591)
Change in net assets of governmental activities	<u>\$ 483,406</u>

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

**CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2002**

BUSINESS-TYPE ACTIVITIES -

Assets	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Current Assets:					
Cash and investments	\$ 2,300	\$ 250	\$ -	\$ 4,128	\$ 100
Equity in pooled cash and investment fund	40,823,709	22,970,678	1,150,588	33,927	117,253
Accrued interest receivable	414,885	227,977	9,132	1,229	1,153
Accounts and notes receivable	9,283,009	105,608	-	65	70
Accrued unbilled revenues	6,737,420	-	-	-	-
Due from other funds	138,650	682,248	339,760	-	-
Interfund loans receivable	55,659	-	-	-	-
Inventories	2,048,542	35,397	-	81,127	-
Due from other governments	-	-	-	-	1,700
Other current assets	325,203	160	-	4,009	-
Total current assets	59,829,377	24,002,318	1,499,480	124,485	120,276
Restricted Assets:					
Cash and investments:					
Crystal River Decommissioning Trust	5,178,140	-	-	-	-
Construction accounts	-	13,250,080	-	-	-
Debt service accounts	2,122,678	4,769,780	-	-	-
Equity in pooled cash and investment fund					
Construction accounts	347,043	8,552,487	-	-	-
Impact fee accounts	-	6,170,212	-	-	-
Renewal and replacement	6,208,692	7,317,707	-	-	-
Accrued interest receivable:					
Construction accounts	3,513	221,694	-	-	-
Impact fee accounts	-	58,753	-	-	-
Renewal and replacement	62,685	74,387	-	-	-
Due from other governments	-	-	-	-	-
Other	-	291,980	-	-	-
Total restricted assets	13,922,751	40,705,080	-	-	-
Capital Assets, Net	80,531,286	127,167,917	262,841	4,388,139	43,333
Other Assets:					
Interfund Loans Receivable After One Year	1,802,347	-	-	-	-
Issuance Costs on Long-Term Debt	68,512	729,102	-	-	-
Total other assets	1,870,859	729,102	-	-	-
Total Assets	\$ 156,154,273	\$ 192,604,417	\$ 1,762,321	\$ 4,512,624	\$ 163,609

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

<u>ENTERPRISE FUNDS</u>						<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Florida Emergency Training Facility</u>	<u>Adult Athletic Complex</u>	<u>Communi- cations</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES Internal Service Funds</u>
\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 6,878	\$ 1,100
150,529	-	-	-	-	65,246,684	14,203,882
2,240	-	-	-	-	656,616	156,166
3,549	-	-	51,064	-	9,443,365	47,484
-	-	-	-	-	6,737,420	-
-	-	-	-	-	1,140,658	-
-	-	-	-	-	55,659	-
-	-	-	357,355	-	2,522,421	235,588
-	-	-	-	842,722	844,422	-
-	-	-	63	-	329,435	56,221
<u>156,418</u>	<u>-</u>	<u>-</u>	<u>408,482</u>	<u>842,722</u>	<u>86,983,558</u>	<u>14,700,441</u>
-	-	-	-	-	5,178,140	-
-	-	-	-	-	13,250,080	-
-	-	-	-	-	6,892,458	-
-	-	-	-	-	8,899,530	-
-	-	-	-	-	6,170,212	-
-	-	-	-	-	13,526,399	-
-	-	-	-	-	225,207	-
-	-	-	-	-	56,753	-
-	-	-	-	-	137,072	-
100,565	-	-	-	-	100,565	-
-	-	-	-	-	291,980	-
<u>100,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,728,396</u>	<u>-</u>
<u>20,029,727</u>	<u>-</u>	<u>1,362,823</u>	<u>4,750,447</u>	<u>1,313,635</u>	<u>239,850,148</u>	<u>17,641,197</u>
-	-	-	-	-	1,802,347	-
-	-	-	-	-	797,614	-
-	-	-	-	-	2,599,961	-
<u>\$ 20,286,710</u>	<u>\$ -</u>	<u>\$ 1,362,823</u>	<u>\$ 5,158,929</u>	<u>\$ 2,156,357</u>	<u>\$ 384,162,063</u>	<u>\$ 32,341,638</u>

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2002

BUSINESS-TYPE ACTIVITIES -

Liabilities and Fund Equity	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Current Liabilities:					
Accounts payable	\$ 10,125,275	\$ 308,783	\$ 350,695	\$ 77,783	\$ 3,346
Claims payable	-	-	-	-	-
Compensated absences payable	307,120	89,522	119,236	37,431	531
Accrued interest payable	2,909	-	-	-	-
Due to other funds	1,432,011	-	-	-	-
Customer deposits	3,284,693	-	-	-	-
Deferred revenue	-	-	-	30,447	-
Interfund loans payable	-	-	-	38,751	-
Total current liabilities	<u>15,152,008</u>	<u>398,305</u>	<u>469,931</u>	<u>184,412</u>	<u>3,877</u>
Liabilities Payable from Restricted Assets:					
Accounts payable	-	4,284,661	-	-	-
Accrued interest payable	182,678	2,194,780	-	-	-
Deferred revenue	-	623,295	-	-	-
Revenue bonds payable within one year	1,940,000	2,575,000	-	-	-
Decommissioning costs	5,178,140	-	-	-	-
Total liabilities payable from restricted assets	<u>7,300,818</u>	<u>9,677,736</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities:					
Interfund Loans Payable After One Year	-	-	-	429,846	-
Compensated absences payable	209,787	73,885	111,019	24,246	1,786
Revenue Bonds and Notes Payable After One Year	8,166,037	85,293,279	-	-	-
Total noncurrent liabilities	<u>8,375,824</u>	<u>85,367,164</u>	<u>111,019</u>	<u>454,092</u>	<u>1,786</u>
Total liabilities	<u>30,828,650</u>	<u>95,443,205</u>	<u>580,950</u>	<u>638,504</u>	<u>5,663</u>
Net Assets:					
Invested in capital assets, net of related debt	70,425,249	39,299,638	262,841	4,388,139	43,333
Restricted for debt service	-	1,082,133	-	-	-
Restricted for renewal and replacement	6,197,857	7,392,094	-	-	-
Unrestricted (accumulated deficit)	48,702,517	49,387,347	918,530	(514,019)	114,813
Total net assets	<u>\$ 125,325,623</u>	<u>\$ 97,161,212</u>	<u>\$ 1,181,371</u>	<u>\$ 3,874,120</u>	<u>\$ 157,946</u>

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

ENTERPRISE FUNDS						GOVERNMENTAL
Ocala International Airport	Florida Emergency Training Facility	Adult Athletic Complex	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 44,589	\$ -	\$ 5,347	\$ 28,260	\$ 564,793	\$ 11,508,871	\$ 1,124,303
-	-	-	-	-	-	3,266,247
3,157	-	2,855	6,252	-	566,104	122,953
-	-	-	-	-	2,909	-
-	-	332,489	138,650	277,201	2,180,351	-
-	-	-	-	-	3,284,693	-
2,885	-	-	-	658	33,990	-
-	-	-	-	-	38,751	-
<u>50,631</u>	<u>-</u>	<u>340,691</u>	<u>173,162</u>	<u>842,652</u>	<u>17,615,669</u>	<u>4,513,503</u>
-	-	-	-	-	4,284,661	-
-	-	-	-	-	2,377,458	-
-	-	-	-	-	623,295	-
-	-	-	-	-	4,515,000	-
-	-	-	-	-	5,178,140	-
-	-	-	-	-	16,978,554	-
1,243,084	-	-	-	-	1,672,930	-
2,935	-	2,297	2,297	-	428,252	113,570
-	-	-	-	-	93,459,316	-
<u>1,246,019</u>	<u>-</u>	<u>2,297</u>	<u>2,297</u>	<u>-</u>	<u>95,560,498</u>	<u>113,570</u>
<u>1,296,650</u>	<u>-</u>	<u>342,988</u>	<u>175,459</u>	<u>842,652</u>	<u>130,154,721</u>	<u>4,627,073</u>
20,029,727	-	1,362,823	4,750,447	1,313,635	141,875,832	17,641,197
-	-	-	-	-	1,082,133	-
-	-	-	-	-	13,589,951	-
(1,039,667)	-	(342,988)	233,023	70	97,459,426	10,073,368
<u>\$ 18,990,060</u>	<u>\$ -</u>	<u>\$ 1,019,835</u>	<u>\$ 4,983,470</u>	<u>\$ 1,313,705</u>	<u>\$ 254,007,342</u>	<u>\$ 27,714,565</u>

CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

BUSINESS-TYPE ACTIVITIES -

	<u>Electric System Revenue</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Municipal Golf Course</u>	<u>Municipal Trailer Park</u>
Operating Revenues:					
Charges for services	\$ 101,633,158	\$ 14,835,707	\$ 7,303,359	\$ 1,873,128	\$ 97,043
Other	3,809,519	889,123	5,007	274,405	83
Total operating revenues	<u>105,442,675</u>	<u>15,724,830</u>	<u>7,308,366</u>	<u>2,147,531</u>	<u>97,126</u>
Operating Expenses:					
Purchase of electricity	65,703,668	-	-	-	-
Distribution	10,268,353	1,377,128	-	-	-
Operation and maintenance	2,704,919	-	7,164,401	2,328,977	92,708
Water and sewer treatment	-	2,655,147	-	-	-
Sewer collection	-	1,681,564	-	-	-
Internal service	-	-	-	-	-
Administration	5,243,361	1,783,837	489,975	76,004	-
Depreciation and amortization	4,109,020	3,843,268	116,344	228,431	3,501
Economic improvement incentives	252,333	-	-	-	-
Other	1,645,653	22,245	-	-	-
Total operating expenses	<u>89,925,307</u>	<u>11,363,185</u>	<u>7,770,720</u>	<u>2,633,412</u>	<u>96,207</u>
Operating Income (Loss)	<u>15,517,368</u>	<u>4,361,645</u>	<u>(462,354)</u>	<u>(485,881)</u>	<u>919</u>
Non-Operating Revenues (Expenses):					
Investment income	2,863,103	2,608,360	55,528	13,242	6,294
Interest expense	(500,861)	(2,802,516)	-	(34,187)	-
Other non-operating revenue	551,773	2,319,515	-	-	-
Total non-operating revenues (expenses)	<u>2,914,015</u>	<u>2,125,359</u>	<u>55,528</u>	<u>(20,945)</u>	<u>6,294</u>
Income (Loss) Before Operating Transfers	<u>18,431,383</u>	<u>6,487,004</u>	<u>(406,826)</u>	<u>(506,826)</u>	<u>7,213</u>
Operating Transfers:					
From other funds	5,563	103,159	2,444	-	-
To other funds	(10,296,776)	(683,288)	(127,319)	(100,000)	-
Total operating transfers	<u>(10,291,213)</u>	<u>(580,129)</u>	<u>(124,875)</u>	<u>(100,000)</u>	<u>-</u>
Change in net assets	<u>8,140,170</u>	<u>5,906,875</u>	<u>(531,701)</u>	<u>(606,826)</u>	<u>7,213</u>
Net assets:					
Beginning of year	<u>117,185,453</u>	<u>91,254,337</u>	<u>1,713,072</u>	<u>4,480,948</u>	<u>150,733</u>
End of year	<u>\$ 125,325,623</u>	<u>\$ 97,161,212</u>	<u>\$ 1,181,371</u>	<u>\$ 3,874,120</u>	<u>\$ 157,946</u>

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

ENTERPRISE FUNDS						GOVERNMENTAL
Ocala International Airport	Florida Emergency Training Facility	Adult Athletic Complex	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 432,153	\$ 1,000	\$ 96,035	\$ 1,111,814	\$ 148,978	\$ 127,532,371	\$ 18,053,250
595	12,426	288	802	-	4,992,248	106,125
432,748	13,426	96,323	1,112,616	148,978	132,524,619	18,159,375
-	-	-	-	-	65,703,668	-
-	-	-	-	-	11,643,479	-
454,290	215	118,118	517,802	992,334	14,373,762	-
-	-	-	-	-	2,655,147	-
-	-	-	-	-	1,681,564	-
-	-	-	-	-	-	17,039,332
-	-	-	-	-	7,593,177	-
326,697	408,896	55,618	89,986	226,921	9,408,680	2,907,100
-	-	-	-	-	252,333	-
-	-	-	-	2,362	1,670,260	-
780,987	409,111	173,736	607,788	1,221,617	114,982,070	19,946,432
(348,239)	(395,685)	(77,413)	504,828	(1,072,639)	17,542,549	(1,787,057)
14,480	-	-	-	-	5,561,007	864,801
(87,878)	(32,566)	(17,969)	(10,583)	-	(3,486,560)	(2,023)
273,693	-	-	-	1,238,649	4,383,630	-
200,295	(32,566)	(17,969)	(10,583)	1,238,649	6,458,077	862,778
(147,944)	(428,251)	(95,382)	494,245	166,010	24,000,626	(924,279)
9,708,572	674,170	78,495	14,232	99,622	10,686,257	-
-	(9,535,232)	-	-	-	(20,742,615)	(6,312)
9,708,572	(8,861,062)	78,495	14,232	99,622	(10,056,358)	(6,312)
9,560,628	(9,289,313)	(16,887)	508,477	265,632	13,944,268	(930,591)
9,429,432	9,289,313	1,036,722	4,474,993	1,048,073	240,063,074	28,645,156
\$ 18,990,060	\$ -	\$ 1,019,835	\$ 4,983,470	\$ 1,313,705	\$ 254,007,342	\$ 27,714,565

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	BUSINESS-TYPE ACTIVITIES -				
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Cash Flows from Operating Activities:					
Cash received from customers	\$ 104,985,173	\$ 18,228,712	\$ 7,304,153	\$ 2,115,350	\$ 97,056
Cash paid to suppliers for goods and services	(75,225,811)	(4,434,514)	(4,848,121)	(1,274,718)	(41,012)
Cash paid to employees for services	(7,088,513)	(2,945,810)	(2,763,710)	(1,119,641)	(52,954)
Net cash provided by (used in) operating activities	<u>22,671,049</u>	<u>8,848,388</u>	<u>(305,678)</u>	<u>(279,009)</u>	<u>3,090</u>
Cash Flows from Non-Capital Financing Activities:					
Operating transfers in	5,563	103,159	2,444	-	-
Operating transfers out	(10,209,024)	(683,288)	(127,319)	(100,000)	-
Operating grants	4,500	7,459	3,888	-	-
Principal received on loans to other funds	78,370	-	-	-	-
Interest received on loans to other funds	133,045	-	-	-	-
Principal paid on loans from other funds	-	-	-	(36,138)	-
Interest paid on loans from other funds	-	-	-	(34,187)	-
Net cash provided by (used in) non-capital financing activities	<u>(9,987,548)</u>	<u>(572,670)</u>	<u>(120,987)</u>	<u>(170,325)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Principal paid on bonds and notes	-	(460,000)	-	-	-
Interest paid on bonds and notes	(243,571)	(3,708,504)	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Acquisition and construction of capital assets	(9,737,220)	(23,175,278)	(3,659)	(62,979)	-
Contributions received from other governments and developers	547,273	2,312,056	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(9,433,518)</u>	<u>(25,031,726)</u>	<u>(3,659)</u>	<u>(62,979)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Purchase of investments	(903,716)	(755,530)	-	-	-
Proceeds from sales and maturities of investments	-	8,930,000	-	-	-
Investment income	2,752,425	3,334,088	62,856	19,132	6,343
Net cash provided by investing activities	<u>1,848,709</u>	<u>11,508,558</u>	<u>62,856</u>	<u>19,132</u>	<u>6,343</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,098,694	(5,247,450)	(367,468)	(493,181)	9,433
Cash and Cash Equivalents, beginning of year	44,405,728	52,209,445	1,518,056	531,236	107,920
Cash and Cash Equivalents, end of year	\$ 49,504,422	\$ 48,961,995	\$ 1,150,588	\$ 38,055	\$ 117,353

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

ENTERPRISE FUNDS						GOVERNMENTAL
Ocala International Airport	Florida Emergency Training Facility	Adult Athletic Complex	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 449,365	\$ 20,751	\$ 96,698	\$ 1,061,939	\$ 145,978	\$ 132,505,175	\$ 17,957,079
(265,325)	(13,170)	(48,044)	(416,862)	(853,572)	(87,418,949)	(11,975,795)
(177,561)	(7,581)	(68,649)	(425,627)	-	(14,650,046)	(4,076,159)
6,479	-	(19,995)	219,450	(707,594)	30,436,180	1,905,125
173,340	-	78,495	-	99,622	462,623	-
-	-	-	-	-	(11,119,631)	(6,312)
-	-	-	-	675,058	690,905	-
-	-	-	-	-	78,370	-
-	-	-	-	-	133,045	-
(22,495)	-	-	-	-	(58,633)	-
(87,878)	-	-	-	-	(122,065)	-
62,967	-	78,495	-	774,680	(9,935,386)	(6,312)
-	-	-	-	-	(460,000)	(171,753)
-	-	-	-	-	(3,952,075)	(2,023)
-	-	-	-	-	-	214,174
(624,899)	-	(58,500)	(219,450)	(216,338)	(34,098,323)	(2,032,075)
302,317	-	-	-	149,252	3,310,898	-
(322,582)	-	(58,500)	(219,450)	(67,086)	(35,199,500)	(1,991,677)
-	-	-	-	-	(1,659,246)	-
-	-	-	-	-	8,930,000	-
17,443	-	-	-	-	6,192,287	860,407
17,443	-	-	-	-	13,463,041	860,407
(235,693)	-	-	-	-	(1,235,665)	767,543
386,322	- 0	-	-	-	99,158,707	13,437,439
\$ 150,629	\$ -	\$ -	\$ -	\$ -	\$ 97,923,042	\$ 14,204,982

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	BUSINESS-TYPE ACTIVITIES -				
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course	Municipal Trailer Park
Reconciliation of Cash and Cash Equivalents to Balance Sheet:					
Total unrestricted cash and invest- ments per the balance sheet	\$ 40,828,009	\$ 22,970,928	\$ 1,150,588	\$ 38,055	\$ 117,353
Total restricted cash and invest- ments per the balance sheet	13,858,553	40,060,268	-	-	-
Total cash and investments	54,686,562	63,031,194	1,150,588	38,055	117,353
Less: Investments not meeting the definition of cash equivalents	(5,178,140)	(18,069,199)	-	-	-
Cash and Cash Equivalents, end of year	\$ 49,504,422	\$ 48,981,995	\$ 1,150,588	\$ 38,055	\$ 117,353
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 15,517,368	\$ 4,361,845	\$ (482,354)	\$ (485,881)	\$ 919
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation	4,102,714	3,772,633	116,344	228,431	3,501
Amortization	8,306	70,633	-	-	-
Loss (gain) on fixed asset disposal	28,993	(2,745)	884	758	-
(Increase) decrease in assets:					
Accounts and notes receivable	(177,480)	(23,655)	-	546	(70)
Accrued unbilled revenue	(801,919)	-	-	-	-
Due from other funds	313,857	2,922	(4,213)	-	-
Inventories	239,959	(5,258)	-	(550)	-
Due from other governments	22,195	-	-	-	(1,700)
Other current assets	148,453	84,249	-	(497)	-
Increase (decrease) in liabilities:					
Accounts payable	1,723,484	70,042	12,112	9,699	1,091
Compensated absences payable	45,777	(8,693)	31,549	1,212	(651)
Due to other funds	97,924	-	-	-	-
Customer deposits	499,702	-	-	-	-
Deferred revenue	-	524,815	-	(32,727)	-
Decommissioning costs	903,716	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	\$ 22,571,049	\$ 8,848,388	\$ (305,678)	\$ (279,009)	\$ 3,090
Noncash Capital and Related Financing Activities:					
Plant and equipment contributed from (to) other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Noncash Investing Activities:					
Change in fair value of investments	\$ 44,621	\$ (495,073)	\$ -	\$ -	\$ -

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

ENTERPRISE FUNDS						GOVERNMENTAL
Ocala International Airport	Florida Emergency Training Facility	Adult Athletic Complex	Communi- cations	SunTran	Total	ACTIVITIES Internal Service Funds
\$ 150,629	\$ -	\$ -	\$ -	\$ -	\$ 65,253,562	\$ 14,204,982
-	-	-	-	-	53,916,819	-
150,629	-	-	-	-	119,170,381	14,204,982
-	-	-	-	-	(21,247,339)	-
\$ 150,629	\$ -	\$ -	\$ -	\$ -	\$ 97,923,042	\$ 14,204,982
\$ (348,239)	\$ (395,685)	\$ (77,413)	\$ 504,828	\$ (1,072,639)	\$ 17,542,549	\$ (1,787,057)
326,697	408,896	55,618	89,986	226,921	9,331,741	2,907,100
-	-	-	-	-	76,939	-
-	-	-	187	856	28,933	(75,916)
16,617	59,589	375	(50,677)	-	(174,755)	34,036
-	-	-	-	-	(801,919)	-
-	-	-	-	-	312,566	-
-	-	-	72,076	-	306,227	(61,912)
-	-	-	-	-	20,495	7,000
-	-	-	162	-	232,367	26,066
14,993	(12,955)	2,039	(73,340)	110,036	1,857,201	826,400
(3,589)	(7,581)	1,191	668	-	61,883	29,408
-	(52,264)	(1,805)	(324,440)	30,232	(250,353)	-
-	-	-	-	-	499,702	-
-	-	-	-	(3,000)	488,888	-
-	-	-	-	-	903,716	-
\$ 6,479	\$ -	\$ (19,995)	\$ 219,450	\$ (707,594)	\$ 30,436,180	\$ 1,905,125
\$ 9,537,100	\$ (9,537,100)	\$ 20,943	\$ -	\$ -	\$ 20,943	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (450,452)	\$ -

**CITY OF OCALA, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
SEPTEMBER 30, 2002**

	<u>General Employees' Retirement System</u>	<u>Firefighters' Retirement Plan</u>	<u>Police Officers' Retirement System</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 331,480	\$ 278,292	\$ 917,021	\$ 1,526,793
Receivables:				
Interest and dividends receivable	24,332	7,341	120,333	152,006
Accounts receivable	1,876	314,007	-	315,883
Due from other governments	-	20,452	-	20,452
Due from other funds	-	-	-	-
Prepaid expense	-	303	-	303
Total receivables	<u>26,208</u>	<u>342,103</u>	<u>120,333</u>	<u>488,644</u>
Investments, at fair value:				
Mutual funds: equities	-	2,722,936	-	2,722,936
Mutual funds: bonds	18,519,156	10,936,711	6,900,394	36,356,261
Common stock	20,308,744	3,396,005	9,921,233	33,625,982
Government obligations	-	-	3,546,699	3,546,699
International stock	3,751,185	-	1,541,012	5,292,197
Non-government obligations	-	-	3,656,467	3,656,467
Total investments	<u>42,579,085</u>	<u>17,055,652</u>	<u>25,565,805</u>	<u>85,200,542</u>
Total Assets	<u>42,936,773</u>	<u>17,676,047</u>	<u>26,603,159</u>	<u>87,215,979</u>
Liabilities				
Accounts Payable	636,373	32,985	633,121	1,302,479
Total liabilities	<u>636,373</u>	<u>32,985</u>	<u>633,121</u>	<u>1,302,479</u>
Net Assets				
Net Assets Reserved for Employees' Pension Benefits	<u>\$ 42,300,400</u>	<u>\$ 17,643,062</u>	<u>\$ 25,970,038</u>	<u>\$ 85,913,500</u>

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

**CITY OF OCALA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	<u>General Employees' Retirement System</u>	<u>Firefighters' Retirement Plan</u>	<u>Police Officers' Retirement System</u>	<u>Total</u>
Additions:				
Contributions:				
Employer	\$ 1,730,990	\$ 617,662	\$ 464,580	\$ 2,813,232
State	-	303,241	442,447	745,688
Employee	-	338,235	357,573	695,808
Total contributions	<u>1,730,990</u>	<u>1,259,138</u>	<u>1,264,600</u>	<u>4,254,728</u>
Investment income:				
Investment income (loss)	(2,687,648)	(643,654)	(1,361,213)	(4,692,515)
Dividend income	423,492	100,910	251,178	775,580
Total income on investments	<u>(2,264,156)</u>	<u>(542,744)</u>	<u>(1,110,035)</u>	<u>(3,916,935)</u>
Less: Investment management fees	<u>(320,347)</u>	<u>(118,302)</u>	<u>(171,379)</u>	<u>(610,028)</u>
Net investment income (loss)	<u>(2,584,503)</u>	<u>(661,046)</u>	<u>(1,281,414)</u>	<u>(4,526,963)</u>
Total additions (reductions)	<u>(853,513)</u>	<u>598,092</u>	<u>(16,814)</u>	<u>(272,235)</u>
Deductions:				
Pension payments	3,136,005	1,331,429	1,436,148	5,903,582
Refunds to employees	-	10,194	16,848	27,042
Administration	101,472	70,899	63,286	235,657
Total deductions	<u>3,237,477</u>	<u>1,412,522</u>	<u>1,516,282</u>	<u>6,166,281</u>
Net Increase (Decrease)	(4,090,990)	(814,430)	(1,533,096)	(6,438,516)
Net Assets Reserved for Employees'				
Pension Benefits:				
Beginning of year	<u>46,391,390</u>	<u>18,457,492</u>	<u>27,503,134</u>	<u>92,352,016</u>
End of year	<u>\$ 42,300,400</u>	<u>\$ 17,643,062</u>	<u>\$ 25,970,038</u>	<u>\$ 85,913,500</u>

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



**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002**

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**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City Of Ocala (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the reporting year ended September 30, 2002, the City has implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant City accounting policies are described below.

Reporting Entity

The City of Ocala, Florida (the "City") operates under a council-manager form of government, including a six-member City Council comprised of a Mayor (elected at large) and five district Councilmen and provides the following services as authorized by its charter: public safety, public works, public utilities, culture, recreation and community development. The City of Ocala, Florida was created pursuant to the Laws of Florida, Chapter 87-1782.

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

Blended Component Unit:

Community Redevelopment Agency (CRA) - The Community Redevelopment Agency was created pursuant to Chapter 163.356, Florida Statutes, City Ordinance 2009 and City Resolutions 88-37, 88-52 and 89-44. The City Council serves as the CRA Board. Although legally separate, the CRA is appropriately blended as a governmental fund type component unit into the primary government. Separate financial statements for the CRA are not presently developed.

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

Related Organization:

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

- The *Electric System Revenue Fund* accounts for the construction, operation and maintenance of the City-owned portion of CR-3 and the City-owned electric system as well as sales of electricity and other services to the general public. Electricity rates charged to customers are set by the City Council within the rate structure established by the Florida Public Service Commission.
- The *Water and Sewer System* accounts for the fiscal activity of providing water and wastewater services to residential and commercial customers.
- The *Sanitation Fund* accounts for the operations and maintenance of the City's refuse collection system.
- The *Municipal Golf Course Fund* accounts for the construction, operations and maintenance of the City's two golf courses.
- The *Municipal Trailer Park Fund* accounts for the operations and maintenance of the City-owner trailer park.
- The *Ocala International Airport Fund* accounts for the construction, operations and maintenance of the City's airport and the Foreign Trade Zone #217.
- The *Florida Emergency Training Facility Fund* accounts for the construction, operations and maintenance of the emergency training facility located adjacent to the City airport.
- The *Adult Athletic Complex Fund* accounts for the construction, operations and maintenance of the Ocala Regional Sportsplex.
- The *Communication Fund* accounts for the construction, operations and maintenance of the City's broadband communications (fiber optics) network.
- The *SunTran Fund* accounts for the operations and maintenance of the regional mass transit system that began operations during 1999.

Additionally, the City reports the following fund types:

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Internal Service Funds* account for the activities of the City's risk management, fleet management and internal service funds. The City's risk management program includes amounts collected and the claims paid for the County's workers' compensation, property, general liability, and prescription medicine self-insurance. The Fleet management fund is charged with acquiring and maintaining of approximately 930 units of gas-driven vehicles and equipment. The Internal Services fund operates the City's MIS system, facilities maintenance, purchasing and warehousing functions.
- *Pension Trust Funds* account for the activities of the City's General Employees', Firefighters' and Police Officers' Retirement System, which accumulate resources for pension benefit payments to qualified retiring employees. They are excluded from the government-wide financial statements because they are fiduciary in nature and do not represent resources available to the government for operations.

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

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

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

Annual Budgets

An annual budget is prepared for all governmental and proprietary funds except for two capital project funds (2002 Optional Gas Tax Construction Fund and 2002 Capital Improvement Fund) and all debt service funds. The two capital project funds were established as a result of bond issues which closed in late September, 2002. The debt service funds are monitored by the appropriate City personnel. 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, 2002.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any budget amendments that alter the total expenditures of any fund must be approved by the City Council. During 2002, 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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for which legally adopted budgets are prepared. For the year ended September 30, 2002, no expenditures exceeded the budget at the fund level.

Equity in Pooled Cash and Investments

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

Cash Flows

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

Investments

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

Inventories

Inventories held by the proprietary funds consist of golf retail merchandise, equipment and supplies held for maintenance use or for capital improvements and are stated at the lower of average cost or market. Obsolete and unusable items have been reduced to estimated salvage values.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$750 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings	30 Years
Electric and Water/Sewer Plant	10-30 Years
Machinery, Equipment and Vehicles	5 Years
Infrastructure	15-50 Years

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization of Interest - In accordance with FASB Statement No. 62, the Water and Sewer System enterprise fund capitalizes net interest costs on funds borrowed to finance the construction of fixed assets. For the year ended September 30, 2002, capitalization of net interest costs was as follows:

	<u>Water and Sewer System</u>
Interest expense	\$ 1,800,641
Amortization of bond issuance costs	16,852
Interest income	<u>(599,069)</u>
Increase in construction in progress	<u>\$ 1,218,424</u>

Capital Leases and Installment Purchase Contracts - Property and equipment and long-term liabilities associated with capital leases and installment purchase contracts of governmental funds are accounted for in the General Fixed Asset and General Long-Term Debt account groups, respectively.

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

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

Accrued Revenue

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

Property Taxes

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

The City is permitted under its charter to levy taxes up to \$10 per \$1,000 of assessed valuation for general government services other than the payment of principal and interest on general long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. Additional taxes assessed for the payment of general long-term debt issues of the City must be approved by the public. The tax rate assessed by the City for the year ended September 30, 2002 was \$5.7784 per \$1,000 of assessed property value.

Interfund Payables and Receivables

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

Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures represent the amounts accrued during the year that would normally be liquidated with available spendable resources. 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. Accordingly, only the amount of the compensated absence liability that would normally be liquidated with expendable available resources in the next fiscal year is reflected in the fund financial statements of governmental funds. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Self-Insurance Claims

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

Pension Costs

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

Reserves of Fund Balances

Fund balances of governmental funds are reserved for assets which have been legally segregated for specific future uses or which are not available for expenditure. Open encumbrances at year-end are reported as reservations of fund balance to reserve that portion of the current year budget appropriation which has not been recognized as an expenditure or a liability.

Grants and Contributions

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

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

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

Bond Premiums, Discounts and Issuance Costs

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

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

Deferred Loss on Defeasance of Debt

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

Cost Allocations

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

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

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenue of the General Fund. The related reimbursements are recorded as either an operating expense of the proprietary funds or as an expenditure of the governmental funds.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable budget appropriation, is utilized by the governmental funds of the City. Encumbrances outstanding at year end are reported as reserves of fund balance of governmental funds since they do not constitute expenditures or liabilities. They are recognized as expenditures in the period in which the actual goods or services are received and a liability is incurred.

NOTE 2 - CASH AND INVESTMENTS AND EQUITY IN POOLED 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". 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.

Cash

At September 30, 2002, the carrying amount of the City's deposits was \$13,223,419. These deposits, consisting of interest bearing and non-interest bearing demand accounts and certificates of deposit, were entirely insured by federal depository insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default or insolvency occur, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City.

Funds not prohibited by bond covenants have pooled their cash balances in order to maximize investment earnings. The City's banking arrangement provides that the City will pay monthly direct service charges and will earn interest on collected balances at the effective federal funds rate less 50 basis points and adjusted for reserve requirement.

Investments

Florida Statutes authorize the City to invest in the Local Government Surplus Funds Trust Fund, obligations of the U.S. Government, U.S. Government Instrumentalities, interest-bearing time deposits and savings accounts in banks and savings and loans provided such deposits are collateralized as described above, mutual funds investing in U.S. Government securities and repurchase agreements fully collateralized by U.S. Government obligations. In addition to the above, the City's investment policy also authorizes the City to invest in corporate bonds, bankers acceptances, prime commercial paper, repurchase agreements, collateralized mortgage obligations, yankee securities and eurodollar securities. Assets of the Ocala Firefighters' Retirement Plan and the Ocala Police Officers' Retirement System may also be invested, under state statute, in corporate bonds, corporate stocks, commercial paper and life insurance contracts.

Cash Management Funds are mutual funds administered by the Bank of America and by The Bank of New York. Investments held in these funds consist of U.S. Government and other short-term obligations. Investment income is recognized as earned and is allocated to participants of the funds based on their equity participation.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 2 - CASH AND INVESTMENTS AND EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

The Local Government Surplus Funds Trust Fund is an investment pool administered by the Florida State Board of Administration. Investments held in the Fund consist of short-term federal agency obligations, treasury bills, repurchase agreements, and commercial paper. Investment income is recognized as earned and is allocated to participants of the fund based on their equity participation. In accordance with GASB Statement 31, the SBA has reported that the Local Government Investment Trust, which it operates, is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price.

Collateralized mortgage obligations (CMO's) are investments used by the City to maximize yields. The City's CMO's, consisting of planned amortization classes (PAC's) and adjustable rate mortgage pools (ARM's), are based on cash flows from principal and interest payments on underlying mortgages. The PAC's have fixed interest rates; therefore, as interest rates rise, they will decline in value. The ARM's have an adjustable interest rate based on an underlying index; therefore, they will normally retain their value as interest rates change. Although there is market risk in connection with fluctuating interest rates, the City feels that the risk for these types of CMO's is minimal.

The City's investments are categorized by type to give an indication of the level of credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The pension trust funds hold approximately 26% of the investments in Category 1. The types of investments and their levels of risk exposure as of September 30, 2002 were typical of those items held during the fiscal year then ended.

	Category 1	Category 2	Category 3	Fair Value
U.S. Government securities	\$ 71,513,578	\$ -	\$ -	\$ 71,513,578
Non-government obligations	50,184,115	-	-	50,184,115
Common stock	33,625,982	-	-	33,625,982
	<u>\$ 155,323,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>155,323,675</u>
Cash Management Funds				12,977,200
Mutual funds: bonds				36,358,261
Mutual funds: domestic equities				2,722,936
Mutual funds: foreign equities				5,292,197
Local Government Surplus Funds Trust Fund				48,129,219
Total Investments				<u>260,801,488</u>
Carrying amount of cash deposits				13,223,419
Total cash and investments				<u>\$ 274,024,907</u>
Per Government-wide Statement of Net Assets:				
Cash and investments				51,429,818
Equity in pooled cash fund				135,867,754
Per Statement of Fiduciary Net Assets:				
Cash and cash equivalents				1,526,793
Investments, at fair value				85,200,542
Total cash and investments per statements				<u>\$ 274,024,907</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 3 - INTERFUND TRANSACTIONS

The composition of interfund balances as of September 30, 2002 is as follows:

	Interfund Receivables/ Payables	Interfund Advances Current	Interfund Advances Long-Term	Interfund Advances Total	Total Interfund Balances
Due to General Fund from:					
Electric System Revenue Fund	\$ 325,884	\$ -	\$ -	\$ -	\$ 325,884
Adult Athletic Complex Fund	332,489	-	-	-	332,489
SunTran Fund	277,201	-	-	-	277,201
Total due to General Fund from other funds	<u>\$ 935,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 935,574</u>
Due to nonmajor governmental funds from:					
Electric System Revenue Fund	<u>\$ 104,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,119</u>
Due to Electric System Revenue Fund from:					
General Fund	\$ -	\$ 6,843	\$ 118,733	\$ 125,576	\$ 125,576
Municipal Golf Course Fund	-	38,751	429,846	468,597	468,597
Ocala International Airport Fund	-	-	1,243,084	1,243,084	1,243,084
Communications Fund	138,650	-	-	-	138,650
Nonmajor governmental funds	-	10,065	10,684	20,749	20,749
Total due to Electric System Revenue Fund from other funds	<u>\$ 138,650</u>	<u>\$ 55,659</u>	<u>\$ 1,802,347</u>	<u>\$ 1,858,006</u>	<u>\$ 1,996,656</u>
Due to Water and Sewer Fund from:					
Electric System Revenue Fund	<u>\$ 662,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662,248</u>
Due to Sanitation Fund from:					
Electric System Revenue Fund	<u>\$ 339,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,760</u>
Totals at the fund level	<u>\$ 2,180,351</u>	<u>\$ 55,659</u>	<u>\$ 1,802,347</u>	<u>\$ 1,858,006</u>	<u>\$ 4,038,357</u>

During fiscal year 2002, the interfund receivable due to the General Fund and the interfund advance due to the Electric System Revenue Fund from the Florida Emergency Training Facility Fund ("FETF") were reclassified to transfers to the FETF. The capital assets and other remaining liabilities of the FETF were transferred to the Ocala International Airport Fund.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 3 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers for the year ended September 30, 2002, consisted of the following:

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 181,882
Electric System Revenue Fund	9,902,948
Water and Sewer Fund	500,000
Total transfers to General Fund	<u>\$10,584,830</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,656,756
Nonmajor governmental funds	1,426,396
Electric System Revenue Fund	306,076
Water and Sewer Fund	173,788
Sanitation Fund	127,319
Internal Service Fund	6,312
Total transfers to nonmajor governmental funds	<u>\$ 3,696,647</u>
Transfers to Water and Sewer Fund from:	
Municipal Golf Course Fund	\$ 100,000
All other funds	3,159
Total transfers to Water and Sewer Fund	<u>\$ 103,159</u>
Transfers to Ocala International Airport Fund from:	
Florida Emergency Training Facility Fund	\$ 9,535,232
General Fund	163,840
All other funds	9,500
Total transfers to Ocala International Airport Fund	<u>\$ 9,708,572</u>
Transfers to Florida Emergency Training Facility Fund from:	
General Fund	\$ 600,650
Electric System Revenue Fund	73,520
Total transfers to Florida Emergency Training Facility Fund	<u>\$ 674,170</u>
All other transfers	<u>\$ 200,356</u>
Total transfers at the fund level	<u>\$24,967,734</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and Improvements	\$ 5,038,165	\$ -	\$ -	\$ 5,038,165
Construction In Progress	4,941,830	7,830,341	(177,151)	12,595,020
Total capital assets not being depreciated	<u>9,979,995</u>	<u>7,830,341</u>	<u>(177,151)</u>	<u>17,633,185</u>
Capital assets being depreciated:				
Buildings and Improvements	25,954,755	-	-	25,954,755
Equipment	28,853,661	5,027,254	(3,281,262)	30,599,653
Infrastructure (Roads and Streets)	248,573,201	-	-	248,573,201
Total capital assets being depreciated	<u>303,381,617</u>	<u>5,027,254</u>	<u>(3,281,262)</u>	<u>305,127,609</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,942,153)	(721,908)	-	(8,664,061)
Equipment	(15,715,875)	(3,318,966)	953,597	(18,081,244)
Infrastructure (Roads and Streets)	(121,228,360)	(6,350,273)	-	(127,578,633)
Total Accumulated Depreciation	<u>(144,886,388)</u>	<u>(10,391,147)</u>	<u>953,597</u>	<u>(154,323,938)</u>
Total capital assets being depreciated-net	<u>158,495,229</u>	<u>(5,363,893)</u>	<u>(2,327,665)</u>	<u>150,803,671</u>
Governmental activities capital assets-net	<u>\$ 168,475,224</u>	<u>\$ 2,466,448</u>	<u>\$ (2,504,816)</u>	<u>\$ 168,436,856</u>
Business Type Activities:				
Capital assets not being depreciated:				
Land and Improvements	\$ 17,248,292	\$ 25,749	\$ -	\$ 17,274,041
Construction In Progress	22,045,575	35,429,519	(20,244,817)	37,230,277
Total capital assets not being depreciated	<u>39,293,867</u>	<u>35,455,268</u>	<u>(20,244,817)</u>	<u>54,504,318</u>
Capital assets being depreciated:				
Buildings and Improvements	8,783,066	1,317,752	-	10,100,818
Improvements and Extensions	243,943,187	21,302,388	(549,510)	264,696,065
Equipment	9,015,394	912,399	(525,821)	9,401,972
Crystal River Unit No.3	16,168,423	-	-	16,168,423
Total capital assets being depreciated	<u>277,910,070</u>	<u>23,532,539</u>	<u>(1,075,331)</u>	<u>300,367,278</u>
Less Accumulated Depreciation:				
Buildings	(3,110,691)	(298,700)	-	(3,409,391)
Improvements and Extensions	(87,115,811)	(7,673,415)	217,095	(94,572,131)
Equipment	(5,332,348)	(881,307)	442,848	(5,770,807)
Crystal River Unit No.3	(10,790,801)	(478,318)	-	(11,269,119)
Total Accumulated Depreciation	<u>(106,349,651)</u>	<u>(9,331,740)</u>	<u>659,943</u>	<u>(115,021,448)</u>
Total capital assets being depreciated-net	<u>171,560,419</u>	<u>14,200,799</u>	<u>(415,388)</u>	<u>185,345,830</u>
Business-Type activities capital assets-net	<u>\$ 210,854,286</u>	<u>\$ 49,656,067</u>	<u>\$ (20,660,205)</u>	<u>\$ 239,850,148</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General Government and Administration	\$ 52,433
Public Safety	778,655
Public Works	137,697
Infrastructure	6,350,273
Culture and Recreation	83,408
Housing Rehabilitation	69,802
Other	11,781
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>2,907,100</u>

Total Depreciation Expense - Governmental Activities

\$ 10,391,147

Business Type Activities:

Electric	\$ 4,102,713
Water and Sewer	3,772,633
Sanitation	116,344
Golf Courses	228,431
Trailer Park	3,501
Airport	328,697
Emergency Training Facility	408,898
Athletic Complex	55,618
Communications	89,988
SunTran	<u>228,921</u>

Total Depreciation Expense - Business Type Activities

\$ 9,331,740

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 6 - PENSION PLANS

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

Plan Descriptions and Provisions

General Employees' Retirement System - The General Employees' Retirement System is a noncontributory defined benefit pension plan covering substantially all full-time employees of the City excluding certified law enforcement officers and certified firefighters.

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

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

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

Pursuant to Florida Statutes Section 185.08, an excise tax amounting to 1% 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. The City contributes 6.65% and the law enforcement officers contribute 5% of their salaries or wages to the Police Officers' Retirement System.

Firefighters' Retirement Plan - The Firefighters' Retirement Plan is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Fire Department who is certified as a firefighter as a condition of employment in accordance with the provisions of Section 633.35 of the Florida Statutes. Florida Statutes Chapter 175 allows contributions to the Plan by the State of Florida.

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

Pursuant to Florida Statutes Section 175.101, an excise tax amounting to 2% of the gross amount of receipts of premiums from policyholders on all premiums collected on casualty insurance policies covering property within

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 5 - PENSION PLANS (CONTINUED)

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. The City contributes 8.65% and the firefighters contribute 7.40% of their salaries or wages to the Firefighters' Retirement Plan.

Participation - At September 30, 2002, participation in the plans consisted of the following:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Retirees and beneficiaries currently receiving benefits	284	36	45
DROP retirees	4	5	2
Terminated employees entitled to benefits not yet receiving them	<u>148</u>	<u>8</u>	<u>5</u>
	<u>436</u>	<u>49</u>	<u>52</u>
Current employees:			
Vested	471	69	48
Nonvested	<u>292</u>	<u>78</u>	<u>63</u>
Total	<u>763</u>	<u>147</u>	<u>111</u>

Investments

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

Contributions Required and Contribution Made

The contribution requirement for the General Employees' Retirement System for the 2002 fiscal year, determined through an actuarial valuation performed as of October 1, 2001, was \$2,456,998 (10.1% of current covered payroll). Actual employer contributions to the General Employees' Retirement System amounted to \$1,730,990 (8.65% of current covered payroll). Accumulated excess contributions in the contribution surplus account were available to assist in funding the City's contribution requirement for the year.

The contribution requirement for the Police Officers' Retirement System for the 2002 fiscal year, determined through an actuarial valuation performed as of October 1, 2001, was \$1,456,824 (22.0% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled \$357,573 (5.0% of current covered payroll), actual City contributions were \$484,580 (8.65% of current covered payroll) and actual state contributions amounted to \$442,447 (6.3% of current covered payroll). Accumulated excess contributions in the contribution surplus account were available to assist in funding the City's contribution requirement for the year.

The contribution requirement for the Firefighters' Retirement Plan for the 2002 fiscal year, determined through an actuarial valuation performed as of October 1, 2001, was \$1,165,547 (30.57% of current covered payroll). Actual employee contributions totaled \$338,235 (7.40% of current covered payroll), actual City contributions were \$304,425 (8.65% of current covered payroll) plus an additional \$313,237 for a total of \$617,662, and actual state contributions amounted to \$303,241 (8.16% of current covered payroll). Accumulated excess contributions in the contribution surplus account were available to assist in funding the City's contribution requirement for the year.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 5 - PENSION PLANS (CONTINUED)

There is no net pension obligation or asset for each of these Plans.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Plan:			
9/30/00	\$ 1,471,544	100%	-
9/30/01	1,790,087	100%	-
9/30/02	2,456,998	100%	-
Police Officers' Plan:			
9/30/00	\$ 331,892	100%	-
9/30/01	617,506	100%	-
9/30/02	683,102	100%	-
Firefighters' Plan:			
9/30/00	\$ 205,319	100%	-
9/30/01	255,335	100%	-
9/30/02	590,123	100%	-

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 6 - LONG-TERM LIABILITIES

The City's outstanding long-term debt includes bonds payable, notes payable, claims payable and compensated absences payable. The following is a schedule of changes in the City's long-term debt for the fiscal year ended September 30, 2002:

	<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					
1992 Optional Gas Tax Bonds	\$ 9,045,000	\$ -	\$ (9,045,000)	\$ -	\$ -
2002 Optional Gas Tax Bonds	-	17,565,000	-	17,565,000	-
1993 Capital Improvement Certificates	17,485,000	-	(475,000)	16,990,000	500,000
1995 Capital Improvement Certificates	4,840,000	-	(85,000)	4,755,000	85,000
2002 Capital improvement Certificates	-	14,340,000	-	14,340,000	-
Subtotal	31,350,000	31,905,000	(9,605,000)	53,650,000	585,000
Less deferred refundings and discounts	-	(271,127)	-	(271,127)	-
Total Revenue Bonds and Certificates	31,350,000	31,633,873	(9,605,000)	53,378,873	585,000
Other liabilities					
Compensated Absences	1,743,853	228,813	-	1,970,466	1,164,114
Claims and Judgements	3,067,719	198,528	-	3,266,247	653,249
Total other liabilities	4,811,372	425,341	-	5,236,713	1,817,363
Total Governmental Activities	<u>\$ 36,161,372</u>	<u>\$ 32,059,214</u>	<u>\$ (9,605,000)</u>	<u>\$ 58,615,588</u>	<u>\$ 2,470,612</u>
Business-type Activities:					
Revenue Bonds					
1995 Water and Sewer Bonds	\$ 4,965,000	\$ -	\$ (10,000)	\$ 4,955,000	\$ 10,000
1996 Water and Sewer Bonds	10,550,000	-	(450,000)	10,100,000	485,000
2001 Water and Sewer Bonds	36,205,000	-	-	36,205,000	-
2001 A Water and Sewer Bonds	39,885,000	-	-	39,885,000	2,080,000
2001 Electric System Bonds	10,520,000	-	-	10,520,000	1,940,000
Subtotal	102,125,000	-	(460,000)	101,665,000	4,515,000
Less deferred refundings and discounts	(4,036,848)	346,164	-	(3,690,684)	-
Equipment notes	171,753	-	(171,753)	-	-
CR#3 decommissioning costs payable	4,274,424	903,716	-	5,178,140	-
Compensated Absences	932,473	61,883	-	994,356	566,104
Total Business-type Activities	<u>\$ 103,468,802</u>	<u>\$ 1,311,763</u>	<u>\$ (631,753)</u>	<u>\$ 104,146,812</u>	<u>\$ 5,081,104</u>

Bonds Payable Collateral

The City has gas tax revenue bonds, capital improvement certificates, water and sewer revenue bonds and electric system 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.

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

The following is a schedule of bonds outstanding at September 30, 2002:

<u>Description Of Bonds</u>	<u>Purpose Of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
Governmental Activities:				
2002 Optional Gas Tax Bonds	Road Projects	\$ 17,565,000	\$ 17,565,000	2.25%-3.55%
1993 Capital Improvement Certificates	Capital Projects	18,365,000	16,990,000	4.20%-5.25%
1995 Capital Improvement Certificates	Capital Projects	5,000,000	4,755,000	4.40%-5.375%
2002 Capital Improvement Certificates	Capital Projects	14,340,000	14,340,000	2.00%-4.50%
Total Governmental Activities			<u><u>\$ 53,650,000</u></u>	
Business-Type Activities:				
1995 Water and Sewer Bonds	Capital Projects	5,000,000	\$ 4,955,000	4.40%-5.50%
1996 Water and Sewer Bonds	Refunding	12,170,000	10,100,000	5.50%-6.00%
2001 Water and Sewer Bonds	Capital Projects	36,205,000	36,205,000	5.00%-5.75%
2001-A Water and Sewer Bonds	Refunding	39,885,000	39,885,000	3.25%-4.50%
2001 Electric System Bonds	Refunding	10,520,000	10,520,000	3.25%-4.00%
Total Business-Type Activities			<u><u>\$ 101,665,000</u></u>	

The following schedule shows debt service requirement to maturity for the City's bonded indebtedness:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Optional Gas Tax Bonds</u>	<u>Capital Improvement Certificates</u>	<u>Water and Sewer Bonds</u>	<u>Electric Bonds</u>
2003	\$ 298,966	\$ 1,961,757	\$ 6,908,189	\$ 2,271,406
2004	1,865,388	2,697,150	7,041,045	2,299,387
2005	1,875,575	2,703,809	7,041,039	2,294,219
2006	1,876,575	2,707,915	7,048,875	2,296,613
2007	1,871,762	2,699,057	7,039,200	2,293,053
2008-2012	9,339,009	13,489,775	35,105,188	-
2013-2017	3,928,228	15,340,919	31,839,885	-
2018-2022	-	12,250,903	19,198,350	-
2023-2027	-	2,039,106	19,220,437	-
2028-2032	-	-	19,060,832	-
Total	<u><u>\$ 21,055,503</u></u>	<u><u>\$ 55,890,391</u></u>	<u><u>\$ 159,503,040</u></u>	<u><u>\$ 11,454,678</u></u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The City's charter limits the aggregate amount of general obligation bonds outstanding to twenty percent (20%) of the assessed valuation of the taxable real and personal property in the City. At September 30, 2002, there was no general obligation debt outstanding.

During the fiscal year ended September 30, 2002, the following governmental bond activity occurred:

Capital Improvement Revenue Certificates, Series 2002 (dated September 1, 2002)

The Capital Improvement Revenue Certificates, Series 2002, were issued in September, 2002, and consisted of \$14,340,000 in serial certificates maturing on October 1, 2003 through 2022 at interest rates of 2.0% to 4.5%. The proceeds of this issue are being used primarily for the purpose of financing certain capital improvements within the City. The Certificates were issued on a parity with the outstanding Capital Improvement Refunding Revenue Certificates, Series 1993, and with the Capital Improvement Revenue Certificates, Series 1995. The certificates are insured and are secured by a lien upon and pledge of half-cent sales tax revenues, franchise fees, local communication services tax, occupational license taxes, the guaranteed entitlement portion of state revenue sharing funds, mobile home licenses and court fines and forfeitures.

Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002 (dated September 1, 2002)

The Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002, were issued in September, 2002, and consisted of \$15,500,000 in serial bonds maturing on October 1, 2003 through 2012 at interest rates of 2.5% to 3.4% and of \$2,065,000 of term bonds maturing on April 1, 2013 at an interest rate of 3.55%. A portion of the term bonds are subject to extraordinary mandatory redemption at the price of par without premium on October 1, 2003 through 2012. The proceeds of this issue are being used for the current refunding of the outstanding Optional Gas Tax Refunding Revenue Bonds, Series 1992, and for the financing of the costs of acquisition and construction of certain roads and road improvements within the City. The bonds are insured and are secured by a lien upon and pledge of the proceeds of the six cent local option fuel tax received by the City.

The refunding portion of the bonds, along with certain available City funds, were used to purchase Federal Securities which were deposited into an escrow account for the purpose of a current refunding of the Optional Gas Tax Refunding Revenue Bonds, Series 1992, maturing on December 1, 2002 through 2009 on December 1, 2002. As a result, the Series 1992 bonds are considered to be defeased, and the liability for those bonds has been removed from the City's financial statements. The defeasance resulted in an accounting loss of \$202,314, which will be amortized over fiscal years 2003 through 2009 on the entity-wide statement of activities. The City completed the current refunding to reduce the total debt service payments over the life of the issue by \$2,021,765 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$624,503.

Conduit Issues

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

In December, 1994, \$1,920,000 Health Care Facilities Revenue Bonds were issued. The proceeds of the bonds are being used by the Hospice of Marion County, Inc. to build an administrative office complex. The bonds, which mature in 2009, do not represent debt or an obligation of the City and are collateralized solely from the gross operating revenues. The completed project and all revenues derived therefrom, subsequent to the payment of all debt service requirements, belong exclusively to Hospice.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002**

NOTE 7 - PRIOR YEAR DEFEASANCE OF DEBT

The City has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2002, \$13,625,000 of bonds outstanding are considered defeased, as follows:

Governmental Activities:	
Optional Gas Tax Refunding Revenue Bonds, Series 1992	\$ 8,245,000
Business-Type Activities:	
Electric System Revenue:	
Power Supply Revenue Bonds, Series 1977	\$ 3,275,000
Water and Sewer:	
Water and Sewer Refunding Revenue Bonds, Series 1983	<u>2,105,000</u>
Total	<u><u>\$ 13,625,000</u></u>

NOTE 8 - FUND DEFICITS

At September 30, 2002 there were no fund deficits.

NOTE 9 - RISK MANAGEMENT

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

The City has general liability insurance with a \$100,000 retention per claimant and \$200,000 retention per occurrence with limits of \$1,000,000. The City has workers' compensation insurance with a \$250,000 deductible per occurrence with limits of \$5,000,000. The disability income replacement, dental programs and auto liability programs are fully self-insured. The City's employee health insurance program was fully self-insured through February, 1994, after which it is fully insured except for the prescription program which was fully self-insured through December, 1997. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2002.

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, 2002, the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$3,266,247 reported in the Fund at September 30, 2002 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

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 9 – RISK MANAGEMENT (CONTINUED)

in any of the past three fiscal years. Changes in the Fund's claim liability amount during the past three fiscal years is as follows:

	<u>Beginning-of- Fiscal-Year-Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
1999-2000	\$ 2,872,370	\$ 1,471,538	\$ 1,448,300	\$ 2,697,608
2000-2001	2,697,608	2,029,131	1,859,020	3,067,719
2001-2002	3,067,719	1,946,718	1,748,190	3,266,247

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

Economic Improvement Incentives - The City has designated a portion of the savings resulting from the decision to purchase power through the Florida Municipal Power Agency to be set aside for economic improvement incentives. The funds are utilized to encourage local businesses to remain in Ocala and to attract existing businesses to relocate to Ocala to create new employment opportunities and, thereby, increasing City revenues through electric utility usage and an expanded tax base. Economic incentive payments amounted to \$252,333 for the year ended September 30, 2002.

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

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

Other Commitments - The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2002, in the respective funds are as follows:

General Fund	\$ 3,493,433
Electric System Revenue Fund	1,991,165
Water and Sewer Fund	4,159,941
Sanitation Fund	975
Municipal Golf Course Fund	1,612
Ocala International Airport Fund	17,682
Communications Fund	160,992
SunTran Fund	10,249
Nonmajor Governmental Funds	583,540
Internal Service Funds	625,237
Total	<u>\$ 11,044,826</u>

CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2002

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

The City has an All Requirements Power Supply Project Contract ("Requirements Contract") with FMPA which requires FMPA to sell and deliver to the City and the City to purchase from FMPA all electric power that the City requires in excess of the amount the City receives from its percentage ownership interest in CR-3. The Requirements Contract expires in 2025, but automatically extends for additional five-year terms unless either party notifies the other of its decision not to extend the Requirements Contract. The City pays for electric power under the Requirements Contract at the rates set forth in the applicable rate schedule of FMPA, which FMPA may revise from time to time.

NOTE 11 – IMPLEMENTATION OF GASB STATEMENT NUMBER 34

In June 1999, the GASB issued Statement Number 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement provides for a significant change in financial reporting that is described in the Management Discussion and Analysis section and Note 1, Summary of Significant Accounting Policies. This statement also established new reporting requirements for infrastructure capital assets (roads, bridges, traffic signals, etc.) previously unrecorded in the City's Financial Statements. The City has implemented this statement in fiscal year 2002.



CITY OF OCALA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Property taxes	\$ 12,212,065	\$ 12,212,065	\$ 12,273,927	\$ 61,862
Utility service tax	8,749,175	8,749,175	9,826,251	1,077,076
Other taxes	390,000	390,000	395,596	5,596
State revenue sharing	1,340,000	1,340,000	1,391,703	51,703
Other intergovernmental revenues	5,417,509	6,939,508	5,371,927	(1,567,581)
Licenses and permits	1,388,550	1,388,550	1,055,928	(332,622)
Fines and forfeitures	359,000	359,000	395,292	36,292
Charges for services	2,036,730	1,391,443	1,857,905	466,462
Investment income	742,127	742,127	992,330	250,203
Gifts	112,500	129,256	106,820	(22,436)
Other	241,072	352,898	659,282	306,384
Total revenues	32,988,728	33,894,022	34,326,961	332,939
Expenditures:				
Current:				
General government and administration	5,519,537	5,668,843	5,323,862	344,981
Public safety	23,871,083	23,786,788	23,546,305	240,483
Public works	7,704,026	8,217,847	5,482,418	2,735,429
Culture and recreation	4,381,713	4,433,113	3,922,136	510,977
Housing rehabilitation	410,338	420,338	336,440	83,898
Nondepartmental appropriations	1,844,370	862,837	215,439	647,398
Other	1,637,394	2,416,419	1,067,762	1,348,657
Capital outlay	3,767,002	6,249,888	1,979,978	4,269,910
Debt service:				
Principal payments	14,317	14,317	-	14,317
Interest and paying agents' fees	11,439	11,439	11,438	1
Total expenditures	49,261,219	52,061,829	41,885,778	10,196,051
Excess (Deficiency) of Revenues Over Expenditures	(16,272,491)	(18,067,807)	(7,558,817)	10,528,990
Other Financing Sources (Uses):				
Transfers in	11,056,597	12,548,124	10,584,830	(1,963,294)
Transfers out	(1,741,615)	(1,842,603)	(2,499,871)	(657,268)
Total other financing sources (uses)	9,314,982	10,705,521	8,084,959	(2,620,562)
Net change in fund balances	(6,957,509)	(7,382,286)	526,142	7,908,428
Fund Balance, beginning of year	13,400,781	13,400,781	13,400,781	-
Fund Balance, end of year	\$ 6,443,272	\$ 6,018,495	\$ 13,926,923	\$ 7,908,428

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

SCHEDULE OF FUNDING PROGRESS (1)

General Plan:

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL) Frozen Entry Age *	[b] - [a] Unfunded AAL (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
2002	\$ 51,050,337	\$ 60,715,570	\$ 9,665,233	84.08%	\$ 25,712,036	37.59%
2001	49,715,165	58,555,697	8,840,532	84.90%	24,305,928	36.37%
2000	49,300,452	57,844,296	8,543,844	85.23%	21,757,209	39.27%
1999	66,142,950	71,753,284	5,610,334	92.18%	31,891,235	17.59%
1998	62,105,381	67,670,920	5,565,559	91.78%	30,016,764	18.54%
1997	56,707,127	62,080,721	5,373,594	91.34%	28,804,565	18.66%

Police Officers' Plan:

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL) Frozen Entry Age *	[b] - [a] Unfunded AAL (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
2002	\$ 31,939,047	\$ 31,939,047	\$ -	100.00%	\$ 6,993,805	-
2001	31,152,402	31,152,402	-	100.00%	6,625,498	-
2000	28,632,326	30,103,745	1,471,419	95.11%	6,434,809	22.87%
1999	27,130,310	28,611,663	1,481,353	91.74%	5,783,939	25.61%
1998	13,084,660	13,084,660	-	100.00%	5,316,552	-
1997	12,495,738	12,495,738	-	100.00%	5,262,071	-

* The frozen entry age actuarial cost method does not have a defined AAL after the initial year. The AAL was created by adding the UAAL (which is defined under the frozen entry age method) to the actuarial value of assets.

(Continued)

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

SCHEDULE OF FUNDING PROGRESS - CONTINUED (1)

Firefighters' Plan:

The aggregate actuarial cost method is used in determining the funding requirements and does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost.

(1) Actuarial information as of the latest actuarial valuation is as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>
Valuation Date	October 1, 2002	October 1, 2002	October 1, 2002
Actuarial Cost Method	Frozen Entry Age	Aggregate**	Aggregate
Amortization Method	Level Percent of Pay - Closed	N/A	N/A
Remaining Amortization Period	28 Years	N/A	N/A
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing	Expected Value
Actual Assumptions (All Plans):			
Net Investment Rate of Return	8.5%	8.0%	8.0%
Projected Salary Increases*	6.0%	6.0%	3.5% - 7.5%
*Includes Inflation at	3.0%	3.0%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

** Prior to this valuation, the actuarial cost method used for the Police Officers' Plan was frozen entry age. The amortization method was level percent of pay - closed, with a remaining amortization period of 28 years.

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

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

General Plan:

Fiscal Year	Annual Required Contribution (City)	Percentage Contributed
2002	\$ 2,456,998	100.00%
2001	1,790,087	100.00%
2000	1,471,544	100.00%
1999	1,413,903	100.00%
1998	1,350,660	100.00%
1997	1,438,894	100.00%

Firefighters' Plan:

Fiscal Year	Annual Required Contribution	Annual Required Contribution (City) (1)	Annual Required Contribution (State) (2)	Percentage Contributed
2002	\$ 911,985	\$ 652,608	\$ 259,377	100.00%
2001	815,204	555,827	259,377	100.00%
2000	562,416	308,354	254,062	100.00%
1999	219,086	-	219,086	100.00%
1998	215,356	8,632	206,724	100.00%
1997	234,465	8,632	225,833	100.00%

- (1) These City contributions are funds that were drawn from the contributions surplus account.
- (2) Excess state annual required contributions are accumulated in the contributions surplus account which is drawn upon if actual state contributions fall below the annual required contribution.

(Continued)

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

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

Police Officers' Plan:

Fiscal Year	Annual Required Contribution	Annual Required Contribution (City) (1)	Annual Required Contribution (State) (2)	Percentage Contributed
2002	\$ 1,125,549	\$ 683,102	\$ 442,447	100.00%
2001	1,020,584	617,506	403,078	100.00%
2000	714,755	416,374	382,863	100.00%
1999	471,671	100,829	370,842	100.00%
1998	402,319	31,477	370,842	100.00%
1997	347,104	-	347,104	100.00%

- (1) These City contributions include funds that were drawn from the contributions surplus account.
- (2) Excess state annual required contributions are accumulated in the contributions surplus account which is drawn upon if actual state contributions fall below the annual required contribution.





**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2002**

CAPITAL PROJECTS FUNDS:

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

Optional Gas Tax Construction Fund - This fund is used to account for resources earmarked for construction of and improvements to several roadways exclusive of the N.E. 14th Street project.

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

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

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2002**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and Investments	\$ -	\$ 1,131,676	\$ 24,964,751	\$ 26,096,427
Equity In Pooled Cash Fund	10,699,776	110,959	11,372	10,822,107
Receivables (net)	110,099	-	-	110,099
Due From Other Funds	104,119	-	-	104,119
Due From Other Governments	3,144,472	-	-	3,144,472
Other Assets	782	-	-	782
Total Assets	<u>14,059,248</u>	<u>1,242,635</u>	<u>24,976,123</u>	<u>40,278,006</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	1,284,829	25,997	119,392	1,430,218
Accrued Liabilities	28,380	70,802	-	99,182
Deferred Revenue	620,705	-	-	620,705
Advances To Other Funds	20,749	-	-	20,749
Total Liabilities	<u>1,954,663</u>	<u>96,799</u>	<u>119,392</u>	<u>2,170,854</u>
Fund Balances:				
Reserved For:				
Debt Service Funds	-	1,145,836	-	1,145,836
Special Revenue Funds	12,104,585	-	-	12,104,585
Capital Projects	-	-	24,856,731	24,856,731
Total Fund Balances	<u>12,104,585</u>	<u>1,145,836</u>	<u>24,856,731</u>	<u>38,107,152</u>
Total Liabilities and Fund Balances	<u>\$ 14,059,248</u>	<u>\$ 1,242,635</u>	<u>\$ 24,976,123</u>	<u>\$ 40,278,006</u>

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

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2002

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property Taxes	\$ 162,272	\$ -	\$ -	\$ 162,272
Other Intergovernmental Revenues	6,602,088	-	-	6,602,088
Parking Meters and Facilities	62,673	-	-	62,673
Fines and Forfeitures	8,471	-	-	8,471
Charges For Services	2,173,980	-	-	2,173,980
Investment Income	654,954	123,534	6,711	785,199
Gifts	58,584	-	-	58,584
Other	11,043	-	-	11,043
Total Revenues	<u>9,734,065</u>	<u>123,534</u>	<u>6,711</u>	<u>9,864,310</u>
Expenditures				
Current:				
General Government	398,282	-	-	398,282
Public Works	3,240,100	-	1,635	3,241,735
Nondepartmental	-	114,798	452,359	567,157
Other	73,281	-	-	73,281
Capital Outlay	6,482,375	-	-	6,482,375
Debt Service:				
Principal Payments	-	3,385,000	-	3,385,000
Interest and Fees	1,652	1,766,582	-	1,768,234
Total Expenditures	<u>10,195,690</u>	<u>5,266,380</u>	<u>453,994</u>	<u>15,916,064</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(461,625)</u>	<u>(5,142,846)</u>	<u>(447,283)</u>	<u>(6,051,754)</u>
Other Financing Sources (Uses):				
Transfers In	677,363	3,012,277	7,007	3,696,647
Transfers Out	(1,589,728)	(129,208)	-	(1,718,936)
Bond Proceeds	-	6,520,000	25,385,000	31,905,000
Bond Premium (Discount)	-	24,120	(92,932)	(68,812)
Payment To Refunding Bonds Escrow Agent	-	(6,422,315)	-	(6,422,315)
Total Other Financing Sources (Uses)	<u>(912,365)</u>	<u>3,004,874</u>	<u>25,299,075</u>	<u>27,391,584</u>
Net Change In Fund Balance	<u>(1,373,990)</u>	<u>(2,137,972)</u>	<u>24,851,792</u>	<u>21,339,830</u>
Fund Balances-Beginning	13,478,575	3,283,808	4,939	16,767,322
Fund Balances-Ending	<u>\$12,104,585</u>	<u>\$ 1,145,836</u>	<u>\$ 24,856,731</u>	<u>\$ 38,107,152</u>

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

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2002**

	<u>Parking/ Parks Enforcement</u>	<u>Downtown Development</u>
Assets		
Equity in pooled cash and investment fund	\$ 37,330	32,097
Accrued interest receivable	364	347
Accounts and notes receivable	21	-
Due from other funds	-	-
Due from other governments	-	41
Other current assets	376	-
Total Assets	<u><u>\$ 38,091</u></u>	<u><u>\$ 32,485</u></u>
Liabilities and Fund Balances (Deficits)		
Liabilities:		
Accounts payable	\$ 2,493	\$ 1,499
Compensated absences payable	1,026	496
Deferred revenue	-	-
Interfund loans payable within one year	10,065	-
Interfund loans payable after one year	10,684	-
Total liabilities	<u><u>24,268</u></u>	<u><u>1,995</u></u>
Fund Balance:		
Reserved for encumbrances	38	-
Reserved for specified projects	13,785	30,490
Total reserved fund balance	<u><u>13,823</u></u>	<u><u>30,490</u></u>
Total fund balance	<u><u>13,823</u></u>	<u><u>30,490</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 38,091</u></u>	<u><u>\$ 32,485</u></u>

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

<u>Local Gasoline Tax</u>	<u>Stormwater Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Community Redevelopment Trust</u>	<u>Total</u>
\$ 6,326,977	\$ 3,612,052	\$ 456,739	\$ 234,581	\$ 10,699,776
68,441	36,431	4,495	-	110,078
-	-	-	-	21
-	104,119	-	-	104,119
3,144,431	-	-	-	3,144,472
-	156	250	-	782
<u>\$ 9,539,849</u>	<u>\$ 3,752,758</u>	<u>\$ 461,484</u>	<u>\$ 234,581</u>	<u>\$ 14,059,248</u>

\$ 1,137,859	\$ 141,523	\$ 1,455	\$ -	\$ 1,284,829
6,386	20,472	-	-	28,380
160,676	-	460,029	-	620,705
-	-	-	-	10,065
-	-	-	-	10,684
<u>1,304,921</u>	<u>161,995</u>	<u>461,484</u>	<u>-</u>	<u>1,954,663</u>

473,369	310,326	-	-	783,733
7,761,559	3,280,437	-	234,581	11,320,852
<u>8,234,928</u>	<u>3,590,763</u>	<u>-</u>	<u>234,581</u>	<u>12,104,585</u>
<u>8,234,928</u>	<u>3,590,763</u>	<u>-</u>	<u>234,581</u>	<u>12,104,585</u>
<u>\$ 9,539,849</u>	<u>\$ 3,752,758</u>	<u>\$ 461,484</u>	<u>\$ 234,581</u>	<u>\$ 14,059,248</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, 2002

	<u>Parking/ Parks Enforcement</u>	<u>Downtown Development</u>
Revenues:		
Property taxes	\$ -	\$ 49,858
Other intergovernmental revenues	-	-
Parking meters and facilities	62,673	-
Fines and forfeitures	8,471	-
Charges for services	-	-
Investment income	2,019	1,975
Gifts	-	-
Other	9,870	-
Total revenues	<u>83,033</u>	<u>51,833</u>
Expenditures:		
Current:		
General government and administration	-	39,409
Public works	-	-
Other	73,281	-
Capital outlay	1,795	-
Debt service:		
Interest and paying agents' fees	1,652	-
Total expenditures	<u>76,728</u>	<u>39,409</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,305</u>	<u>12,424</u>
Other Financing Sources (Uses):		
Operating transfers from other funds	-	-
Operating transfers to other funds	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	6,305	12,424
Fund Balances at Beginning of Year	<u>7,518</u>	<u>18,068</u>
Fund Balances at End of Year	<u>\$ 13,823</u>	<u>\$ 30,490</u>

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

<u>Local Gasoline Tax</u>	<u>Stormwater Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Community Redevelopment Trust</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 112,414	\$ 162,272
6,269,756	-	332,332	-	6,602,088
-	-	-	-	62,673
-	-	-	-	8,471
-	2,173,980	-	-	2,173,980
405,197	208,023	26,541	11,199	654,954
58,584	-	-	-	58,584
1,173	-	-	-	11,043
<u>6,734,710</u>	<u>2,382,003</u>	<u>358,873</u>	<u>123,613</u>	<u>9,734,065</u>
-	-	358,873	-	398,282
604,947	2,635,152	-	-	3,240,099
-	-	-	-	73,281
6,198,088	282,493	-	-	6,482,376
-	-	-	-	1,652
<u>6,803,035</u>	<u>2,917,645</u>	<u>358,873</u>	<u>-</u>	<u>10,195,690</u>
<u>(68,325)</u>	<u>(535,642)</u>	<u>-</u>	<u>123,613</u>	<u>(461,625)</u>
566,505	-	-	110,858	677,363
<u>(1,564,728)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(1,589,728)</u>
<u>(998,223)</u>	<u>(25,000)</u>	<u>-</u>	<u>110,858</u>	<u>(912,365)</u>
(1,066,548)	(560,642)	-	234,471	(1,373,990)
<u>9,301,476</u>	<u>4,151,405</u>	<u>-</u>	<u>110</u>	<u>13,478,575</u>
<u>\$ 8,234,928</u>	<u>\$ 3,590,763</u>	<u>\$ -</u>	<u>\$ 234,581</u>	<u>\$ 12,104,585</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PARKING/PARKS ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Parking meters and facilities	\$ 62,673	\$ 69,100	\$ (6,427)
Fines and forfeitures	8,471	5,220	3,251
Investment income	2,019	3,000	(981)
Other	9,870	10,850	(980)
Total revenues	<u>83,033</u>	<u>88,170</u>	<u>(5,137)</u>
Expenditures:			
Current - other	73,281	77,931	4,650
Capital outlay	1,795	1,795	-
Debt service:	-		
Principal payments	-	10,089	10,089
Interest and paying agents' fees	1,652	1,652	-
Total expenditures	<u>76,728</u>	<u>91,487</u>	<u>14,739</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,305</u>	<u>(3,297)</u>	<u>9,602</u>
Net Change in Fund Balance	6,305	(3,297)	9,602
Fund Balance:			
Beginning of year	<u>7,518</u>	<u>3,297</u>	<u>4,221</u>
End of year	<u>\$ 13,823</u>	<u>\$ -</u>	<u>\$ 13,823</u>

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

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 49,858	\$ 48,858	\$ 1,000
Investment income	<u>1,975</u>	<u>2,000</u>	<u>(25)</u>
Total revenues	<u>51,833</u>	<u>50,858</u>	<u>975</u>
Expenditures:			
Current - General government and administration	<u>39,409</u>	<u>41,059</u>	<u>1,650</u>
Total expenditures	<u>39,409</u>	<u>41,059</u>	<u>1,650</u>
Excess of Revenues Over Expenditures	<u>12,424</u>	<u>9,799</u>	<u>2,625</u>
Net Change in Fund Balance	12,424	9,799	2,625
Fund Balance:			
Beginning of year	<u>7,518</u>	<u>(9,799)</u>	<u>17,317</u>
End of year	<u>\$ 19,942</u>	<u>\$ -</u>	<u>\$ 19,942</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LOCAL GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other intergovernmental revenues	\$ 8,269,756	\$ 4,701,000	\$ 1,568,756
Investment income	405,197	301,000	104,197
Gifts	58,584	238,123	(179,539)
Other	1,173	-	1,173
Total revenues	<u>8,734,710</u>	<u>5,240,123</u>	<u>1,494,587</u>
Expenditures:			
Current - Public works	604,947	2,533,004	1,928,057
Capital outlay	6,198,088	8,705,422	2,507,334
Total expenditures	<u>6,803,035</u>	<u>11,238,426</u>	<u>4,435,391</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(68,325)</u>	<u>(5,998,303)</u>	<u>5,929,978</u>
Other Financing Sources (Uses):			
Operating transfers from other funds	566,505	555,300	11,205
Operating transfers to other funds	(1,564,728)	(1,830,795)	266,067
Total other financing sources (uses)	<u>(998,223)</u>	<u>(1,275,495)</u>	<u>277,272</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,066,548)</u>	<u>(7,273,798)</u>	<u>6,207,250</u>
Fund Balance at Beginning of Year	<u>9,301,476</u>	<u>7,273,798</u>	<u>2,027,678</u>
Fund Balance at End of Year	<u>\$ 8,234,928</u>	<u>\$ -</u>	<u>\$ 8,234,928</u>

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

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for services	\$ 2,173,980	\$ 2,285,000	\$ (111,020)
Investment income	208,023	200,000	8,023
Total revenues	<u>2,382,003</u>	<u>2,485,000</u>	<u>(102,997)</u>
Expenditures:			
Current - Public works	2,635,152	4,413,977	1,778,825
Capital outlay	282,493	995,764	713,271
Total expenditures	<u>2,917,645</u>	<u>5,409,741</u>	<u>2,492,096</u>
Excess (Deficiency) of Revenues Over Expenditures	(535,642)	(2,924,741)	2,389,099
Other Financing (Uses):			
Operating transfers to other funds	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(560,642)	(2,949,741)	2,389,099
Fund Balance at Beginning of Year	<u>4,151,405</u>	<u>2,949,741</u>	<u>1,201,664</u>
Fund Balance at End of Year	<u>\$ 3,590,763</u>	<u>\$ -</u>	<u>\$ 3,590,763</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SHIP LOCAL HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other intergovernmental revenues	\$ 332,332	\$ 1,044,917	\$ (712,585)
Investment income	<u>26,541</u>	<u>-</u>	<u>26,541</u>
Total revenues	<u>358,873</u>	<u>1,044,917</u>	<u>(686,044)</u>
Expenditures:			
Current - General government and administration	<u>358,873</u>	<u>1,044,917</u>	<u>686,044</u>
Total expenditures	<u>358,873</u>	<u>1,044,917</u>	<u>686,044</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	-
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 112,414	\$ 28,485	\$ 83,929
Investment income	11,189	-	11,189
Total revenues	<u>123,613</u>	<u>28,485</u>	<u>95,128</u>
Expenditures:			
Current:			
General government and administrative	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	123,613	28,485	95,128
Other Financing Sources :			
Operating transfers from other funds	<u>110,858</u>	<u>110,858</u>	<u>-</u>
Excess of Revenues and Other Sources Over Expenditures	234,471	139,343	95,128
Fund Balance at Beginning of Year	<u>110</u>	<u>(139,343)</u>	<u>139,453</u>
Fund Balance at End of Year	<u>\$ 234,581</u>	<u>\$ -</u>	<u>\$ 234,581</u>
Excess (Deficiency) of Revenues Over Expenditures			

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
SEPTEMBER 30, 2002**

	<u>1993 Improvement Certificates</u>	<u>1995 Improvement Certificates</u>	<u>2002 Improvement Certificates</u>
Assets			
Restricted cash and investments	\$ 921,514	\$ 210,162	\$ -
Restricted equity in pooled cash and investment fund	<u>-</u>	<u>-</u>	<u>42,253</u>
Total Restricted Assets	<u><u>\$ 921,514</u></u>	<u><u>\$ 210,162</u></u>	<u><u>\$ 42,253</u></u>
Fund Balances			
Accounts Payable from Restricted Assets	\$ -	\$ -	\$ -
Accrued Interest Payable	<u>-</u>	<u>-</u>	<u>35,211</u>
Total liabilities payable from restricted assets	-	-	35,211
Fund Balances:			
Reserved for debt service	<u>921,514</u>	<u>210,162</u>	<u>7,042</u>
Total Liabilities and Fund Balances	<u><u>\$ 921,514</u></u>	<u><u>\$ 210,162</u></u>	<u><u>\$ 42,253</u></u>

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

<u>1992 Optional Gas Tax Bonds</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
\$ -	\$ -	\$ 1,131,676
<u>25,997</u>	<u>42,709</u>	<u>110,959</u>
<u>\$ 25,997</u>	<u>\$ 42,709</u>	<u>\$ 1,242,635</u>
\$ 25,997	\$ -	\$ 25,997
-	35,591	70,802
<u>25,997</u>	<u>35,591</u>	<u>96,799</u>
-	7,118	1,145,836
<u>\$ 25,997</u>	<u>\$ 42,709</u>	<u>\$ 1,242,635</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, 2002

	<u>1993 Improvement Certificates</u>	<u>1995 Improvement Certificates</u>	<u>2002 Improvement Certificates</u>
Revenues:			
Investment income	\$ 25,076	\$ 5,596	\$ 358
Expenditures:			
Current:			
Nondepartmental	-	-	-
Debt Service:			
Principal payments	475,000	85,000	-
Interest and paying agents' fees	853,547	252,682	-
Total expenditures	<u>1,328,547</u>	<u>337,682</u>	<u>-</u>
Deficiency of Revenues Over Expenditures	<u>(1,303,471)</u>	<u>(332,086)</u>	<u>358</u>
Other Financing Sources (Uses):			
Proceeds from refunding bonds	-	-	-
Bond premium (discount)	-	-	-
Payment to refunding bonds escrow agent	-	-	-
Operating transfers from other funds	1,343,028	335,324	7,042
Operating transfers to other funds	<u>(24,294)</u>	<u>(5,044)</u>	<u>(358)</u>
Total other financing sources (uses)	<u>1,318,734</u>	<u>330,280</u>	<u>6,684</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	15,263	(1,806)	7,042
Fund Balances at Beginning of Year	<u>906,251</u>	<u>211,968</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 921,514</u>	<u>\$ 210,162</u>	<u>\$ 7,042</u>

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

<u>1992 Optional Gas Tax Bonds</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
<u>\$ 92,143</u>	<u>\$ 361</u>	<u>\$ 123,534</u>
114,798	-	114,798
2,825,000	-	3,385,000
660,353	-	1,766,582
<u>3,600,151</u>	<u>-</u>	<u>5,266,380</u>
<u>(3,508,008)</u>	<u>361</u>	<u>(5,142,846)</u>
6,520,000	-	6,520,000
24,120	-	24,120
(6,422,315)	-	(6,422,315)
1,319,765	7,118	3,012,277
<u>(99,151)</u>	<u>(361)</u>	<u>(129,208)</u>
<u>1,342,419</u>	<u>6,757</u>	<u>3,004,874</u>
(2,165,589)	7,118	(2,137,972)
<u>2,165,589</u>	<u>-</u>	<u>3,283,808</u>
<u>\$ -</u>	<u>\$ 7,118</u>	<u>\$ 1,145,836</u>

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2002**

Assets	Optional Gas Tax Construction	2002 Optional Gas Tax Construction	2002 Capital Improvement	Total
Cash and investments	\$ -	\$ 10,879,352	\$ 14,085,399	\$ 24,964,751
Equity in pooled cash and investment fund	<u>4,364</u>	<u>7,008</u>	<u>-</u>	<u>11,372</u>
Total Assets	<u>\$ 4,364</u>	<u>\$ 10,886,360</u>	<u>\$ 14,085,399</u>	<u>\$ 24,976,123</u>
Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable	\$ 519	\$ 42,342	\$ 76,531	\$ 119,392
Total liabilities	<u>519</u>	<u>42,342</u>	<u>76,531</u>	<u>119,392</u>
Fund Balances:				
Reserved for specified projects	<u>3,845</u>	<u>10,844,018</u>	<u>14,008,868</u>	<u>24,856,731</u>
Total fund balance	<u>3,845</u>	<u>10,844,018</u>	<u>14,008,868</u>	<u>24,856,731</u>
Total Liabilities and Fund Balances	<u>\$ 4,364</u>	<u>\$ 10,886,360</u>	<u>\$ 14,085,399</u>	<u>\$ 24,976,123</u>

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

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, 2002

	<u>Optional Gas Tax Construction</u>	<u>2002 Optional Gas Tax Construction</u>	<u>2002 Capital Improvement</u>	<u>Total</u>
Revenues:				
Investment income	\$ 242	\$ 2,819	\$ 3,650	\$ 6,711
Total revenues	<u>242</u>	<u>2,819</u>	<u>3,650</u>	<u>6,711</u>
Expenditures:				
Current:				
Public works	1,336	-	299	1,635
Nondepartmental	-	201,539	250,820	452,359
Total expenditures	<u>1,336</u>	<u>201,539</u>	<u>251,119</u>	<u>453,994</u>
(Deficiency) of Revenues Over Expenditures	<u>(1,094)</u>	<u>(198,720)</u>	<u>(247,469)</u>	<u>(447,283)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	11,045,000	14,340,000	25,385,000
Bond premium (discount)	-	(9,269)	(83,663)	(92,932)
Operating transfers from other funds	-	7,007	-	7,007
Total other financing sources (uses)	<u>-</u>	<u>11,042,738</u>	<u>14,256,337</u>	<u>25,299,075</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,094)</u>	<u>10,844,018</u>	<u>14,008,868</u>	<u>24,851,792</u>
Fund Balances at Beginning of Year	<u>4,939</u>	<u>-</u>	<u>-</u>	<u>4,939</u>
Fund Balances at End of Year	<u>\$ 3,845</u>	<u>\$ 10,844,018</u>	<u>\$ 14,008,868</u>	<u>\$ 24,856,731</u>

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

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

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 242	\$ -	\$ 242
Total revenues	<u>242</u>	<u>-</u>	<u>242</u>
Expenditures:			
Current - Public works	1,336	1,880	544
Capital outlay	-	930	930
Total expenditures	<u>1,336</u>	<u>2,810</u>	<u>1,474</u>
Deficiency of Revenues Over Expenditures	(1,094)	(2,810)	1,716
Fund Balance at Beginning of Year	<u>4,939</u>	<u>2,810</u>	<u>2,129</u>
Fund Balance at End of Year	<u>\$ 3,845</u>	<u>\$ -</u>	<u>\$ 3,845</u>

**CITY OF OCALA, FLORIDA
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2002**

INTERNAL SERVICE FUNDS:

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

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

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

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

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2002**

Assets	Internal Service	Fleet Management	Self- Insurance	Total
Current Assets:				
Cash and investments	\$ 150	\$ 800	\$ 150	\$ 1,100
Equity in pooled cash and investment fund	2,109,588	8,349,343	3,744,953	14,203,882
Accrued interest receivable	29,275	93,108	33,785	156,168
Accounts receivable	80	120	47,284	47,484
Inventories	35,346	200,242	-	235,588
Other current assets	443	-	55,778	56,221
Total current assets	<u>2,174,880</u>	<u>8,643,611</u>	<u>3,881,950</u>	<u>14,700,441</u>
Capital Assets, Net	<u>8,916,904</u>	<u>8,715,294</u>	<u>8,999</u>	<u>17,641,197</u>
Total Assets	<u>\$ 11,091,784</u>	<u>\$ 17,358,905</u>	<u>\$ 3,890,949</u>	<u>\$ 32,341,638</u>
Liabilities				
Current Liabilities:				
Accounts payable	\$ 154,798	\$ 687,380	\$ 282,125	\$ 1,124,303
Claims payable	-	-	3,266,247	3,266,247
Compensated absences payable	65,683	47,317	-	113,000
Total current liabilities	<u>220,481</u>	<u>734,697</u>	<u>3,548,372</u>	<u>4,503,550</u>
Noncurrent Liabilities:				
Compensated absences payable	<u>80,137</u>	<u>33,433</u>	<u>-</u>	<u>113,570</u>
Total Liabilities	<u>300,618</u>	<u>768,130</u>	<u>3,548,372</u>	<u>4,617,120</u>
Net Assets				
Invested in capital assets	8,916,904	8,715,294	8,999	17,641,197
Unrestricted	<u>1,864,309</u>	<u>7,875,481</u>	<u>333,578</u>	<u>10,073,368</u>
Total Net Assets	<u>\$ 10,781,213</u>	<u>\$ 16,590,775</u>	<u>\$ 342,577</u>	<u>\$ 27,714,565</u>

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

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:				
Fees and rentals	\$ 4,214,862	\$ 4,633,697	\$ 908,996	\$ 9,757,555
City insurance contributions	-	-	6,268,661	6,268,661
Employee insurance contributions	-	-	2,027,034	2,027,034
Other	101,574	2,211	2,340	106,125
Total operating revenues	<u>4,316,436</u>	<u>4,635,908</u>	<u>9,207,031</u>	<u>18,159,375</u>
Operating Expenses:				
Fleet management	-	2,738,024	-	2,738,024
Purchasing and warehousing	1,055,211	-	-	1,055,211
Information technology and central services	2,230,946	-	-	2,230,946
Facilities maintenance	1,473,951	-	-	1,473,951
Insurance, administration and other	-	-	9,420,610	9,420,610
Depreciation	906,359	1,995,408	5,333	2,907,100
Other	120,590	-	-	120,590
Total operating expenses	<u>5,787,057</u>	<u>4,733,432</u>	<u>9,425,943</u>	<u>19,946,432</u>
Operating Income (Loss)	<u>(1,470,621)</u>	<u>(97,524)</u>	<u>(218,912)</u>	<u>(1,787,057)</u>
Non-Operating Revenues (Expenses):				
Investment income	163,406	500,230	201,165	864,801
Interest expense	(2,023)	-	-	(2,023)
Total non-operating revenues (expenses)	<u>161,383</u>	<u>500,230</u>	<u>201,165</u>	<u>862,778</u>
Income (Loss) Before Operating Transfers	<u>(1,309,238)</u>	<u>402,706</u>	<u>(17,747)</u>	<u>(924,279)</u>
Operating Transfers:				
To other funds	(6,312)	-	-	(6,312)
Total operating transfers	<u>(6,312)</u>	<u>-</u>	<u>-</u>	<u>(6,312)</u>
Change in Net Assets	(1,315,550)	402,706	(17,747)	(930,591)
Total Net Assets, beginning of year	<u>12,096,763</u>	<u>16,188,069</u>	<u>360,324</u>	<u>28,645,156</u>
Total Net Assets, end of year	<u>\$ 10,781,213</u>	<u>\$ 16,590,775</u>	<u>\$ 342,577</u>	<u>\$ 27,714,565</u>

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

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from employees	\$ -	\$ -	\$ 2,027,034	\$ 2,027,034
Cash paid to suppliers for goods and services	(2,224,530)	(987,653)	(6,367,086)	(9,579,269)
Cash paid to employees for services	(2,429,212)	(1,276,218)	(370,729)	(4,076,159)
Cash received from other funds	4,102,142	4,635,838	7,192,065	15,930,045
Cash paid for insurance claims	-	-	(2,396,526)	(2,396,526)
Net cash provided by operating activities	<u>(551,600)</u>	<u>2,371,967</u>	<u>84,758</u>	<u>1,905,125</u>
Cash Flows from Non-Capital Financing Activities:				
Operating transfers out	<u>(6,312)</u>	-	-	<u>(6,312)</u>
Net cash used in non-capital financing activities	<u>(6,312)</u>	-	-	<u>(6,312)</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on capital lease and notes payable	(171,753)	-	-	(171,753)
Interest paid on capital lease and notes payable	(2,023)	-	-	(2,023)
Proceeds from sale of fixed assets	101,581	112,613	-	214,174
Acquisition and construction of capital assets	<u>(85,267)</u>	<u>(1,945,276)</u>	<u>(1,532)</u>	<u>(2,032,075)</u>
Net cash used in capital and related financing activities	<u>(157,482)</u>	<u>(1,832,663)</u>	<u>(1,532)</u>	<u>(1,991,677)</u>
Cash Flows from Investing Activities:				
Investment income	<u>165,662</u>	<u>490,112</u>	<u>204,633</u>	<u>860,407</u>
Net cash provided by investing activities	<u>165,662</u>	<u>490,112</u>	<u>204,633</u>	<u>860,407</u>
Net Increase in Cash and Cash Equivalents	(549,732)	1,029,416	287,859	767,543
Cash and Cash Equivalents, beginning of year	<u>2,659,468</u>	<u>7,320,727</u>	<u>3,457,244</u>	<u>13,437,439</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 2,109,736</u></u>	<u><u>\$ 8,350,143</u></u>	<u><u>\$ 3,745,103</u></u>	<u><u>\$ 14,204,982</u></u>

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

(Continued)

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>Internal Service</u>	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:				
Operating income (loss)	\$ (1,470,621)	\$ (97,524)	\$ (218,912)	\$ (1,787,057)
Adjustment to reconcile operating income to cash flows provided by operating activities:				
Depreciation	906,359	1,995,408	5,333	2,907,100
Loss (gain) on fixed asset disposal	(96,459)	20,543	-	(75,916)
(Increase) decrease in assets:				
Accounts and notes receivable	29,038	(70)	5,068	34,036
Inventories	2,728	(64,640)	-	(61,912)
Due from other governments	-	-	7,000	7,000
Other current assets	26,636	-	(570)	26,066
Increase (decrease) in liabilities:				
Accounts payable	34,137	505,424	88,311	627,872
Compensated absences payable	16,582	12,826	-	29,408
Claims payable	-	-	198,528	198,528
Net Cash Provided by Operating Activities	<u><u>\$ (551,600)</u></u>	<u><u>\$ 2,371,967</u></u>	<u><u>\$ 84,758</u></u>	<u><u>\$ 1,905,125</u></u>

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



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

General Governmental Revenues and Other Financing Sources by Source

General Governmental Expenditures and Other Uses by Function

Property Tax Levies, Tax Collections and Assessed Valuations

Property Tax Rates and Levies – Direct and Overlapping Governments

Special Assessment Collections

Computation of Legal Debt Margin

Schedules of Bond Coverage:

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Water and Sewer Revenue and Refunding Revenue Bonds

Utility Systems Subordinate Refunding Revenue Bonds, Series 1992A and 1992B

Capital Improvement Revenue and Refunding Revenue Bonds and Capital

Improvement Revenue, Revenue Refunding and Refunding Revenue Certificates

Optional Gas Tax Revenue Bonds, Refunding Revenue Bonds and

Refunding and Improvement Revenue Bonds

Computation of Direct and Overlapping General Obligation Debt

Miscellaneous Statistical Data

Demographic Statistics

List of Ten Largest Taxpayers

Schedule of Insurance in Force

Property Value, Construction and Bank Deposits

Summary of Debt Service Requirements to Maturity – All Bonded Debt

Statements of Bonded Debt and Interest:

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Capital Improvement Revenue Certificates, Series 1995

Capital Improvement Revenue Certificates, Series 2002

Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002

Water and Sewer Revenue Bonds, Series 1995

Water and Sewer Refunding Revenue Bonds, Series 1996

Water and Sewer Revenue Bonds, Series 2001

Water and Sewer Refunding Revenue Bonds, Series 2001A

Electric System Refunding Revenue Bonds, Series 2001

Analysis of Sewerage System Capital Improvement Fund Established
for Florida Department of Environmental Regulation Grant #621080

**CITY OF OCALA, FLORIDA
GENERAL GOVERNMENTAL REVENUES AND
OTHER FINANCING SOURCES BY SOURCE (1)
LAST TEN FISCAL YEARS**

	1993	1994	1995	1996
Property taxes	\$ 7,270,682	\$ 7,575,276	\$ 7,638,214	\$ 7,819,975
Utility service tax	-	-	-	4,791,403
Other taxes	1,409,034	1,502,077	1,508,768	1,673,398
Intergovernmental revenues	7,360,769	9,214,202	9,122,383	10,495,025
Licenses and permits	604,787	763,068	772,036	800,587
Fines and forfeitures	873,112	891,455	1,052,858	580,973
Charges for services and off-street parking	2,025,300	2,246,292	2,380,049	2,463,001
Operating transfers from other funds	17,411,683	17,944,570	17,000,557	15,258,416
Bond and note proceeds	14,143,855	11,749,269	-	-
Investment income	780,108	1,130,987	1,487,264	1,632,089
Miscellaneous	277,420	271,518	154,508	297,975
Totals	<u>\$ 52,156,710</u>	<u>\$ 53,288,712</u>	<u>\$ 41,098,633</u>	<u>\$ 45,810,840</u>

- (1) This schedule includes revenues and other financing sources of the General Fund, Special Revenue Funds and Debt Service Funds. Interfund expenditures have not been eliminated between these funds.

1997	1998	1999	2000	2001	2002
\$ 8,368,548	\$ 8,480,580	\$ 9,102,961	\$ 9,511,892	\$ 11,548,574	\$ 12,436,199
4,722,401	5,040,944	5,102,382	5,306,148	7,551,057	9,826,251
1,777,951	1,825,810	1,812,423	2,054,924	979,605	395,596
11,657,539	12,034,615	13,454,031	12,272,487	11,036,370	13,365,718
957,288	960,467	1,054,871	1,096,018	1,589,534	1,055,928
642,935	594,544	464,268	381,070	391,965	403,763
2,526,920	2,747,158	3,262,969	3,822,275	4,115,134	4,094,558
14,637,135	14,082,216	13,231,408	13,939,858	14,488,147	14,274,470
-	-	-	-	-	6,544,120
1,733,101	2,161,010	1,039,143	1,847,372	2,849,560	1,770,818
314,017	436,978	3,134,366	1,093,781	553,724	835,729
<u>\$ 47,337,835</u>	<u>\$ 48,364,322</u>	<u>\$ 51,658,822</u>	<u>\$ 51,325,825</u>	<u>\$ 55,103,670</u>	<u>\$ 65,003,150</u>

**CITY OF OCALA, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES
AND OTHER USES BY FUNCTION (1)
LAST TEN FISCAL YEARS**

	1993	1994	1995	1996
General government and administration	\$ 3,388,158	\$ 3,570,694	\$ 3,750,855	\$ 4,141,798
Public safety	12,621,517	13,296,158	14,812,271	15,621,375
Public works	3,933,610	4,242,507	4,531,891	4,732,747
Culture and recreation	3,771,641	3,826,126	3,939,075	4,259,453
Nondepartmental	428,063	151,883	87,932	143,264
Debt service	16,791,576	15,843,482	3,501,935	3,627,857
Capital outlay	2,262,339	1,939,122	3,160,173	3,497,923
Operating transfers to other funds	5,015,385	4,923,349	4,777,853	6,455,475
Payment to refunding bonds escrow agent	-	-	-	-
Miscellaneous	2,250,678	1,130,298	995,400	1,025,824
Totals	<u>\$ 50,462,967</u>	<u>\$ 48,923,619</u>	<u>\$ 39,557,385</u>	<u>\$ 43,505,716</u>

- (1) This schedule includes expenditures and other financing uses of the General Fund, Special Revenue Funds and Debt Service Funds. Interfund expenditures have not been eliminated between these funds.

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
\$ 4,472,247	\$ 4,759,554	\$ 5,353,842	\$ 5,556,404	\$ 5,207,855	\$ 5,722,144
16,672,853	17,476,228	18,844,027	19,588,382	21,686,577	23,546,305
5,253,535	5,646,503	6,265,545	5,813,068	5,931,960	8,722,518
5,184,240	4,572,977	4,911,858	3,341,906	3,650,228	3,922,136
191,039	210,752	195,447	730,425	316,333	330,237
3,760,178	3,758,570	2,469,619	2,982,635	2,979,339	5,164,672
5,175,529	4,993,327	6,417,164	9,521,370	7,120,700	8,462,353
3,990,763	4,017,101	5,097,944	5,187,048	4,552,992	4,218,807
-	-	-	-	-	6,422,315
1,057,508	2,361,933	1,729,854	1,454,750	1,153,583	1,477,483
<u>\$ 45,757,892</u>	<u>\$ 47,796,945</u>	<u>\$ 51,285,300</u>	<u>\$ 54,175,988</u>	<u>\$ 52,599,567</u>	<u>\$ 67,988,970</u>

**CITY OF OCALA, FLORIDA
PROPERTY TAX LEVIES, TAX COLLECTIONS
AND ASSESSED VALUATIONS (1)
LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Valuation (100% at Market)	Tax Rate in Mills (1)	Total Tax Levy (2)	Current Tax Collections	Total Tax Collections (3)	Ratio of Total Collections to Tax Levy	Uncollected Taxes
1993	\$ 1,501,855,447	4.92	\$ 7,402,331	\$ 6,837,706	7,223,752	97.8	\$ 564,625
1994	1,514,377,939	5.03	7,623,382	7,136,533	7,529,041	98.8	486,849
1995	1,556,395,804	5.03	7,836,849	7,289,707	7,595,038	96.9	547,142
1996	1,574,831,300	5.09	8,041,653	7,474,513	7,781,671	96.8	567,140
1997	1,634,063,072	5.22	8,567,696	7,925,026	8,328,857	97.2	642,670
1998	1,662,531,968	5.22	8,725,865	8,131,668	8,441,680	96.8	594,197
1999	1,771,686,458	5.27	9,385,714	8,755,381	9,061,156	96.5	630,333
2000	1,853,082,830	5.27	9,821,569	9,172,117	9,468,965	96.4	649,452
2001	2,026,300,739	5.84	11,884,723	11,133,462	11,504,383	96.8	751,261
2002	2,194,839,266	5.78	12,761,905	11,927,359	12,273,927	96.2	834,546

Source: Marion County Tax Collector and City of Ocala Finance & Administrative Services Department

- (1) Excludes property tax levies of the Downtown Development Commission.
- (2) Includes penalties under §193.072, Florida Statutes.
- (3) Tax collections include current and delinquent taxes, and tax certificates and payments to local governments for homestead exemptions.

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

Millage Rates

Fiscal Year	City	County	School	Water Management Districts	Totals
1993	4.92	6.05	9.41	0.36	20.74
1994	5.03	6.10	9.58	0.47	21.18
1995	5.03	5.74	9.88	0.48	21.13
1996	5.09	5.40	9.75	0.48	20.72
1997	5.22	5.71	9.99	0.48	21.40
1998	5.22	6.22	10.59	0.48	22.51
1999	5.27	6.15	10.62	0.48	22.52
2000	5.27	6.15	9.83	0.48	21.73
2001	5.84	6.18	9.66	0.47	22.15
2002	5.78	6.06	9.50	0.46	21.80

Tax Levies

Fiscal Year	City (1)	County (2)	School (2)	Water Management Districts (2)	Totals
1993	\$ 7,389,129	\$ 9,086,225	\$ 14,132,460	\$ 540,668	\$ 31,148,482
1994	7,611,869	9,237,705	14,507,741	711,758	32,069,073
1995	7,823,068	8,933,712	15,377,191	747,070	32,881,041
1996	8,027,264	8,504,089	15,354,605	755,919	32,641,877
1997	8,551,764	9,330,500	16,324,290	784,350	34,990,904
1998	8,705,206	10,340,949	17,606,214	798,015	37,450,384
1999	9,365,048	10,895,872	18,815,310	850,409	39,926,639
2000	9,797,630	11,396,459	18,215,804	889,480	40,299,373
2001	11,855,904	12,522,539	19,574,065	952,361	40,904,869
2002	12,722,270	13,300,726	20,850,973	1,009,626	47,883,595

(1) Does not include penalties under §193.072 of the Florida Statutes.

(2) The tax levies for overlapping governments reflect each government's millage applied to the total assessed valuation within the City's corporate boundaries.

**CITY OF OCALA, FLORIDA
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	New Liens Assessed	Collections and Adjustments	Total Outstanding Assessments (1)
1993	\$13,679	\$68,822	\$191,759
1994	-	59,140	132,619
1995	-	16,916	115,703
1996	-	7,336	108,367
1997	-	21,112	87,255
1998	-	4,106	83,149
1999	-	11,595	71,554
2000	-	22,770	48,784
2001	-	25,044	23,740
2002	-	2,735	21,005

(1) Does not reflect reserves for uncollectible special assessment levies.

**CITY OF OCALA, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2002**

Assessed Value (100% at market as of January 1, 2002)	<u>\$ 2,194,839,266</u>
Debt Limit 20% of Assessed Value	\$ 438,967,853
Amount of General Obligation Debt Outstanding	<u>-</u>
Legal Debt Margin	<u>\$ 438,967,853</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".

**CITY OF OCALA, FLORIDA
SCHEDULE OF ELECTRIC SYSTEM REVENUE
AND REFUNDING REVENUE BONDS COVERAGE
LAST TEN FISCAL YEARS**

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements (2) (3) (4)			Coverage
		Principal	Interest	Total	
1993	\$21,524,840	\$1,260,000	\$683,780	\$1,923,780	11.19
1994	23,081,766	1,345,000	582,353	1,927,353	11.98
1995	22,733,287	1,435,000	494,065	1,929,065	11.78
1996	19,025,573	1,530,000	398,038	1,928,038	9.87
1997	18,935,425	1,630,000	293,325	1,923,325	9.85
1998	22,891,440	1,745,000	179,390	1,924,390	11.90
1999	21,531,368	1,740,000	60,030	1,800,030	11.96
2000	20,413,962	-	-	-	-
2001	18,548,045	-	-	-	-
2002	22,489,491	445,000	243,571	243,571	92.33

- (1) Represents gross operating revenues and interest income (including interest income capitalized) less gross operating expenses, excluding amortization and depreciation, of the electric system.
- (2) In October, 1989, the City issued Electric System Revenue Bonds, Series 1989A in the amount of \$28,425,000 and Electric System Revenue Refunding Bonds, Series 1989B in the amount of \$13,000,000. The 1989B Bonds were issued for the purpose of advance refunding the City's outstanding Power Supply Revenue Bonds, Series 1977 and the City's outstanding Power Supply Revenue Refunding Bonds, Series 1988. The refunding bonds are no longer considered outstanding debt of the City because an escrow account was created for them; and, therefore, all debt service requirements subsequent to October, 1989 for the refunded bonds have been excluded from the determination of debt service coverage. The proceeds of the 1989A Bonds are being used to fund the cost of the acquisition system and certain infrastructure improvements related thereto. The first interest payments on the Series 1989A and 1989B Bonds occurred in April, 1990; the first principal payments were made October 1, 1990. The final principal and interest payments on the Series 1989B Bonds were made on October 1, 1998.
- (3) In March, 1992, the City issued the \$28,435,000 Utility Systems Subordinate Refunding Revenue Bonds, Series 1992B, for the purpose of refunding the outstanding Electric System Revenue Bonds, Series 1989A. The refunded bonds are no longer considered outstanding debt of the City since an escrow account was created for them; and, therefore, all debt service requirements subsequent to 1992 will be excluded from the determination of debt service coverage. Since the Series 1992B Bonds, as well as the Utility Systems Subordinate Refunding Revenue Bonds, Series 1992A, are payable from a lien upon the surplus revenues of the City's Water and Sewer System and the City's Electric System, the debt service coverage for those two issues is shown in a separate schedule for 1993 and subsequent years.
- (4) In August 2001, the City issued the \$10,520,000 Electric System Refunding Revenue Bonds, Series 2001, for the purpose of the current refunding of the Utility Systems Subordinate Refunding Revenue Bonds, Series 1992B. The refunded bonds are no longer considered outstanding debt of the City since an escrow account was created for them. The first interest payment on the Series 2001 bonds occurred in April 2002; the first principal payment will be made on October 1, 2002.

**CITY OF OCALA, FLORIDA
SCHEDULE OF WATER AND SEWER REVENUE
AND REFUNDING REVENUE BONDS COVERAGE
LAST TEN FISCAL YEARS**

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements (2) (3) (4) (5) (6)			Coverage
		Principal	Interest	Total	
1993	\$ 8,426,555	\$ -	\$ 948,311	\$ 948,311	8.89
1994	8,177,122	45,000	946,928	991,928	8.24
1995	8,596,135	245,000	937,825	1,182,825	7.26
1996	9,041,538	260,000	1,051,660	1,311,660	6.89
1997	9,355,166	-	786,254	786,254	11.90
1998	10,048,277	385,000	953,281	1,338,281	7.51
1999	9,167,898	405,000	934,771	1,339,771	6.84
2000	10,960,270	420,000	914,745	1,334,745	8.21
2001	12,826,558	445,000	893,613	1,338,613	9.58
2002	11,119,671	460,000	3,708,504	4,168,504	2.67

- (1) Represents gross operating revenues less gross operating expenses, excluding amortization and depreciation, of the water and sewer system. Additional pledge revenues are the unlevied public service tax (all issues), interest earnings on investments and any income realized from such investments of the sinking, sinking reserve, and renewal and replacement funds.
- (2) In March, 1992, the City issued the \$51,880,000 Utility Systems Subordinate Refunding Revenue Bonds, Series 1992A, primarily for the purpose of refunding the outstanding Water and Sewer Revenue Bonds, Series 1985A and Water and Sewer Refunding Revenue Bonds, Series 1986. The refunded bonds are no longer considered outstanding debt of the City since an escrow account was created for them; and, therefore, all debt service requirements subsequent to 1992 will be excluded from the determination of debt service coverage. Since the Series 1992A Bonds, as well as the Utility Systems Subordinate Refunding Revenue Bonds, Series 1992B, are payable from a lien upon the surplus revenues of the City's Water and Sewer System and the City's Electric System, the debt service coverage for these two issues is shown in a separate schedule for 1993 and subsequent years.
- (3) In October, 1995, the City issued the \$5,000,000 Water and Sewer Revenue Bonds, Series 1995, primarily for the purpose of financing the cost of acquisition and construction of additions, improvements and extensions to the City's water and sewer system. The first interest payment on the Series 1995 Bonds occurred in April, 1996 and the first principal payment occurred in October, 1997.
- (4) In July, 1996, the City issued the \$12,170,000 Water and Sewer Refunding Revenue Bonds, Series 1996, primarily for the purpose of forward refunding the outstanding Water and Sewer Refunding Revenue Bonds, Series 1988. The refunded bonds are no longer considered outstanding debt of the City since an escrow account was created for them; and, therefore, all debt service requirements subsequent to 1996 will be excluded from the determination of debt service charge. The first interest payment on the Series 1996 Bonds occurred in October, 1996 and the first principal payment occurred in October, 1997.

(Continued)

**CITY OF OCALA, FLORIDA
SCHEDULE OF WATER AND SEWER REVENUE
AND REFUNDING REVENUE BONDS COVERAGE
LAST TEN FISCAL YEARS
(Concluded)**

- (5) In April 2001, the City issued the \$36,205,000 Water and Sewer Revenue Bonds, Series 2001, primarily for the purpose of financing the cost of acquisition and construction of additions, improvements and extensions to the City's water and sewer system. The first interest payment on the Series 2001 Bonds occurred on October 1, 2001, and the first principal payment will occur on October 1, 2016.
- (6) In August 2001, the City issued the \$39,885,000 Water and Sewer Refunding Revenue Bonds, Series 2001A, for the purpose of the current refunding of the Utility Systems Subordinate Refunding Revenue Bonds, Series 1992A. The refunded bonds are no longer considered outstanding debt of the City since an escrow account was created for them. The first interest payment on the Series 2001 bonds occurred in April 2002; the first principal payment will be made on October 1, 2002.

**CITY OF OCALA, FLORIDA
SCHEDULE OF UTILITY SYSTEMS SUBORDINATE
REFUNDING REVENUE BONDS,
SERIES 1992A AND 1992B, COVERAGE
LAST TEN FISCAL YEARS**

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements (2)			Coverage
		Principal	Interest	Total	
1993	\$ 27,079,104	\$ 1,785,000	\$ 4,814,527	\$ 6,599,527	4.10
1994	28,339,607	3,140,000	4,520,538	7,660,538	3.70
1995	28,213,532	3,255,000	4,107,890	7,362,890	3.83
1996	24,827,413	3,415,000	3,953,546	7,368,546	3.37
1997	25,581,012	3,575,000	3,783,065	7,358,065	3.48
1998	29,677,046	3,760,000	3,595,930	7,355,930	4.03
1999	27,559,440	2,805,000	3,422,435	6,227,435	4.43
2000	30,039,487	1,525,000	3,304,000	4,829,000	6.22
2001	30,035,990	1,610,000	3,214,610	4,824,610	6.23
2002	-	-	-	-	-

- (1) Represents the surplus revenues of the City's Electric System and of the City's Water and Sewer System available after the payment of the debt service requirements on the senior lien bonds.
- (2) In August 2001, the City issued the \$39,885,000 Water and Sewer Refunding Revenue Bonds, Series 2001A, and the \$10,520,000 Electric System Refunding Revenue Bonds, Series 2001, primarily for the purpose of the current refunding of the outstanding Utility Systems Subordinate Refunding Revenue Bonds, Series 1992A and 1992B. The refunded bonds are no longer considered outstanding debt of the City since an escrow account was created for them; therefore all debt service coverage subsequent to 2001 will be excluded from the determination of debt service coverage.

**CITY OF OCALA, FLORIDA
SCHEDULE OF CAPITAL IMPROVEMENT REVENUE AND
REFUNDING REVENUE BONDS AND CAPITAL IMPROVEMENT REVENUE, REVENUE
REFUNDING AND REFUNDING REVENUE CERTIFICATES COVERAGE
LAST TEN FISCAL YEARS**

Pledged Revenues

Year	Local						
	Government	Communication	Occupational		Guaranteed	Mobile	Court
	Half-Cent	Services	Franchise	License	Entitlement (1)	Home	Fines and
	Sales Tax	Tax	Fees	Tax		Licenses	Forfeitures
1993	\$1,784,593	-	\$488,574	\$365,591	\$643,622	\$16,025	\$732,964
1994	1,997,084	-	542,028	367,487	643,622	15,457	735,266
1995	2,108,783	-	497,871	378,545	643,622	16,913	660,082
1996	2,196,321	-	573,247	436,846	643,622	21,030	507,069
1997	2,245,440	-	627,813	439,902	643,622	25,700	468,236
1998	2,443,377	-	594,940	452,402	643,622	26,486	532,189
1999	2,632,262	-	564,533	463,809	643,622	29,113	431,951
2000	2,530,619	-	807,441	488,485	643,622	43,358	337,801
2001	2,804,438	-	911,727	490,247	643,622	43,124	360,264
2002	2,919,423	\$3,944,616	321,825	487,485	643,622	37,504	384,691

- (1) The minimum amount of state revenue sharing funds to be received by the City in accordance with the provisions of the State of Florida Revenue Sharing Act.
- (2) The Capital Improvement Refunding Revenue Bonds, Series 1986 were sold in August, 1986. The first interest payment for this issue was on October 1, 1986, and the first principal payment was on October 1, 1987. This issue places a senior lien on the pledged revenues. The outstanding portion of this issue was refunded in December, 1993 by the Capital Improvement Refunding Revenue Certificates, Series 1993. Since an escrow account was established for the redemption of this issue, the 1986 bonds will not be included in the debt service requirements for 1994 and subsequent years.
- (3) The Capital Improvement Revenue Refunding Certificates, Series 1988 were sold in August, 1988. The first principal and interest payments were made on April 1, 1989. This issue constituted a junior or subordinate lien on the pledged revenues until the senior debt, the Capital Improvement Refunding Revenue Bonds, Series 1986, was refunded in December, 1993. The final principal and interest payments for this issue were made on April 1, 1998.
- (4) The Capital Improvement Refunding Revenue Certificates, Series 1993 were sold in December, 1993. The first interest payment was made on April 1, 1994, and the first principal payment was made on October 1, 1999. This issue is on a parity with the Capital Improvement Revenue Refunding Certificates, Series 1988 and with the Capital Improvement Revenue Certificates, Series 1995 and Series 2002.

Total Revenue Available for Debt Service	Debt Service Requirements (2) (3) (4) (5) (6)			
	Principal	Interest	Total	Coverage
\$4,011,369	\$1,145,000	\$1,212,244	\$2,357,244	1.70
4,300,922	1,410,000	1,058,229	2,468,229	1.74
4,303,796	980,000	1,201,352	2,181,352	1.97
4,377,935	1,050,000	1,258,467	2,308,467	1.90
4,450,713	1,120,000	1,322,799	2,442,799	1.82
4,693,016	1,200,000	1,244,399	2,444,399	1.92
4,765,290	-	1,158,599	1,158,599	4.11
4,851,326	520,000	1,148,418	1,668,418	2.91
5,253,422	540,000	1,127,339	1,667,339	3.15
8,739,166	560,000	1,104,895	1,664,895	5.25

- (5) The Capital Improvement Revenue Certificates, Series 1995 were sold in October, 1995. The first interest payment was made on April 1, 1996, and the first principal payment was made on October 1, 1999. This issue is on a parity with the Capital Improvement Revenue Refunding Certificates, Series 1988 and with the Capital Improvement Refunding Revenue Certificates, Series 1993 and with the Capital Improvement Revenue Certificates, Series 2002 and with the Capital Improvement Revenue Certificates, Series 2002.
- (6) The Capital Improvement Revenue Certificates, Series 2002 were sold in September, 2002. The first interest payment will occur on April 1, 2003, and the first principal payment will occur on October 1, 2003. This issue is on a parity with the Capital Improvement Refunding Revenue Certificates, Series 1993 and with the Capital Improvement Revenue Certificates, Series 1995 and Series 2002.

CITY OF OCALA, FLORIDA
SCHEDULE OF OPTIONAL GAS TAX REVENUE BONDS AND
OPTIONAL GAS TAX REFUNDING REVENUE BONDS COVERAGE
LAST TEN FISCAL YEARS

Year	Revenue - Six-Cent Optional Gas Tax	Debt Service Requirements (1) (2) (3)			Coverage
		Principal	Interest	Total	
1993	\$2,060,097	\$395,000	\$851,586	\$1,246,586	1.65
1994	2,065,100	620,000	734,403	1,354,403	1.52
1995	2,077,200	595,000	715,763	1,310,763	1.58
1996	2,156,374	615,000	694,578	1,309,578	1.65
1997	2,304,362	635,000	670,490	1,305,490	1.77
1998	2,282,798	660,000	642,953	1,302,953	1.75
1999	2,416,976	690,000	612,476	1,302,476	1.86
2000	2,440,994	725,000	578,395	1,303,395	1.87
2001	2,515,737	755,000	541,018	1,296,018	1.94
2002	2,625,636	800,000	200,565	1,300,565	2.02

- (1) The Optional Gas Tax Revenue Bonds, Series 1989 were sold in February, 1989. The first interest payment occurred in June, 1989, and the first principal payment occurred in December, 1990. The outstanding portion of this issue was advance refunded in December, 1992 by the Optional Gas Tax Refunding Revenue Bonds, Series 1992. Since an escrow account was established for the redemption of this issue, the 1989 bonds will not be included in the debt service requirements after 1993.
- (2) The Optional Gas Tax Refunding Revenue Bonds, Series 1992 were sold in December, 1992. The first interest payment occurred in June, 1993, and the first principal payment occurred in December, 1993. The outstanding portion of this issue was refunded in September, 2002 by the Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002 by the Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002. Since an escrow account was established for the current refunding of this issue, the 1992 bonds will not be included in the debt service requirements after 2002.
- (3) The Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002 were sold in September, 2002. The first interest payment will occur in April, 2003, and the first principal payment will occur in October, 2003.

**CITY OF OCALA, FLORIDA
COMPUTATION OF DIRECT AND
OVERLAPPING GENERAL OBLIGATION DEBT (1)
SEPTEMBER 30, 2002**

<u>Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Applicable to City of Ocala Percent (2)</u>	<u>Amount</u>
Marion County			
Limited Ad Valorem Refunding Tax Bonds, Series 1994	\$ 6,365,000		
Limited Ad Valorem Refunding Tax Bonds, Series 1998	8,805,000		
	<u>15,170,000</u>	27.51%	\$ 4,173,267
School District of Marion County			
General Obligation Refunding Bonds, Series 1992	2,930,000		
General Obligation Partial Refunding Bonds, Series 1993	8,615,000		
	<u>11,545,000</u>	27.51%	<u>3,176,030</u>
Total Overlapping Debt	<u>\$ 26,715,000</u>		<u>\$ 7,349,297</u>

- (1) The City of Ocala did not have any general obligation debt outstanding during the fiscal year ended September 30, 2002.
- (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
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2002**

Date of Incorporation	February 4, 1869
City Charter Adopted	January 28, 1885
Form of Government	Council/Manager
Area of City	39.42 square miles
Miles of Streets, Sidewalks and Bikepaths	
Streets - Paved	286.34 miles
Streets - Unpaved	9.72 miles
Sidewalks (1)	61.56 miles
Bikepaths	25.47 miles
Miles of Sewers	
Storm	72.28 miles
Sanitary	299.24 miles
Force Main	71.8 miles
Number of Lift Stations	98
Building Permits (October 2001 - September 2002) (2)	
Permits Issued	5,059
Permit Value	\$92,061,764
Fire Protection:	
Stations	5
Employees - Sworn	115
Employees - Civilian	5
Fire and rescue response time (minutes)	4 to 6
Police Protection:	
Stations	5
Employees - Sworn	157
Employees - Civilian	88
Vehicular Patrol Units - Marked Vehicles	106
Vehicular Patrol Units - Motorcycles	5
Vehicular Patrol Units - Other Vehicles	63
Recreation:	
Land area (acres)	731
Activity centers	7
Pools	2

(1) Includes 11.66 miles of sidewalks installed by the Florida Department of Transportation located inside the City limits.

(2) Includes plumbing, gas, electrical, water, heating, air conditioning, refrigeration, ventilation and building permits; does not include moving and sign permits.

**CITY OF OCALA, FLORIDA
DEMOGRAPHIC STATISTICS
SEPTEMBER 30, 2002**

POPULATION - LAST TEN YEARS

<u>Year</u>	<u>City of Ocala</u>	<u>Marion County</u>
1993	42,400	213,328
1994	42,920	217,862
1995	43,207	224,612
1996	43,332	229,260
1997	43,630	237,204
1998	44,718	242,357
1999	45,585	249,433
2000	45,943	258,900
2001	46,288	264,277
2002	46,543	271,096

Source: The City of Ocala Comprehensive Plan - Planning Department.

POPULATION PROJECTIONS (1)

<u>Year</u>	<u>Marion County</u>	<u>State of Florida</u>
2010	316,700	18,866,700
2015	346,600	20,314,500
2020	377,500	21,792,600
2025	407,400	23,222,200
2030	503,800	24,528,600

Source: 2002 Florida Statistical Abstract, Bureau of Business and Economic Research - University of Florida, Gainesville. Figures for years prior to year 2010 and subsequent to year 2030 are unavailable.

% POPULATION BY AGE GROUP (1)

<u>Year</u>	<u>Marion County</u>	<u>State of Florida</u>
0-14	17.4%	18.9%
15-24	10.5%	12.4%
25-44	23.1%	28.0%
45-64	24.4%	23.2%
65 +	24.6%	17.5%

Source: 2002 Florida Statistical Abstract, Bureau of Business and Economic Research - University of Florida, Gainesville

(1) Figures are not maintained for individual cities within Marion County.

**CITY OF OCALA, FLORIDA
LIST OF TEN LARGEST TAXPAYERS
2002 TAX ROLL**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>City Tax Bill (1)(2)</u>
1. K-Mart Corporation	Department Store/ Distribution Center	\$ 52,083,977	2.37%	\$ 300,962
2. Sprint-Florida, Inc.	Telephone Communications	43,998,369	2.00%	254,240
3. Ocala Regional Medical Center	General Hospital Care	29,771,348	1.36%	172,031
4. Clairson International	Manufacturer	28,928,421	1.32%	167,160
5. Paddock Mall Associates	Regional Shopping Center	27,354,715	1.25%	158,066
6. ITC Deltacom Switching Service	Telephone Communications	15,925,023	0.72%	92,021
7. Paddock Park Apartments	Apartment Complex	15,547,649	0.71%	89,841
8. Carlton Arms of Ocala	Apartment Complex	14,705,912	0.67%	84,977
9. Gray Lumber Company (Tuscany Apartments)	Apartment Complex	12,298,634	0.56%	71,066
10. C.C. Ocala Joint Venture (Gaitway Plaza)	Local Shopping Center	11,626,541	0.53%	67,183
Total Adjusted Value		252,240,589	11.49%	1,457,547
Other Taxpayers		1,942,598,677	88.51%	11,264,723
Total Assessed Value		<u>\$2,194,839,266</u>	<u>100.00%</u>	<u>\$12,722,270</u>

(1) City of Ocala taxpayers pay City, County, School Board and certain water district levies.
The City levy only is shown here.

(2) Excludes property tax levies of the Downtown Development Districts.

**CITY OF OCALA, FLORIDA
SCHEDULE OF INSURANCE IN FORCE
SEPTEMBER 30, 2002**

<u>Company</u>	<u>Policy #</u>	<u>Type of Coverage</u>	<u>Deductible Self Retention</u>	<u>Limit of Coverage</u>
City of Ocala	Self-Insured	Workers' Compensation	-	Statutory
Safety National Casualty Corporation	SP 4277-FL	Workers' Compensation excess	\$250,000	Statutory
Hartford Life Insurance Company	ETB-110402	Police and Firefighters accidental death and dismemberment	-	\$ 25,000
Hartford Life Insurance Company	ETB-110402	Fresh Pursuit/Emergency Response	-	\$ 25,000
Hartford Life Insurance Company	ETB-110402	Police and Firefighters intentional death and dismemberment	-	\$ 75,000
Unum-Provident Life Insurance Company	125543	Employee Life, AD and D	-	Various as specified in policy
City of Ocala	Self-Insured	Disability Income Replacement	-	60% of Income
Coregis Insurance Co.	651-006889	All risk property	\$100,000	Replacement cost
National Union Fire Insurance	AE3388673-01	Airport Liability	-	\$5,000,000 per occurrence
Coregis Insurance Co.	651-006889	General Liability, including Fire Legal and EMT Liability	\$100,000 per person \$200,000 per occurrence	\$1,000,000 per occurrence
Coregis Insurance Co.	POD-001813	Public Officials Liability and Employer Practices Liability	\$15,000 per occurrence	\$1,000,000 per occurrence
Coregis Insurance Co.	651-006889	Crime Policy including Employee Dishonesty	\$10,000 per occurrence	\$250,000 per occurrence
Hartford Steam Boiler	FBP 9429840	Boiler and Machinery	\$10,000	\$25,000,000 limit
ECS/Greenwich Insurance Company	PEC 0006048	Pollution Liability	\$50,000	\$1,000,000 per occurrence
City of Ocala	Self-Insured	Auto Liability	-	-

(Continued)

**CITY OF OCALA, FLORIDA
SCHEDULE OF INSURANCE IN FORCE (CONTINUED)
SEPTEMBER 30, 2002**

<u>Company</u>	<u>Policy #</u>	<u>Type of Coverage</u>	<u>Deductible Self Retention</u>	<u>Limit of Coverage</u>
City of Ocala	Self-Insured	Auto Physical Damage	-	Actual cash value
Coregis Insurance Co.	651-006889	Auto Physical Damage, High Cost Vehicles	\$100,000	Actual cash value
Coregis Insurance Co.	651-006889	Out of state auto liability	\$100,000	\$1,000,000 per occurrence
Blue Cross/Blue Shield of Florida	15920	Employee Health Coverage	Fully insured	Various as specified in policy
City of Ocala	Self-Insured	Dental	Fully self-insured	\$1,000 per person per year
Ulico Insurance Co.	FPL1801478	Fiduciary Liability	\$1,000	\$1,000,000 per claim
Reliance Surety Company	6800307	Bond, Over-weight charge (landfill)	-	\$ 10,000
<u>Surety Bonds Required by Ordinance</u>			<u>Amount</u>	
City Manager:				
Reliance Surety Co.	6894635		\$ 95,000	
Finance and Administrative Services Director:				
Reliance Surety Co.	6800308		\$95,000	

**CITY OF OCALA, FLORIDA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

Year	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (in thousands)	
	Number of Units	Value	Number of Units	Value	Bank (2) (4)	Savings & Loan Association (3) (4)
1993	35	\$ 9,475,119	96	\$ 8,105,884	\$1,422,021	\$711,342
1994	70	38,309,231	112	10,159,393	2,074,371	85,726
1995	72	32,579,580	119	8,439,036	2,134,528	119,237
1996	51	14,222,885	122	9,314,269	2,332,913	-
1997	55	32,731,058	118	10,547,982	2,391,266	-
1998	61	21,826,358	208	30,564,248	2,520,364	-
1999	79	39,962,937	212	19,190,387	2,541,736	409
2000	76	44,932,744	207	22,497,308	2,533,202	-
2001	72	83,284,180	172	24,646,219	2,732,180	-
2002	101	33,542,912	131	15,819,218	2,928,964	-

- (1) Obtained from records maintained by the City of Ocala Building, Zoning and Licensing Department.
- (2) Obtained by the Florida Bankers Association for 1997 and 1998; Barnett Bank for 1993 through 1996; FDIC web site for 1999 through 2002. Figures shown are for Marion County and represent total bank deposits at September 30 for the years 1993 through 1998; June 30 for 1999 through 2002.
- (3) Obtained by Barnett Bank for 1993 through 1996, the Florida Bankers Association for 1997 and 1998, and the FDIC web site for 1999 through 2002. Figures shown are for Marion County and represent total savings and loan association deposits at June 30 for 1999 through 2002, and at September 30 for 1993 through 1998.
- (4) The swing in deposits from savings and loan associations to banks represents the purchase/merger of Mid-State Federal Savings and Loan Association by AmSouth Bank and of California Federal Savings and Loan Association by NationsBank during fiscal year 1994, and purchase/merger of Citizens Savings and Loan Association by NationsBank during fiscal year 1996.

CITY OF OCALA, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
ALL BONDED DEBT
2003-2032

FISCAL YEAR	CAPITAL IMPROVEMENT REVENUE AND REFUNDING REVENUE CERTIFICATES	OPTIONAL GAS TAX REFUNDING AND IMPROVEMENT REVENUE BONDS	ELECTRIC SYSTEM REFUNDING REVENUE BONDS	WATER & SEWER REVENUE AND REFUNDING REVENUE BONDS	TOTAL PRINCIPAL AND INTEREST
2003	\$ 1,961,757	\$ 298,968	\$ 2,271,406	\$ 6,908,189	\$ 11,440,318
2004	2,697,150	1,865,388	2,299,387	7,041,045	13,902,970
2005	2,703,809	1,875,575	2,294,219	7,041,039	13,914,642
2006	2,707,915	1,876,575	2,296,613	7,048,875	13,929,978
2007	2,699,057	1,871,762	2,293,053	7,039,200	13,903,072
2008	2,701,372	1,874,262	-	7,026,553	11,602,187
2009	2,699,284	1,868,493	-	7,023,188	11,590,965
2010	2,698,012	1,867,722	-	7,021,428	11,587,162
2011	2,696,471	1,866,910	-	7,019,132	11,582,513
2012	2,694,636	1,861,622	-	7,014,887	11,571,145
2013	3,073,881	3,928,228	-	7,011,839	14,013,948
2014	3,068,450	-	-	7,002,484	10,070,934
2015	3,069,425	-	-	6,991,236	10,060,661
2016	3,066,569	-	-	6,987,139	10,053,708
2017	3,062,594	-	-	3,847,187	6,909,781
2018	3,057,389	-	-	3,845,775	6,903,164
2019	3,050,789	-	-	3,839,625	6,900,414
2020	2,046,664	-	-	3,838,475	5,885,139
2021	2,040,986	-	-	3,836,937	5,877,923
2022	2,045,075	-	-	3,837,538	5,882,613
2023	2,039,106	-	-	3,840,162	5,879,268
2024	-	-	-	3,841,913	3,841,913
2025	-	-	-	3,847,412	3,847,412
2026	-	-	-	3,847,925	3,847,925
2027	-	-	-	3,843,025	3,843,025
2028	-	-	-	3,840,513	3,840,513
2029	-	-	-	3,832,012	3,832,012
2030	-	-	-	3,816,575	3,816,575
2031	-	-	-	3,796,219	3,796,219
2032	-	-	-	3,775,513	3,775,513
Totals	\$ 55,890,391	\$ 21,055,503	\$ 11,454,678	\$ 159,503,040	\$ 247,903,612

CITY OF OCALA, FLORIDA
STATEMENT OF BONDED DEBT AND INTEREST
CAPITAL IMPROVEMENT REFUNDING REVENUE CERTIFICATES, SERIES 1993
SEPTEMBER 30, 2002

The Capital Improvement Refunding Revenue Certificates, Series 1993, dated December 14, 1993, bear interest at 3.90-5.25%, payable semi-annually on April 1 and October 1. The certificates, which are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof, consist of \$6,045,000 of serial certificates and \$12,320,000 of term certificates. As of September 30, 2002, \$915,000 of these certificates have been retired. The principal of and premium, if any, are payable upon presentation and surrender to the paying agent, The Bank of New York, as successor to NationsBank of Georgia, National Association, Atlanta, Georgia.

The Series 1993 Certificates and the interest thereon are payable solely from and secured by a lien upon and pledge of sales tax revenues, franchise fees, occupational license taxes, the guaranteed entitlement portion of state revenue sharing funds, mobile home licenses and court fines and forfeitures. The Series 1993 Certificates are payable on a parity with the City's outstanding Capital Improvement Revenue Certificates, Series 1995.

Proceeds received from the sale of the Series 1993 Certificates, were used primarily to refund the City's Capital Improvement Refunding Revenue Bonds, Series 1986, and to finance the costs of acquisition and construction of certain capital improvements in the City.

Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Totals
2003	4.20%	\$ 500,000	\$ 421,514	\$ 411,014	\$ 1,332,528
2004	4.30%	520,000	411,014	399,834	1,330,848
2005	4.50%	540,000	399,834	387,684	1,327,518
2006	4.60%	570,000	387,684	374,574	1,332,258
2007	4.70%	590,000	374,574	360,709	1,325,283
2008	4.80%	620,000	360,709	345,829	1,326,538
2009	4.90%	650,000	345,829	329,904	1,325,733
2010	4.90%	680,000	329,904	313,244	1,323,148
2011	5.25%	715,000	313,244	294,475	1,322,719
2012	5.25%	755,000	294,475	274,656	1,324,131
2013	5.25%	1,330,000	274,656	239,744	1,844,400
2014	5.25%	1,395,000	239,744	203,125	1,837,869
2015	5.00%	1,470,000	203,125	166,375	1,839,500
2016	5.00%	1,545,000	166,375	127,750	1,839,125
2017	5.00%	1,620,000	127,750	87,250	1,835,000
2018	5.00%	1,700,000	87,250	44,750	1,832,000
2019	5.00%	1,790,000	44,750	-	1,834,750
Totals		\$ 16,990,000	\$ 4,782,431	\$ 4,360,917	\$ 26,133,348

CITY OF OCALA, FLORIDA
STATEMENT OF BONDED DEBT AND INTEREST
CAPITAL IMPROVEMENT REVENUE CERTIFICATES, SERIES 1995
SEPTEMBER 30, 2002

In October, 1995, the \$5,000,000 Capital Improvement Revenue Certificates, Series 1995 were sold. This issue consists of \$1,335,000 in serial certificates maturing on October 1, 1999 through 2011 and of \$3,665,000 in term certificates maturing on October 1, 2022. As of September 30, 2002, \$165,000 of these certificates have been retired. The schedule below shows the actual maturities for the serial certificates and the debt service requirements for the term certificates. The certificates are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof. The paying agent and registrar is The Bank of New York.

The Series 1995 Certificates and the interest thereon are payable solely from and secured by a lien upon and pledge of sales tax revenues, franchise fees, occupational license taxes, the guaranteed entitlement portion of state revenue sharing funds, mobile home licenses and court fines and forfeitures. The Series 1995 Certificates are payable on a parity with the City's outstanding Capital Improvement Refunding Revenue Certificates, Series 1993.

Proceeds received from the sale of the Series 1995 Certificates are being used primarily to finance the costs of acquisition and construction of certain capital improvements in the City.

Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Totals
2003	4.400%	\$ 85,000	\$ 125,162	\$ 123,292	\$ 333,454
2004	4.500%	90,000	123,292	121,267	334,559
2005	4.600%	95,000	121,267	119,082	335,349
2006	4.700%	100,000	119,082	116,732	335,814
2007	4.800%	105,000	116,732	114,212	335,944
2008	4.900%	110,000	114,212	111,517	335,729
2009	5.000%	115,000	111,517	108,642	335,159
2010	5.100%	125,000	108,642	105,454	339,096
2011	5.200%	130,000	105,454	102,074	337,528
2012	5.300%	135,000	102,074	98,497	335,571
2013	-	-	98,497	98,497	196,994
2014	-	-	98,497	98,497	196,994
2015	-	-	98,497	98,497	196,994
2016	-	-	98,497	98,497	196,994
2017	-	-	98,497	98,497	196,994
2018	-	-	98,497	98,497	196,994
2019	-	-	98,497	98,497	196,994
2020	5.375%	845,000	98,497	75,787	1,019,284
2021	5.375%	890,000	75,787	51,869	1,017,656
2022	5.375%	940,000	51,869	26,606	1,018,475
2023	5.375%	990,000	26,606	-	1,016,606
Totals		\$ 4,755,000	\$ 2,089,672	\$ 1,964,510	\$ 8,809,182

CITY OF OCALA
STATEMENT OF BONDED DEBT AND INTEREST
CAPITAL IMPROVEMENT REVENUE CERTIFICATES, SERIES 2002
SEPTEMBER 30, 2002

The Capital Improvement Revenue Certificates, Series 2002, dated September 1, 2002, bear interest at 2.00-4.50%, payable semi-annually on April 1 and October 1. The certificates, which are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof, consist of \$14,340,000 of serial certificates. The paying agent and registrar is The Bank of New York.

The Series 2002 Certificates and the interest thereon are payable solely from and secured by a lien upon and pledge of half-cent sales tax revenues, franchise fees, local communication services tax, occupational license taxes, the guaranteed entitlement portion of state revenue sharing funds, mobile home licenses and court fines and forfeitures. The Series 2002 Certificates are payable on a parity with the City's outstanding Capital Improvement Refunding Revenue Certificates, Series 1993, and Capital Improvement Revenue Certificates, Series 1995.

Proceeds received from the sale of the Series 2002 Certificates, are being used primarily to finance the costs of acquisition and construction of certain capital improvements in the City.

Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Totals
2003	-	-	-	\$295,775	\$ 295,775
2004	2.000%	\$530,000	\$253,522	248,221	1,031,743
2005	2.000%	550,000	248,221	242,721	1,040,942
2006	2.000%	560,000	242,721	237,122	1,039,843
2007	2.250%	570,000	237,121	230,709	1,037,830
2008	2.500%	585,000	230,709	223,396	1,039,105
2009	2.850%	600,000	223,396	214,996	1,038,392
2010	3.000%	615,000	214,996	205,772	1,035,768
2011	3.250%	635,000	205,771	195,453	1,036,224
2012	3.350%	655,000	195,453	184,481	1,034,934
2013	3.400%	675,000	184,481	173,006	1,032,487
2014	3.550%	700,000	173,006	160,581	1,033,587
2015	3.650%	725,000	160,581	147,350	1,032,931
2016	3.800%	750,000	147,350	133,100	1,030,450
2017	4.000%	780,000	133,100	117,500	1,030,600
2018	4.100%	810,000	117,500	100,895	1,028,395
2019	4.200%	845,000	100,895	83,150	1,029,045
2020	4.300%	880,000	83,150	64,230	1,027,380
2021	4.400%	915,000	64,230	44,100	1,023,330
2022	4.500%	960,000	44,100	22,500	1,026,600
2023	4.500%	1,000,000	22,500	-	1,022,500
Totals		\$14,340,000	\$3,282,803	\$3,325,058	\$ 20,947,861

CITY OF OCALA, FLORIDA
STATEMENT OF BONDED DEBT AND INTEREST
OPTIONAL GAS TAX REFUNDING AND IMPROVEMENT
REVENUE BONDS, SERIES 2002
SEPTEMBER 30, 2002

The Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002, dated September 1, 2002, bear interest at 2.25-3.50%, payable semi-annually on April 1 and October 1. The bonds, which are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof, consists of \$15,500,000 of serial bonds and \$2,065,000 of term bonds. The paying agent and registrar is The Bank of New York.

The Series 2002 Bonds and the interest thereon are payable solely from and secured by a lien and pledge of the proceeds of the six cent local option fuel tax received by the City.

Proceeds received from the sale of the Series 2002 Bonds were used primarily to refund the City's Optional Gas Tax Refunding Revenue Bonds, Series 1992, and to finance the cost of acquisition and construction of certain roads and road improvements within the City.

Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Total
2003		\$ -	\$ -	\$ 298,966	\$ 298,966
2004	2.500%	1,370,000	256,257	239,131	1,865,388
2005	2.500%	1,415,000	239,131	221,444	1,875,575
2006	2.250%	1,450,000	221,444	205,131	1,876,575
2007	2.500%	1,480,000	205,131	188,631	1,871,762
2008	2.500%	1,520,000	188,631	167,631	1,874,262
2009	2.800%	1,555,000	167,631	145,862	1,868,493
2010	3.000%	1,600,000	145,861	121,861	1,867,722
2011	3.250%	1,650,000	121,861	95,049	1,866,910
2012	3.350%	1,700,000	95,049	66,573	1,861,622
2013	3.400%	1,760,000	66,574	36,654	3,928,228
2013	3.550% *	2,065,000	-	-	-
Totals		\$ 17,565,000	\$ 1,705,570	\$ 1,784,933	\$ 21,055,503

*Term Bond due April 1, 2013

CITY OF OCALA, FL
STATEMENT OF BONDED DEBT AND INTEREST
WATER AND SEWER REVENUE BONDS, SERIES 1995
SEPTEMBER 30, 2002

In October, 1995, the \$5,000,000 Water and Sewer Revenue Bonds, Series 1995 were sold. This issue consists of \$155,000 in serial bonds maturing on October 1, 1997 through 2011 and of \$4,845,000 in term bonds maturing on October 1, 2020. As of September 30, 2002, \$35,000 of these bonds have been retired. The schedule below shows the actual maturities for the serial bonds and the debt service requirements for the term bonds. The bonds are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof. The paying agent and registrar is The Bank of New York.

The Series 1995 Bonds and the interest thereon are payable solely from and secured by a lien upon the net revenues derived from the operation of the water and sewer system on a parity with the Water and Sewer Refunding Revenue Bonds, Series 1996.

The proceeds of this issue are being used primarily to finance the cost of acquisition and construction of additions, improvements and extensions to the City's water and sewer system.

Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Total
2003	4.40%	\$ 10,000	\$ 135,925	\$ 135,705	\$ 281,630
2004	4.50%	10,000	135,705	135,480	281,185
2005	4.60%	10,000	135,480	135,250	280,730
2006	4.70%	10,000	135,250	135,015	280,265
2007	4.80%	10,000	135,015	134,775	279,790
2008	4.90%	10,000	134,775	134,530	279,305
2009	5.00%	10,000	134,530	134,280	278,810
2010	5.10%	10,000	134,280	134,025	278,305
2011	5.20%	15,000	134,025	133,635	282,660
2012	5.30%	15,000	133,635	133,238	281,873
2013	5.50%	15,000	133,237	132,825	281,062
2014	5.50%	15,000	132,825	132,413	280,238
2015	5.50%	15,000	132,412	132,000	279,412
2016	5.50%	15,000	132,000	131,588	278,588
2017	5.50%	860,000	131,587	107,938	1,099,525
2018	5.50%	905,000	107,937	83,050	1,095,987
2019	5.50%	955,000	83,050	56,788	1,094,838
2020	5.50%	1,005,000	56,787	29,150	1,090,937
2021	5.50%	1,060,000	29,150	-	1,089,150
Totals		\$ 4,955,000	\$ 2,287,605	\$ 2,151,685	\$ 9,394,290

CITY OF OCALA, FL
STATEMENT OF BONDED DEBT AND INTEREST
WATER AND SEWER REVENUE BONDS, SERIES 1996
SEPTEMBER 30, 2002

In July, 1996, the \$12,170,000 Water and Sewer Refunding Revenue Bonds, Series 1996 were sold. This issue consists of \$1,620,000 in serial bonds maturing on October 1, 1997 through 2000 and of \$10,550,000 in term bonds maturing on October 1, 2005, 2010 and 2015. As of September 30, 2002, \$1,635,000 of these bonds have been retired. The schedule below shows the actual maturities for the serial bonds and the debt service requirements for the term bonds. The bonds are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof. The paying agent and registrar is The Bank of New York.

The Series 1996 Bonds and the interest thereon are payable solely from and secured by a lien upon the net revenues derived from the operation of the water and sewer system on a parity with the Water and Sewer Revenue Bonds, Series 1995.

The proceeds of this issue are being used primarily for the forward refunding of the City's outstanding Water and Sewer Refunding Revenue Bonds, Series 1988.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Due October 1</u>	<u>Interest Due October 1</u>	<u>Interest Due April 1</u>	<u>Totals</u>
2003	6.00%	\$ 485,000	\$ 291,625	\$ 277,075	\$ 1,053,700
2004	6.00%	510,000	277,075	261,775	1,048,850
2005	6.00%	540,000	261,775	245,575	1,047,350
2006	6.00%	580,000	245,575	228,175	1,053,750
2007	6.00%	610,000	228,175	209,875	1,048,050
2008	6.00%	645,000	209,875	190,525	1,045,400
2009	6.00%	685,000	190,525	169,975	1,045,500
2010	6.00%	725,000	169,975	148,225	1,043,200
2011	6.00%	770,000	148,225	125,125	1,043,350
2012	5.50%	815,000	125,125	102,713	1,042,838
2013	5.50%	860,000	102,712	79,063	1,041,775
2014	5.50%	910,000	79,062	54,038	1,043,100
2015	5.50%	955,000	54,037	27,775	1,036,812
2016	5.50%	1,010,000	27,775	-	1,037,775
Totals		<u>\$10,100,000</u>	<u>\$ 2,411,538</u>	<u>\$2,119,914</u>	<u>\$14,631,450</u>

CITY OF OCALA, FL
STATEMENT OF BONDED DEBT AND INTEREST
WATER AND SEWER REVENUE BONDS, SERIES 2001
SEPTEMBER 30, 2002

In May 2001, the \$36,205,000 Water and Sewer Revenue Bonds, Series 2001, were sold. This issue consists of \$9,120,000 in serial bonds maturing on October 1, 2016 through 2022 and of \$27,085,000 in term bonds maturing on October 1, 2024, 2027 and 2031. The schedule below shows the actual maturities for the serial bonds and the debt service requirements for the term bonds. The paying agent and registrar is The Bank of New York.

The Series 2001 Bonds and the interest thereon are payable solely from and secured by a lien on the net revenues derived from the operation of the City's Water and Sewer System on a parity with the Water and Sewer Revenue Bonds, Series 1995, the Water and Sewer Refunding Revenue Bonds, Series 1986 and the Water and Sewer Refunding Revenue Bonds, Series 2001A.

The proceeds received from the sale of the Series 2001 Bonds are being used primarily to finance the cost of acquisition and construction of additions, improvements and extensions to the City's water and sewer system.

Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Totals
2003	-	-	\$ 966,768	\$ 966,769	\$ 1,933,537
2004	-	-	966,769	966,769	1,933,538
2005	-	-	966,769	966,768	1,933,537
2006	-	-	966,769	966,769	1,933,538
2007	-	-	966,768	966,769	1,933,537
2008	-	-	966,769	966,769	1,933,538
2009	-	-	966,769	966,768	1,933,537
2010	-	-	966,769	966,769	1,933,538
2011	-	-	966,768	966,769	1,933,537
2012	-	-	966,769	966,769	1,933,538
2013	-	-	966,769	966,768	1,933,537
2014	-	-	966,769	966,769	1,933,538
2015	-	-	966,768	966,769	1,933,537
2016	-	-	966,769	966,769	1,933,538
2017	5.00%	\$ 835,000	966,769	945,893	2,747,662
2018	5.00%	880,000	945,894	923,894	2,749,788
2019	5.00%	920,000	923,893	900,894	2,744,787
2020	5.00%	970,000	900,894	876,644	2,747,538
2021	5.00%	1,020,000	876,643	851,144	2,747,787
2022	5.00%	2,190,000	851,144	796,394	3,837,538
2023	5.00%	2,305,000	796,394	738,768	3,840,162
2024	5.00%	2,425,000	738,769	678,144	3,841,913
2025	5.00%	2,555,000	678,144	614,268	3,847,412
2026	5.25%	2,690,000	614,269	543,656	3,847,925
2027	5.25%	2,830,000	543,656	469,369	3,843,025
2028	5.25%	2,980,000	469,369	391,144	3,840,513
2029	5.75%	3,140,000	391,143	300,869	3,832,012
2030	5.75%	3,310,000	300,869	205,706	3,816,575
2031	5.75%	3,485,000	205,706	105,513	3,796,219
2032	5.75%	3,670,000	105,513	-	3,775,513
Totals		\$ 36,205,000	\$ 23,843,831	\$ 22,877,063	\$ 82,925,894

CITY OF OCALA, FLORIDA
STATEMENT OF BONDED DEBT AND INTEREST
WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2001A
SEPTEMBER 30, 2002

In August 2001, the \$39,885,000 Water and Sewer Refunding Revenue Bonds, Series 2001A, were sold. This issue consists of \$39,885,000 in serial bonds maturing on October 1, 2002 through 2015. At September 30, 2002, none of these bonds have been retired. The schedule below shows the actual maturities for the serial bonds. The bonds are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof. The paying agent and registrar is The Bank of New York.

The Series 2001A Bonds and the interest are payable solely from and secured by a lien on the net revenues derived from the operation of the City's Water and Sewer System on a parity with the Water and Sewer Revenue Bonds, Series 1995, the Water and Sewer Refunding Revenue Bonds, Series 1996 and the Water and Sewer Revenue Bonds, Series 2001.

Proceeds received from the sale of the Series 2001A Bonds are being used primarily for the current refunding of the City's Utility Systems Subordinate Refunding Revenue Bonds, Series 1992A.

Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Total
2003	4.000%	\$ 2,080,000	\$ 800,481	\$ 758,861	\$ 3,639,322
2004	3.500%	2,300,000	758,861	718,611	3,777,472
2005	4.000%	2,390,000	718,611	670,811	3,779,422
2006	3.250%	2,480,000	670,811	630,511	3,781,322
2007	3.375%	2,560,000	630,512	587,311	3,777,823
2008	4.250%	2,650,000	587,311	530,999	3,768,310
2009	3.750%	2,755,000	530,999	479,342	3,765,341
2010	4.000%	2,865,000	479,343	422,042	3,766,385
2011	4.000%	2,975,000	422,042	362,543	3,759,585
2012	4.100%	3,095,000	362,543	299,095	3,756,638
2013	4.200%	3,225,000	299,095	231,370	3,755,465
2014	4.300%	3,355,000	231,370	159,238	3,745,608
2015	4.400%	3,500,000	159,237	82,238	3,741,475
2016	5.500%	3,655,000	82,238	-	3,737,238
Totals		\$ 39,885,000	\$ 6,733,434	\$ 5,932,972	\$ 52,551,406

CITY OF OCALA, FLORIDA
STATEMENT OF BONDED DEBT AND INTEREST
ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2001
SEPTEMBER 30, 2002

In August 2001, the \$10,520,000 Electric System Refunding Revenue Bonds, Series 2001 were sold. This issue consists of \$10,520,000 in serial bonds maturing on October 1, 2002 through 2006. As of September 30, 2002, none of these bonds have been retired. The schedule below shows the actual maturities for the serial bonds. . The bonds are fully registered and were issued in denominations of \$5,000 or any integral multiple thereof. The paying agent and registrar is The Bank of New York.

The Series 2001 Bonds and the interest thereon are payable solely from and secured by a lien upon the net revenues derived from the operation of the City's electric system.

The proceeds of this issue are being used primarily for the current refunding of the City's outstanding Utility Systems Subordinate Refunding Revenue Bonds, Series 1992B.

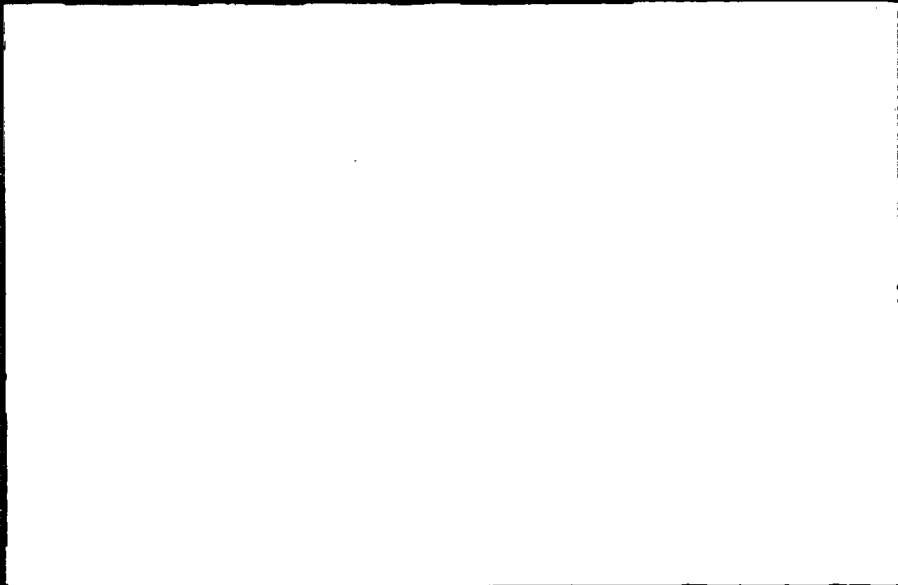
Fiscal Year	Interest Rate	Principal Due October 1	Interest Due October 1	Interest Due April 1	Totals
2003	3.500%	\$ 1,940,000	\$ 182,678	\$ 148,728	\$ 2,271,406
2004	3.250%	2,035,000	148,728	115,659	2,299,387
2005	4.000%	2,105,000	115,659	73,560	2,294,219
2006	3.250%	2,185,000	73,560	38,053	2,296,613
2007	3.375%	2,255,000	38,053	-	2,293,053
	Totals	\$ 10,520,000	\$ 558,678	\$ 376,000	\$ 11,454,678

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

The City received grant number 621080 from the State of Florida Department of Environmental Regulation for a portion of the construction of Sewer Treatment Plant #1. One of the requirements of this grant is that the City provide for a sewerage system capital improvement account to accumulate the equivalent future value of the grant amount adjusted for inflationary cost increases upon completion of the grant-related project. In December, 1985, the City adopted ordinance #1810 which addresses this subject in section 5. The amount to be accumulated by the City is \$6,020,482.40. Grant condition number 23 requires annual certification that the sewerage system capital improvement account is maintained in accordance with Section 17-501.610 of the Florida Administrative Code.

The construction of the grant-related project, Sewer Treatment Plant #1, was completed during fiscal year 1988. Since prepayments to the capital improvement fund are allowed, the City started making deposits in fiscal year 1988. During fiscal year 2000, \$1,500,000 was withdrawn from this fund for the Water Reclamation Facility #3 project, which is an expansion of the system. The following schedule shows all activity in the sewerage system capital improvement fund since its inception:

Fiscal Year	Deposits (Withdrawals)	Investment Income	Balance September 30
1987	\$ 301,023.12	\$ 18,714.00	\$ 620,760.24
1988	301,023.12	50,909.96	972,693.32
1989	301,023.12	91,647.90	1,365,364.34
1990	301,023.12	125,170.01	1,791,557.47
1991	301,023.12	142,728.85	2,235,309.44
1992	301,023.12	111,185.27	2,647,517.83
1993	301,023.00	116,575.01	3,065,115.84
1994	301,023.00	133,077.65	3,499,216.49
1995	301,023.00	178,917.78	3,979,157.27
1996	301,023.00	232,147.37	4,512,327.64
1997	301,023.00	278,526.52	5,091,877.16
1998	301,023.00	412,080.84	5,804,981.00
1999	301,023.00	191,600.02	6,297,604.02
2000	(1,500,000.00)	350,778.24	5,148,382.26
2001	-	507,048.67	5,655,430.93
2002	-	272,019.10	5,927,450.03



**ANNUAL FINANCIAL REPORT
OF THE
CITY OF ALACHUA, FLORIDA**

For the Fiscal Year Ended September 30, 2002

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
CITY OF ALACHUA
ALACHUA, FLORIDA
SEPTEMBER 30, 2002**

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
CITY OF ALACHUA
ALACHUA, FLORIDA
SEPTEMBER 30, 2002**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Alachua, Florida

We have audited the accompanying general purpose financial statements of the City of Alachua, Florida, as of and for the year ended September 30, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Alachua, Florida management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types is fairly presented at cost or estimated historical cost, due to insufficient detail within the City of Alachua, Florida's property records.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the propriety of amounts recorded as property, plant, and equipment in the proprietary fund types, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Alachua, Florida, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2003 on our consideration of the City of Alachua's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made primarily for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such additional information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

CPA Associates

Bradenton, Florida

April 3, 2003



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GENERAL PURPOSE FINANCIAL STATEMENTS

These basic statements provide a summary overview of the financial position of all funds and account groups as well as the operating results of all funds and cash flows of the propriety fund type. They also serve as an introduction to and summary of the more detailed statements included in the accompanying information section.

CITY OF ALACHUA FLORIDA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 September 30, 2002
 (With Comparative Totals for 2001)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	\$ 553,296	95,521	96,490	--
Investments	--	--	--	--
Receivables (net of allowances for uncollectibles parenthetically indicated):				
Accounts (\$36,098)	38,673	--	--	--
Other	73,109	--	--	--
Due from other funds	1,929,170	--	--	--
Due from other governments	137,337	33,767	--	--
Inventory of utility supplies	--	--	--	--
Prepaid costs and other assets	179,346	--	--	--
Unbilled revenue	--	--	--	--
Restricted assets:				
Cash and cash equivalents	--	--	84,029	--
Investments	--	--	--	--
Property, plant and equipment:				
Cost less accumulated depreciation for Proprietary fund types; cost for general fixed assets account group	--	--	--	--
Unamortized bond issue costs	--	--	--	--
Amount available for retirement of general long- term debt	--	--	--	--
Amount to be provided for retirement of general long-term debt	--	--	--	--
TOTAL ASSETS AND OTHER DEBITS	\$ 2,910,931	129,288	180,519	--

The accompanying notes are an integral part of these statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust Funds	General Fixed Assets	General Long-Term Debt	2002	2001
5,460,703	106,736	—	—	—	6,312,746	3,505,658
30,000	—	665,855	—	—	695,855	627,896
265,768	—	—	—	—	304,441	382,421
141,967	—	—	—	—	215,076	82,525
3,576,441	—	—	—	—	5,505,611	1,314,668
1,044,317	—	—	—	—	1,215,421	1,026,652
235,138	—	—	—	—	235,138	256,133
42,067	—	—	—	—	221,413	587,448
950,138	—	—	—	—	950,138	630,354
866,101	—	—	—	—	950,130	1,794,746
255,763	—	—	—	—	255,763	849,302
13,413,412	28,324	—	3,861,115	—	17,302,851	16,741,612
391,635	—	—	—	—	391,635	329,829
—	—	—	—	104,832	104,832	265,046
—	—	—	—	3,690,416	3,690,416	3,639,432
<u>26,673,450</u>	<u>135,060</u>	<u>665,855</u>	<u>3,861,115</u>	<u>3,795,248</u>	<u>38,351,466</u>	<u>32,033,722</u>

(CONTINUED)

CITY OF ALACHUA, FLORIDA
 COMBINED BALANCE SHEET (CONTINUED)
 ALL FUND TYPES AND ACCOUNT GROUPS
 September 30, 2002
 (With Comparative Totals for 2001)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 180,402	5,808	--	--
Other accrued expenses	77,747	--	11,154	--
Due to other funds	1,631,382	--	64,533	63,385
Due to other governments	33,767	--	--	--
Payable from restricted assets:				
Accrued interest	--	--	--	--
Current portion of bonds payable	--	--	--	--
Customer deposits	--	--	--	--
Deferred revenue and credits	38,763	--	--	--
Note payable - other	--	--	--	--
Note payable - Arcadia	--	--	--	--
Note payable - sales tax	--	--	--	--
Note payable - section 108	--	--	--	--
Note payable - tax increment	--	--	--	--
Revenue bonds payable	--	--	--	--
Accrued compensated absences	--	--	--	--
Total liabilities	1,962,061	5,808	75,687	63,385
Equity and other credits:				
Contributed capital	--	--	--	--
Investment in general fixed assets	--	--	--	--
Retained earnings:				
Unreserved	--	--	--	--
Fund balances:				
Reserved for:				
Pension benefits	--	--	--	--
Other	206,786	123,480	--	--
Undesignated	742,084	--	104,832	(63,385)
Total equity and other credits	948,870	123,480	104,832	(63,385)
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 2,910,931	129,288	180,519	--

The accompanying notes are an integral part of these statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust Funds	General Fixed Assets	General Long-Term Debt	2002	2001
522,542	10,466	--	--	--	719,218	1,216,167
70,523	29,946	--	--	--	189,370	119,322
3,746,312	--	--	--	--	5,505,612	1,314,668
--	--	--	--	--	33,767	--
376,575	--	--	--	--	376,575	402,027
376,000	--	--	--	--	376,000	356,000
330,720	--	--	--	--	330,720	217,013
255,763	--	--	--	--	294,526	252,096
49,360	--	--	--	--	49,360	48,062
--	--	--	--	865,000	865,000	905,000
--	--	--	--	312,591	312,591	340,476
--	--	--	--	2,195,000	2,195,000	2,250,000
--	--	--	--	278,986	278,986	300,000
12,330,000	--	--	--	--	12,330,000	12,618,867
53,042	--	--	--	143,671	196,713	175,083
18,110,837	40,412	--	--	3,795,248	24,053,438	20,514,781
4,032,699	--	--	--	--	4,032,699	4,032,699
--	--	--	3,861,115	--	3,861,115	3,662,655
4,529,914	94,648	--	--	--	4,624,562	1,954,965
--	--	665,855	--	--	665,855	513,867
--	--	--	--	--	330,266	66,657
--	--	--	--	--	783,531	1,288,098
8,562,613	94,648	665,855	3,861,115	--	14,298,028	11,518,941
26,673,450	135,060	665,855	3,861,115	3,795,248	38,351,466	32,033,722



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CITY OF ALACHUA, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended September 30, 2002
(With Comparative Totals for 2001)

	Governmental Fund Types				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
					2002	2001
Revenues:						
Taxes	\$ 2,771,884	87,017	--	--	2,858,901	2,283,045
Licenses and permits	167,446	--	--	--	167,446	148,357
Intergovernmental	684,460	--	--	517,850	1,202,310	1,089,542
Fines and forfeitures	78,897	--	--	--	78,897	72,272
Charges for services	422,838	--	--	--	422,838	373,166
Interest and miscellaneous	254,459	1,365	--	--	255,824	168,524
Total revenues	4,379,984	88,382	--	517,850	4,986,216	4,134,906
Expenditures:						
Current:						
General government	1,550,743	--	--	--	1,550,743	937,726
Public safety	1,966,560	--	--	--	1,966,560	1,820,539
Physical environment	388,763	--	--	--	388,763	309,317
Transportation	374,374	--	--	--	374,374	415,935
Economic Environment	--	80,856	--	580,786	661,642	976,422
Parks and recreation	358,860	--	--	--	358,860	307,446
Other Grant Expenditure	141,184	--	--	--	141,184	--
Debt service	--	--	330,214	--	330,214	1,286,607
Total expenditures	4,780,484	80,856	330,214	580,786	5,772,340	6,053,992
Excess of revenues over (under) expenditures	(400,500)	7,526	(330,214)	(62,936)	(786,124)	(1,919,086)
Other financing sources (uses):						
Proceeds from long-term debt	--	--	--	--	--	2,370,972
Operating transfers in	753,319	--	170,000	--	923,319	(1,494,936)
Operating transfers out	(170,000)	--	--	(208,152)	(378,152)	2,550,000
Total other financing sources (uses)	583,319	--	170,000	(208,152)	545,167	3,426,036
Excess of revenues and other sources over (under) expenditures and other uses	182,819	7,526	(160,214)	(271,088)	(240,957)	1,506,950
Fund balances - October 1	831,574	50,431	265,046	207,703	1,354,754	(152,195)
Residual Equity Transfer	(65,523)	65,523	--	--	--	--
Fund balances - September 30	\$ 948,870	123,480	104,832	(63,385)	1,113,797	1,354,755

The accompanying notes are an integral part of these statements.

CITY OF ALACHUA, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
Year Ended September 30, 2002

	General Fund		
	Budget (Revised)	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,564,993	2,771,884	206,891
Licenses and permits	222,000	167,446	(54,554)
Intergovernmental	474,983	684,460	209,477
Fines and forfeitures	80,000	78,897	(1,103)
Charges for services	406,500	422,838	16,338
Interest and miscellaneous	130,500	254,459	123,959
Total revenues	3,878,976	4,379,984	501,008
Expenditures:			
Current:			
General government	1,232,148	1,550,743	(318,595)
Public safety	2,090,242	1,966,560	123,682
Physical environment	341,482	388,763	(47,281)
Transportation	401,159	374,374	26,785
Economic environment	--	--	--
Parks and recreation	361,995	358,860	3,135
Other Grant Expenditure	--	141,184	(141,184)
Debt service	--	--	--
Total expenditures	4,427,026	4,780,484	(353,458)
Excess of revenues over (under) expenditures	(548,050)	(400,500)	147,550
Other financing sources (uses):			
Operating transfers in	545,167	753,319	208,152
Operating transfers out	--	(170,000)	(170,000)
Proceeds from debt	--	--	--
Total other financing sources (uses)	545,167	583,319	38,152
Excess of revenues and other sources over (under) expenditures and other uses	(2,883)	182,819	185,702
Fund balances - October 1	831,574	831,574	--
Residual equity transfer	--	(65,523)	(65,523)
Fund balances - September 30	\$ 828,691	948,870	120,179

The accompanying notes are an integral part of these statements.

Special Revenue Funds			Debt Service Funds		
Budget (Revised)	Actual	Variance Favorable (Unfavorable)	Budget (Revised)	Actual	Variance Favorable (Unfavorable)
108,000	87,017	(20,983)	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
7,004	1,365	(5,639)	--	--	--
115,004	88,382	(26,622)	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
80,846	80,856	(10)	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	245,900	330,214	(84,314)
80,846	80,856	(10)	245,900	330,214	(84,314)
34,158	7,526	(26,612)	(245,900)	(330,214)	(84,314)
--	--	--	245,900	170,000	75,900
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	245,900	170,000	75,900
34,158	7,526	(26,632)	--	(160,214)	(160,214)
50,431	50,431	--	265,046	265,046	--
--	65,523	65,523	--	--	--
84,589	123,480	38,891	265,046	104,832	(160,214)

(CONTINUED)

CITY OF ALACHUA, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
BUDGET (GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
Year Ended September 30, 2002

	Capital Projects Funds		
	Budget (Revised)	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ --	--	--
Licenses and permits	--	--	--
Intergovernmental	--	517,850	517,850
Fines and forfeitures	--	--	--
Charges for services	--	--	--
Interest and miscellaneous	--	--	--
Total revenues	--	517,850	517,850
Expenditures:			
Current:			
General government	--	--	--
Public safety	--	--	--
Physical environment	--	--	--
Transportation	--	--	--
Economic environment	--	580,786	(580,786)
Parks and recreation	--	--	--
Other grant expenditures	--	--	--
Debt services	--	--	--
Total expenditures	--	580,786	(580,786)
Excess of revenues over (under) expenditures	--	(62,936)	(62,936)
Other financing sources (uses):			
Operating transfers in	--	--	--
Operating transfers out	--	(208,152)	(208,152)
Proceeds from debt	--	--	--
Total other financing sources (uses)	--	(208,152)	(208,152)
Excess of revenues and other sources over (under) expenditures and other uses	--	(271,088)	(271,088)
Fund balances - October 1	207,703	207,703	--
Residual equity transfer	--	--	--
Fund balances - September 30	\$ 207,703	(63,385)	(271,088)

The accompanying notes are an integral part of these statements.

Totals	
(Memorandum Only)	
2002	2001
2,858,901	2,283,045
167,446	148,357
1,202,310	1,089,542
78,897	373,166
422,838	72,272
255,824	168,524
4,986,216	4,134,906
1,550,743	937,726
1,966,560	1,820,539
388,763	309,317
374,374	415,935
661,642	976,422
358,860	307,446
141,184	-
330,214	1,286,607
5,772,340	6,053,992
(786,124)	(1,919,086)
923,319	2,550,000
(378,152)	2,370,972
--	(1,494,936)
545,167	3,426,036
(240,957)	1,506,950
1,354,755	(152,195)
--	--
1,113,798	1,354,755

CITY OF ALACHUA, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2002
(With Comparative Total Figures for 2001)

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
Operating Revenues:				
Utility service fee	\$ 8,670,246	--	8,670,246	8,683,300
Interfund charges	454,061	640,475	1,094,536	498,379
	<u>9,124,307</u>	<u>640,475</u>	<u>9,764,782</u>	<u>9,181,679</u>
Total operating revenues				
Operating expenses:				
Nuclear Power Generation and Transmission	129,598	--	129,598	--
Purchased power cost	4,342,673	--	4,342,673	4,522,764
Personal services	697,449	428,047	1,125,496	959,756
Contractual services	146,928	17,640	164,568	199,900
Supplies	156,174	55,103	211,277	110,811
Repairs and maintenance	150,303	11,529	161,832	173,574
Billing and administrative	592,569	--	592,569	458,510
Depreciation	592,553	2,053	594,606	556,235
Other expenses	263,410	123,930	387,340	241,510
	<u>7,071,657</u>	<u>638,302</u>	<u>7,709,959</u>	<u>7,223,060</u>
Total operating expenses				
Operating income (loss)	2,052,650	2,173	2,054,823	1,958,619
Nonoperating revenues (expenses):				
Connection charges	308,269	--	308,269	166,177
Interest income	59,430	--	59,430	183,342
Interest on long-term debt	(815,439)	--	(815,439)	(827,039)
Amortization of bond issue cost	(20,401)	--	(20,401)	(20,946)
Grant revenue	1,244,623	--	1,244,623	--
Miscellaneous income	383,461	--	383,461	42,630
	<u>1,159,943</u>	<u>--</u>	<u>1,159,943</u>	<u>(455,836)</u>
Total non-operating revenues (expenses)				
Net income before operating transfers	3,212,593	2,173	3,214,766	1,502,783
Operating transfers:				
Operating transfers out	(545,167)	--	(545,167)	(880,106)
	<u>(545,167)</u>	<u>--</u>	<u>(545,167)</u>	<u>(880,106)</u>
Net operating transfers				
Net income	2,667,426	2,173	2,669,599	622,677
Retained earnings - October 1	1,862,488	92,475	1,954,963	1,332,288
Retained earnings - September 30	<u>\$ 4,529,914</u>	<u>94,648</u>	<u>4,624,562</u>	<u>1,954,965</u>

The accompanying notes are an integral part of these statements.

CITY OF ALACHUA FLORIDA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2002
(With Comparative Total Figures for 2001)

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
Cash flows from operating activities:				
Operating income (loss)	\$ 2,052,650	2,173	2,054,823	1,958,619
Adjustments to reconcile operating income to cash provided (used) by operating activities:				
Depreciation	612,954	2,053	615,007	556,235
(Increase) decrease in:				
Accounts receivable and unbilled revenue	(346,777)	--	(346,777)	(273,514)
Due To/From other funds	0	--	--	1,469,101
Due from other governments	(112,086)	--	(112,086)	(862,100)
Due from other funds	186,320	--	186,320	--
Inventory	20,995	--	20,995	(57,070)
Prepaid expenses	440,750	--	440,750	(447,580)
Increase (decrease) in:				
Accounts payable and other accrued expenses	(533,242)	1,564	(531,678)	267,369
Customer deposits	113,707	--	113,707	26,840
Net cash provided (used) from operating activities	2,435,271	5,790	2,441,061	2,637,900
Cash flows from noncapital financing activities:				
Connection Charges	308,269	--	308,269	166,177
Grant revenue	1,244,623	--	1,244,623	--
Operating transfers out to other funds	(545,167)	--	(545,167)	(880,106)
Net cash flows from noncapital financing activities	1,007,725	--	1,007,725	(713,929)
Cash flows from capital and related financing activities:				
Extension and replacement of plant - net of contributions received in aid of construction	(974,788)	(3,000)	(977,788)	(586,227)
Principal payments on bonds	(268,867)	--	(268,867)	(329,000)
Notes proceeds	1,298	--	1,298	1,264
Interest paid	(815,439)	--	(815,439)	(830,254)
Miscellaneous income	383,461	--	383,461	42,630
Net cash provided (used) from capital and related financing activities	(1,674,335)	(3,000)	(1,677,335)	(1,701,587)
Cash flows from investing activities:				
Investments purchased	--	--	--	(16,859)
Investments matured	593,539	--	593,539	53,007
Interest income	59,430	--	59,430	183,342
Net cash provided (used) from investing activities	652,969	--	652,969	219,490
Net increase (decrease) in cash and equivalents	2,421,630	2,790	2,424,420	441,874
Cash and equivalents - October 1	3,905,174	103,946	4,009,120	3,567,246
Cash and equivalents - September 30	<u>\$ 6,326,804</u>	<u>106,736</u>	<u>6,433,540</u>	<u>4,009,120</u>
Reconciliation of cash and cash equivalents (above) to combined balance sheet				
Captions on combined balance sheet				
Cash and cash equivalents	5,460,703	106,736	5,567,439	2,214,374
Restricted Assets - cash and cash equivalents	866,101	--	866,101	1,794,746
Total	<u>6,326,804</u>	<u>106,736</u>	<u>6,433,540</u>	<u>4,009,120</u>



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CITY OF ALACHUA, FLORIDA
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Year Ended September 30, 2002
(With Comparative Totals for 2001)

			Totals (Memorandum Only)	
	General	Police	2002	2001
Additions:				
Contributions:				
Employer	\$ 108,558	32,311	140,869	102,871
Plan member	—	2,645	2,645	2,014
State of Florida	—	39,983	39,983	4,289
Net investment income (loss)	(10,759)	(10,763)	(21,522)	(34,810)
Operating transfer in	—	—	—	4,070
Total additions	97,799	64,176	161,975	78,434
Deductions:				
Retirement benefits and refunds	7,803	510	8,313	2,968
Administrative fees	343	1,331	1,674	4,780
Total deductions	(8,146)	(1,841)	(9,987)	(7,748)
Net increase	89,653	62,335	151,988	70,686
Net assets held in trust for Pension Benefits:				
October 1	184,421	329,447	513,868	443,181
September 30	<u>\$ 274,074</u>	<u>391,782</u>	<u>665,856</u>	<u>513,867</u>

The accompanying notes are an integral part of these statements.

CITY OF ALACHUA, FLORIDA NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alachua, Florida (the City) is a political subdivision of the State of Florida, established in 1908 under the legal authority of Chapter 165, F.S. and is located in Alachua County. The legislative branch of the City is composed of a five-member elected commission. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission appointed City Manager.

The City's major operations include various utility services - electric, water and wastewater as well as police protection, road and street maintenance, parks, recreation and other general government services. The City contracts with Alachua County for the provision of fire service at a fixed cost to the City which is renegotiated annually. The City leases the fire station and equipment to Alachua County at no cost. Sanitation services are provided by a private company, but billed by the City to its customers. The City retains an administrative fee on sanitation services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

1. THE FINANCIAL REPORTING ENTITY

As outlined in Governmental Accounting Standards Board (GASB) Statement No. 14, the reporting entity, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14, to determine whether the entity is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include: a) the legal separateness of the organization; and b) the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit or the potential component unit's fiscal dependency on the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Community Redevelopment Agency

The Community Redevelopment Agency (the Agency) was created by the City Commission in 1982. In evaluating this potential component unit, it was determined that the Agency is not a separate legal entity as it generally cannot transact business in its own name and, therefore, should be included as part of the primary government for reporting purposes. The Agency is presented in the general purpose financial statements of the City as a special revenue fund.

Public Finance Authority For Affordable Housing (the Authority)

This potential component unit was created by the City Commission in 1992. The Authority is a separate legal entity capable of suing and being sued, and able to purchase property in its own name. By charter, the Authority's Board is composed of the City Commission and the City Commission has oversight over all financial activities. Accordingly, the Authority is a component unit of the City. There have been no financial transactions in the Authority during 2001, or since its creation; therefore, no amounts related to the Authority are reported in the accompanying general purpose financial statements.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. FUND ACCOUNTING

The City's accounting records are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity, with a self-balancing set of accounts recording all financial resources with all related liabilities, reserves and residual equities, or balances or changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives. Amounts received from or payable to other funds are shown in the accounts of an individual fund and separately presented in the accompanying general purpose financial statements until liquidated by payment or residual equity transfer.

The following fund types and account groups are used in accounting for the financial operations of the City.

Governmental Fund Types

- **General Fund** - to account for all financial resources not properly accounted for in another fund.
- **Special Revenue Funds** - to account for the proceeds of specific revenue resources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City uses these funds to account for the activities of the Agency and to account for certain grant-funded projects.
- **Debt Service Fund** - to account for the accumulation of resources and the payment of principal and interest on all general long-term debt.
- **Capital Projects Funds** - to account for the financial resources used in the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

Proprietary Fund Types

- **Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's electric, water and wastewater utility services and mosquito control activities are accounted for in these funds.
- **Internal Service Fund** - to account for the financing of goods or services provided by central services departments to other departments of the City on a cost reimbursement basis. The City uses this fund to account for utility billing and administration.

Fiduciary Fund Types

- **Pension Trust Funds** - to account for pension assets held on behalf of employees and former employees. The City's defined contribution plan for general employees and defined benefit plan for police are accounted for in these funds.

Account Groups

- The account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. These account groups are not considered funds since they do not reflect available financial resources and related liabilities.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Governmental fund types are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, such statements are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds, and long-term liabilities expected to be financed from governmental fund types are accounted for in the general long-term debt account group.

The proprietary fund types are accounted for on a "cost of services" or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on the balance sheet. The reported fund equity (net total assets) is segregated into contributions and retained earnings components. The proprietary fund types operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of Accounting

The governmental fund types are maintained on the modified accrual basis of accounting. Under this method of accounting, revenues are generally recognized when they become measurable and available as net current assets. Revenues which are susceptible to accrual, i.e., being recorded when earned, include property and utility taxes, refuse collection fees and lot clearing, and certain other fees. Expenditures are generally recorded on an accrual basis, i.e., when incurred, except as follows:

- Principal and interest on long-term debt are recognized when due; and
- accumulated vacation and sick pay is not recorded in the general fund since the current amount is immaterial.

The proprietary fund types are maintained on the accrual basis of accounting. This method of accounting relates costs and expenditures to the period in which benefits of the outlays are received. It is intended to provide an accurate matching of these benefits with associated revenues. Under the accrual basis of accounting, revenues are recognized when earned and measurable, and expenses are recognized when incurred.

Proprietary fund types follow all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board (APB) Opinions; and
- Accounting Research Bulletins.

Pursuant to GASB Statement No. 20, the City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989, to its proprietary fund type activities.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgeting

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution, which sets spending limits by department.
- The City Manager is authorized to transfer budgeted amounts within any department in any fund, but may not revise total departmental expenditures without the approval of the City Commission. The budgetary information for the governmental fund types in the combined statement of revenues, expenditures and changes in fund balances is reported as amended.
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. Encumbrances are not recorded.
- The budgets for the general and debt service funds that were adopted during the year by the City Commission were prepared on the same basis of accounting utilized by those specific fund types. Comparisons of budgetary data to actual are not required to be reported for proprietary fund types.

Receivables

Customer accounts receivable are recorded at their net realizable value reduced by an allowance for uncollectible accounts.

Inventory

Inventory in the general fund is charged to expenditures when purchased. Inventory in the proprietary fund types consists of supplies held for repairs or capital improvements, plus nuclear fuel.

Property, Plant and Equipment and Depreciation

Property, plant and equipment in the proprietary fund types are recorded at historical cost or at fair market value on the date donated. Ordinary maintenance and repairs are charged to expenses as incurred.

Provision has been made for the depreciation of such property, plant and equipment using the straight-line method. The straight-line rate is computed using the period of years considered as the normal service life of the property. Such rates are as follows:

Nuclear Plant and Equipment	2.7% to 3.6%
Electric Distribution Plan	2 % to 4 %
Water Plant	3% to 10%
Wastewater Plant	2.5%
Other Equipment	10% to 20%

Construction work in progress is not depreciated until completed and placed into service. Utility plant acquired through grants is depreciated along with other utility plant purchased or constructed.

All other property and equipment owned by the City is reflected at cost in the general fixed assets account group and shown as an expenditure in the fund purchasing the property or equipment. Certain improvements such as streets, sidewalks and other infrastructure assets are not capitalized along with other general fixed assets. No provision for depreciation is made for any general fixed assets.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Discount and Issue Costs Amortization

The bond issue costs are being amortized over the lives of the bonds using the straight-line method. The bond discounts are being amortized over the life of the bonds using the effective interest method.

Capitalized Interest During Construction

The City accounts for capitalized interest during construction in accordance with Statement of Financial Accounting Standards No. 34, Capitalization of Interest Costs, and Statement No. 62, Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants. No interest expense was capitalized during 2002 on construction-in-progress in any fund or account group.

Long-Term Liabilities

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type liabilities. They are instead reported as liabilities in the general long-term debt account group.

Compensated Absences

The City accrues accumulated unpaid vacation and sick pay when incurred, if material, in the proprietary funds and the general long-term debt account group. Amounts representing the current liability for unused annual and sick leave in governmental fund types are immaterial. Therefore, the entire liability for governmental fund types is recorded in the general long-term debt account group.

Personnel policies allow permanent, full-time employees to accumulate a maximum of twenty-five days vacation leave. One week of vacation time is granted if sixty days sick leave is accumulated. Employees are paid the balance of their accumulated vacation leave, in full, upon termination. Also upon termination, employees are paid the balance of their accumulated sick leave, up to a maximum of eighty hours.

Revenue Recognition

Utility revenues are reported on the accrual basis of accounting in the accompanying financial statements. Restricted grant revenues which are received, but not expended, are recorded as deferred revenues in the liability section of the balance sheet.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for the 2002 fiscal year was 5.7 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Alachua County Property Appraiser incorporates the City millages into the total tax levy, which includes the County and the County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Concluded)

All taxes are levied on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4 % in the month of November, 3 % in the month of December, 2 % in the month of January, and 1 % in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Total Columns on the Combined Statements

Total columns on the combined statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. The data in these columns does not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. The totals for 2001 are presented for the purpose of additional analysis and are not a required part of the general-purpose financial statements. Certain changes have been made to this information to conform to the current year presentation.

NOTE B - DEPOSITS AND INVESTMENTS

All monies collected by the City are required to be deposited in accordance with the laws of the State of Florida. Florida Statutes authorize the City to invest in the following:

- Direct obligations of, or obligations guaranteed by, the U.S. Government;
- Interest-bearing time deposits or savings accounts in qualified institutions;
- Obligations of the Federal Farm Credit Banks;
- Obligations of the Federal National Mortgage Association,
- The Local Government Surplus Funds Trust Fund.

Deposits

At year end, the carrying amount of the City's deposits was \$ 7,270,462 and the bank balance was \$ 7,998,571. All deposits of the City are maintained in qualified public depositories. Included in the balances above are \$574,128 deposited with fiscal agents as of September 30, 2002, for the payment of revenue bonds on October 1.

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS (CONTINUED)

The Florida Security for Public Deposits Act; Chapter 280 of the Florida Statutes, provides that qualified public depositories must maintain eligible collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the City's name nor specify which collateral is held for the City's benefit. In the event of default, the Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the City for any deposits not covered by depository insurance or collateral pledged by the depository as previously described.

Investments

The carrying amount and market value of investments owned by the City at September 30, 2001, was as follows:

<u>Type of Investment</u>	<u>Balance 9/30/02</u>
Florida Municipal Power Agency (FMPA) CR-3 Pooled Investment Account	255,7620
Certificate of deposit	30,000
Florida Municipal Pension Trust Fund	665,856
Total	<u>\$ 951,6180</u>

The State Board of Administration's deposits in Tallahassee are maintained in an investment pool which invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes and U.S. Government obligations. The FMPA account represents a 2.087% interest in an investment pool which invests primarily in mid- and long-term U.S. Government obligations. The securities in the pool are registered in the name of SunTrust, N.A., as trustee for the FMPA (CR-3) participants. The U.S. Treasury Bonds are insured or registered, or held by the City or its agent in the City's name. The City of Arcadia debt service reserve account is an investment pool held by the Trustee for the City of Arcadia bond issue, which is invested in FNMA mortgage notes. The Florida Municipal Pension Trust Fund is an investment pool managed by the Florida League of Cities.

NOTE C - INVENTORY

Inventory in the proprietary fund types at September 30, 2002, consists of the following:

Electric Utility Supplies	\$ 161,389
Water/Sewer Supplies	19,342
Nuclear Fuel	38,120
Nuclear Plant Materials Inventory	16,287
Total	<u>\$ 235,138</u>

The utility supplies and plant inventory are valued at cost as determined by the average unit cost method. The City's portion of nuclear fuel inventory at the CR-3 nuclear generating facility is recorded at amortized cost.

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE D - DETAIL OF PROPERTY, PLANT AND EQUIPMENT

General Fixed Assets Account Group

A summary of changes in general fixed assets for the year follows:

	Balance 10/1/01	Additions	(Removables And Adjustments)	Balance 9/30/02
City Park - Structures and Improvements	\$ 22,328	37,550	--	59,878
City Hall - Building	159,089	--	--	159,089
City Hall - Equipment, Furnishings and Vehicles	113,232	12,533	--	125,765
Fire Station	129,249	--	--	129,249
Fire Trucks and Other Equipment	90,652	--	--	90,652
Police Station	66,497	--	--	66,497
Police Department - Vehicles and Equipment	536,206	87,562	38,035	585,733
Rolling Green - Land and Buildings	698,624	--	--	698,624
Rolling Green - Improvements	14,653	--	--	14,653
Parking Lots - Land	43,189	--	--	43,189
Street Paving and Sidewalks	1,047,205	--	--	1,047,205
Land - Other	171,791	--	--	171,791
Streets and Roads Equipment and Vehicles	110,277	27,526	--	137,803
Miscellaneous	11,326	--	--	11,326
Parks and Recreation - Buildings and Improvements	231,524	--	--	231,524
Parks and Recreation - Equipment	57,645	35,623	--	93,268
Physical Environment - Equipment	48,345	--	--	48,345
Building Department - Building	87,085	24,616	--	111,701
Building Department - Equipment	7,738	--	--	7,738
Planning and Zoning	0	11,085	--	11,085
CWIP - CDBG Hitchcock Project	16,000	--	--	16,000
Total Property, Plant and Equipment - At Cost	\$ 3,662,655	236,495	38,035	3,861,115

Proprietary Fund Types

A summary of property, plant and equipment in the proprietary fund types at September 30, 2002, follows:

Nuclear Generating Plant and Equipment	\$ 651,961
Electric Distribution Plant and Equipment	6,954,010
Water Plant and Equipment	4,905,318
Wastewater Plant and Equipment	7,073,793
Mosquito Control Equipment	7,200
Utility Billing and Administration Equipment	38,058
	19,630,340
Accumulated Depreciation	(8,241,306)
	11,389,034
Wastewater Improvements - Construction in Progress	2,024,378
Total Utility Plant - Cost Less Accumulated Depreciation	\$ 13,413,412

Nuclear generating plant and equipment represents the cost of the City's 0.0779% undivided interest in Florida Power Corporation's Crystal River III (CR-3) Nuclear Plant.

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT

Listed below is a summary of all outstanding debt issues of the City at September 30, 2001, by issue and by fund:

Description	Interest Rate	Principal Balance 9/30/02	Final Maturity
1993 City of Arcadia Revenue Bonds	5.375%	\$ 865,000	2015
1995 First National Bank Note	5.20%	243,705	2010
1993 Utility Acquisition Bonds	7.0%	1,090,000	2019
1993 Utility Refunding Bonds	3.0% - 5.5%	8,825,000	2020
2002A Utility Refunding Bonds	6.35%	2,235,000	2008
1979 Utilities Revenue Bond	5.0%	556,000	2019
1998 State Revolving Fund Loan	2.70%	49,360	2021
2000 Sales Tax Revenue Note	6.00%	68,886	2010
2000 Tax Increment Road Improvement Note	6.50%	278,986	2010
2001A Section 108 Loan	3.66% to 6.67%	2,195,000	2021
Total Debt		<u>16,406,937</u>	

Total long-term debt by fund/account group:

General Long-Term Debt	\$ 3,651,577
Electric	7,253,533
Water	1,431,603
Wastewater	4,040,224
Total Debt	<u>\$ 16,406,937</u>

General Long-Term Debt

The following tabulation summarizes the changes in the City's general long-term debt account group during the year ended September 30, 2002:

	Balance 10/1/01	New Debt	Principal Paid	Balance 9/30/02
City of Arcadia, Florida, Dedicated Pool Local Government Revenue Bonds Series, 1993	\$ 905,000	--	40,000	865,000
Sales Tax Revenue Note, Series 1995 - First National Bank of Alachua	265,215	--	21,510	243,705
Sales Tax Revenue Note, Series 2000 First National Bank of Alachua	75,261	--	6,375	68,886
Tax Increment Road Improvement Revenue Note, Series 2000	300,000	--	21,014	278,986
Section 108 Government Guaranteed Participation Certificates, Series HUD 2001A	2,250,000	--	55,000	2,195,000
Compensated Absences	109,002	34,669	--	143,671
Totals	<u>\$ 3,904,478</u>	<u>34,669</u>	<u>143,899</u>	<u>3,795,248</u>

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT (CONTINUED)

City of Arcadia, Florida - Dedicated Pool Local Government Revenue Bonds, Series 1993 - On July 1, 1993, the City executed a loan agreement with the City of Arcadia, Florida (the Sponsor), and NationsBank of Florida, N.A. (the Trustee), to borrow \$1,200,000 from the Sponsor's \$45,455,000 Local Government Revenue Bonds, Series 1993, Dedicated Pool. The Sponsor issued the bonds on August 10, 1993, and deposited the proceeds with the Trustee to fund the pool, available to governmental entities for financing and refinancing certain qualified projects. During 1996, the Trustee was changed to Bank of New York.

The City used the proceeds to refinance the balance due on a loan from the City of Gulf Breeze, originally issued to finance street and drainage improvements. The City of Arcadia loan is evidenced by a Governmental Unit Note, which is payable solely from the City's local option gas tax revenues and guaranteed entitlement revenues.

Sales Tax Revenue Note, Series 1995 - On May 24, 1995, the City adopted Resolution R-95-9, authorizing the issuance of a \$400,000 Sales Tax Revenue Note, Series 1995. The note was issued at the par amount of \$393,000, and used to refinance the City's outstanding FLGFA loan, plus pay note issuance and loan redemption costs.

The note is secured by a lien upon the pledge of the City's local government half-cent sales tax. Principal and interest are payable on the first of each month in level monthly installments for fifteen years. Interest accrues at a fixed rate of 5.20% (based on a 360-day year) for the first five years of the note, and is reset on June 1, 2000 and June 1, 2005, to the five-year U.S. Treasury index on those dates. The City may prepay the note in whole or in part, at any time, without penalty.

Sales Tax Revenue Note, Series 2000 - On April 4, 2000, the City issued a \$85,000 Sales Tax Revenue Note, Series 2000, to finance a capital project.

The note is secured by a lien upon the pledge of the City's local government half-cent sales tax, which is junior and subordinate to the lien and pledge in favor of the City's outstanding Sales Tax Revenue Note, Series 1995. Principal and interest are payable on the first of each month for the ten-year term of the note. Interest accrues at a fixed rate of 6.00%.

Tax Increment Road Improvement Revenue Note, Series 2000 - On January 8, 2001, the City issued a \$300,000 Tax Increment Road Improvement Revenue Note, Series 2000, to finance improvements and renovations to Main Street within the City's Community Redevelopment District.

The note is secured by the tax increment revenues of the Community Redevelopment District. Principal and interest are payable annually on the first day of February for ten years. Interest accrues at a fixed rate of 6.50% until February 2, 2006, at which time it is reset to the five-year U.S. Treasury index at that date. The City may prepay the note in whole or in part, at any time, without penalty.

Section 108 Government Guaranteed Participation Certificates, Series HUD 2001A - On August 2, 2001, the City executed a loan agreement with the U.S. Department of Housing and Urban Development (the Sponsor) to borrow \$2,250,000 from the Sponsor's \$313,756,000 Section 108 Government Guaranteed Participation Certificates, Series HUD 2001A. The Sponsor guarantees timely payment of the notes issued by local governmental agencies. The City used the proceeds of the note to repay the outstanding balances on its Taxable Sales Tax Revenue Note, Series, 1999A, and Sales Tax Revenue Note, Series 1999B and finance other costs related to economic development.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE E - LONG-TERM DEBT (CONTINUED)

The note is secured by the City's local government half-cent sales tax (subordinate to the City's Sales Tax Revenue Note, Series 1995), utility franchise fees and state revenue sharing. Principal is payable annually and interest semiannually for twenty years. Interest accrues at the certificates rates which vary from 3.66% to 6.67% over the life of the note.

General Long-Term Debt – Summary

The following tabulation indicates the principal retirement of general long-term debt by fiscal year (excluding compensated absences):

Fiscal Year Ending September 30,	City of Arcadia Loan	1995 Sales Tax Revenue Note	2000 Sales Tax Revenue Note	2000 Tax Increment Note	2001A Section 108 Loan	Total Principal
2003	45,000	25,131	7,414	23,698	60,000	161,243
2004	45,000	26,781	7,868	25,260	60,000	164,909
2005	50,000	28,618	8,370	26,883	65,000	178,871
2006	50,000	30,541	8,894	28,697	70,000	188,132
2007	55,000	31,950	9,403	30,588	75,000	201,941
Thereafter	620,000	100,684	26,937	143,860	1,865,000	2,756,481
Totals	\$ 865,000	\$ 243,705	\$ 68,886	\$ 278,986	\$ 2,195,000	\$ 3,651,577

Proprietary Fund Types

Utility Acquisition Bonds, Series 1993 - On October 18, 1993, the City adopted Resolution R-93-24 authorizing the issuance of \$1,300,000 Utility Acquisition Bonds, Series 1993 (the 1994 bonds) to provide the necessary funds for the acquisition of the private water and wastewater systems in the Turkey Creek recreational residential community in the City. The bonds are secured by the gross revenues of the combined electric, water and wastewater utility systems of the City, but is subordinate to the secured interests of the bondholders in the other outstanding revenue bonds of the City.

The bonds were issued without premium or discount and are payable at 7 % interest, with interest payable semiannually beginning April 1, 1994, and principal payable annually beginning October 1, 1994.

Utility Refunding Revenue Bonds, Series 1993 - On March 31, 1993, the City adopted Resolution R-93-3, authorizing the issuance of \$9,500,000 Utility Refunding Revenue Bonds, Series 1993. The bonds were issued at a par amount of \$9,000,000 to provide a portion of the funds required: a) to advance refund the City's outstanding Utility Revenue Bonds, Series 1990 and a portion of the City's outstanding Utility Refunding Revenue Bonds, Series 1986; b) to construct and install certain facilities constituting water and wastewater capital improvements; and c) to pay a portion of the costs of issuance.

Gross revenues of the system, plus utilities service taxes are pledged as collateral for the revenue bonds on a parity and rank equally as to lien on, and source and security for payment with the City's outstanding Series 1979 bonds and the remaining Series 1986 bonds.

The \$9,000,000 issue consists of \$1,355,000 of serial bonds maturing from 1994 to 2009, with stated interest rates of 3 % to 5.5%; \$1,635,000-5.625% Term Bonds due April 1, 2012, sold at a price of 98.5% of par; and \$6,010,000-5.75% Term Bonds, due April 1, 2020, at 99% of par.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE E - LONG-TERM DEBT (CONTINUED)

Utilities Revenue Bond of 1979 - On August 6, 1979, the City adopted a resolution to issue the Utilities Revenue Bond of 1979. The bond was issued on December 17, 1979, to partially finance the cost of the construction of additions to the utility system.

Net utility revenues and utilities service taxes are pledged as collateral for the revenue bond which has a coupon rate of 5%. The lien on revenues by the 1979 bond is equal to the Utilities Refunding Revenue Bonds of 1986 and 1993.

State Revolving Fund Loan - State of Florida Department of Environmental Protection - This loan is to finance preconstruction wastewater control facility costs. The total loan available is \$125,732, of which \$49,360 had been drawn as of September 30, 2002. Repayment commences in May 2002, and is over a term of twenty years bearing a 2.70% interest rate.

Utilities Refunding Revenue Note, Series 2002A - On April 2, 2002, the City issued the \$2,235,000 Utilities Refunding Revenue Note, Taxable Series 2002A with an interest rate of 6.35% to refund \$2,220,000 of outstanding Utility Revenue Refunding Bonds, Series 1986 with an average interest rate of 7%.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$60,076. This difference, reported in the accompanying financial statements as a deduction from notes payable, is being charged to operations through the year 2008 using the effective-interest method. The City completed the refunding to reduce its total debt service payments over the next 6 years by \$150,004 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$84,080.

The following tabulation indicates the principal retirement of the proprietary fund types' long-term debt by fiscal year:

Fiscal Year Ending September 30,	Utility Revenue Bond of 1979	Utility Acquisition Bonds, Series 1993	Utility Refunding Revenue Bonds, Series 1993	State Revolving Fund Loan	Utilities Refunding Revenue Note Series 2002A	Totals
2003	21,000	35,000	20,000	2,500	395,000	473,500
2004	23,000	40,000	25,000	2,500	420,000	510,500
2005	24,000	40,000	25,000	2,500	445,000	536,500
2006	25,000	45,000	25,000	2,500	475,000	572,500
2007	26,000	45,000	390,000	2,500	140,000	603,500
Thereafter	437,000	885,000	8,340,000	36,860	360,000	10,058,860
Totals	<u>\$ 556,000</u>	<u>\$ 1,090,000</u>	<u>\$ 8,825,000</u>	<u>\$ 49,360</u>	<u>\$ 2,235,000</u>	<u>\$ 12,755,360</u>

Defeased Bonds - At September 30, 2002, the City has outstanding bonds that have been defeased by the purchase of qualifying securities in irrevocable trusts. The scheduled maturities and the interest earnings on the escrowed securities are sufficient to redeem these defeased bonds without further debt service costs to the City. Both defeased bonds and the escrowed securities are, as required by accounting principles generally accepted in the United States of America, omitted from the financial statements of the City.

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT (CONTINUED)

The following bonds have been defeased by the City and no longer are included in the accompanying general purpose financial statements.

	Estimated Balance September 30, 2002
Utility Revenue Bonds, Series 1974A	\$ 500,000
Utility Revenue Bonds, Series 1976	350,000
Utility Revenue and Refunding Bonds, Series 1978	1,800,000
Utility Revenue and Refunding Bonds, Series 1981	2,300,000
Utility Revenue and Refunding Bonds, Series 1981A	775,000
Total	<u>\$ 5,725,000</u>

Conduit Debt - The City may assist nongovernmental entities in the obtainment of financing for capital facilities by issuing debt on behalf of the nongovernmental entity. This debt, known as conduit debt, allows the nongovernmental entity to borrow at tax-exempt rates. The nongovernmental entity, not the City, is responsible for repayment of the conduit debt obligation. At September 30, 2002, the following conduit debt is outstanding in the City's name:

	Estimated Balance September 30, 2002
Industrial Development Revenue Bonds, Series 1995	<u>\$ 1,300,000</u>

NOTE F - RESTRICTED ASSETS

Actual balances of the restricted cash and investment accounts in the enterprise funds at September 30, 2002, are as follows:

	Electric	Water	Wastewater	Totals
Revenue Bond Accounts:				
Sinking Fund	\$ 334,185	\$ 110,285	\$ 221,931	\$ 666,401
Customer Deposits	199,700	--	--	199,700
CR-3 Decommissioning Account	255,763	--	--	255,763
Total	<u>\$ 789,648</u>	<u>\$ 110,285</u>	<u>\$ 221,931</u>	<u>\$ 1,121,684</u>

The CR-3 Decommissioning Account is required by state law to accumulate funds for the City's share of the decommissioning costs of the CR-3 nuclear power plant. The City's contribution to this account was \$41,652 including interest during 2002. The required cash balance in the decommissioning account is offset by a deferred credit on the balance sheet.

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE G - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Interfund transactions are normally recorded through a consolidated cash account instead of interfund receivables and payables. Following is a summary of interfund receivables and payables at September 30, 2002:

Due From	Due To	Amount
Wastewater Fund	Electric Fund	\$ 1,232,696
Debt Service Fund	General Fund	64,532
Job Creation CDBG Fund	Water Fund	16,449
Wastewater Fund	General Fund	1,579,223
Water Fund	General Fund	52,153
Electric Fund	General Fund	250,858
Hitchcock Jobs Grant	Water Fund	44,525
General Fund	Electric Fund	1,000,000
General Fund	Wastewater Fund	1,265,275
Total		<u>5,505,611</u>

Following is a summary of interfund transfers during 2002:

Transfers Out	Amount	Fund Receiving Transfer
General Fund	\$ 170,000	Debt Service
Electric	531,246	General Fund
Water	13,921	General Fund
Other Grant	208,152	General Fund
Total	<u>\$ 923,319</u>	

NOTE H - FUND BALANCES - RESERVED

Fund balances are reserved within the governmental fund types as follows:

	General	Special Revenue
Reserved:		
Prepaid expenses	\$ 179,346	\$ 0
Police Department Operations	27,440	0
Community redevelopment	0	123,480

Reserves earmark a portion of fund equity as: 1) not available for appropriation or expenditure; or 2) legally restricted to a specific future use.

NOTE J - EXCESS OF EXPENDITURES OVER BUDGET AND DEFICIT EQUITY BALANCES

For excesses of actual expenditures over budgeted appropriations for governmental fund types, please see pages 10 through 12 of the financial statements.

The following individual fund shows a deficit equity balance at September 30, 2002:

Fund	Type	Deficit 2001
Job Creation Grant	Unreserved Fund Balance	(63,385)

**CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE K -SEGMENT INFORMATION – ENTERPRISE FUNDS

The City maintains enterprise funds to account for the activities of its electric, water, wastewater, and mosquito control.

Segment information for the year ended September 30, is as follows:

	Electric Fund	Water Fund	Wastewater Fund	Mosquito Control Fund
Operating Revenues	\$ 7,554,812	\$ 595,166	\$ 939,637	\$ 34,692
Depreciation	267,828	147,160	176,845	720
Operating Income (Loss)	1,951,740	(51,516)	139,009	13,417
Nonoperating Revenues (Expenses)	(234,283)	(58)	1,281,410	0
Operating Transfers (Out)	(531,246)	(13,921)	0	0
Net Income (Loss)	1,186,211	(65,495)	1,420,419	13,417
Property, Plant and Equipment Additions	66,019	892,229	1,338,344	0
Contributions - Current Year	0	0	0	0
Net Working Capital (Deficit)	5,166,279	465,969	1,699,463	22,409
Total Assets	11,209,269	3,419,622	12,013,987	30,572
Bonds Payable - Long-Term Portion	7,130,129	1,388,607	3,811,264	0
Total Equity (Deficit) 1,196,222	2,382,433	1,719,338	4,319,295	28,673
Total Retained Earnings (Deficit)	2,382,433	890,551	1,115,383	28,673

NOTE L - ELECTRIC POWER AGREEMENTS

City of Gainesville

The City entered into a wholesale electric service contract with the City of Gainesville, Florida, on January 21, 1987, for the purchase of the majority of the City's electric power requirements beginning January 6, 1988. The City constructed a 138 x 69 - 12.47Y/7.2kV substation to receive the power, which was placed into operation on that date. The substation is located in such a manner that the City has reasonable access to the transmission lines of both the City of Gainesville and Florida Power Corporation. A portion of the substation is owned by the City of Gainesville. The initial term of the contract was five years, with options for additional annual extensions. The contract was renegotiated on October 2, 1992, and extended for an additional fifteen years, beginning on December 31, 1992. Provisions in the contract allow for price adjustments for increases and decreases in the City of Gainesville's fuel and operating costs. Total payments to the City of Gainesville for 2002 were \$4,144,881.

Crystal River Unit #3 Participation Agreement

The City is a participant in an agreement with Florida Power Corporation which was entered into on July 31, 1975. Under terms of the agreement, the City acquired an 0.0779% ownership interest and generation entitlement share in the nuclear steam electric generating unit. Participants are entitled to energy output of the unit based upon their respective generation entitlement share.

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE L - ELECTRIC POWER AGREEMENTS (CONTINUED)

Crystal River Unit #3 Participation Agreement

Florida Power Corporation has been appointed by the participants to act as their agent and has sole authority to manage, control, maintain and operate the unit. Operating costs of the unit, in general, are shared in proportion to each generation entitlement share on a monthly basis. Common and external facilities of the generating unit are solely owned by Florida Power Corporation and participants share in the operating and maintenance expenses of such facilities. Nuclear fuel payments and capital acquisition costs are required of participants in advance. Total payments for 2002 were \$116,450.

The City's share of plant decommissioning costs to be paid during the years 2015 through 2022 is being accumulated in an account administered by the FMPA. FMPA has determined the appropriate account balance to be \$255,763 at September 30, 2002. The cash account is offset by a deferred credit on the balance sheet of \$255,763 at September 30, 2002.

St. Lucie No. 2 Power Purchase Agreement

The City has negotiated a long-term agreement with Florida Power and Light Corporation through FMPA to purchase .3044 megawatts of generating capacity and a corresponding amount of energy monthly from the St. Lucie No. 2 nuclear generating plant. The plant became operational in 1984. Total payments for 2002 were \$170,558.

The City has signed certain documents with FMPA relating to the St. Lucie Project that provide that if the agency defaults on certain bond payments, the City would be required to satisfy payment on their share (.431 %) of the bonds. The par amount of the outstanding bonds at September 30, 2002, was approximately \$291 million.

NOTE M - PENSION PLANS

All full time employees of the City hired prior to January 1, 1996, participate in the Florida State Retirement System, a multiple-employer defined benefit public retirement system. Full time employees hired on January 1, 1996, or later, participate in a retirement system administered by the Florida League of Cities, Inc.

Florida Retirement System

The Florida State Retirement System (the System) was created by the Florida Legislature and is administered by the State of Florida, Department of Administration, Division of Retirement and is a cost-sharing, multiple-employer defined benefit public retirement plan available to governmental units within the state of Florida. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Florida Retirement System, Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706. At September 30, 2002, the City had twenty-six active participants in the System.

The System provides vesting of benefits after ten years of creditable service. Members are eligible for normal retirement after they have met one of the following: 1) after thirty years of service, regardless of age (twenty-five years if special risk); or 2) age 62 and ten years of service (age 55 and ten years if special risk).

Early retirement may be taken any time after completing ten years of service; however, there is a 5 % benefit reduction for each year prior to normal retirement. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest years of earnings. The System also provides death and disability benefits. Benefits are estimated by Florida Statutes and include cost of living adjustments.

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE M - PENSION PLANS (CONTINUED)

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the City are required to contribute 5.76% of the compensation for regular members, 9.41% for senior management and 16.01 % for special risk as of September 30, 2002. The City's contribution to the System for the years ended September 30, 2002, 2001, and 2000, were \$121,352, \$126,484 and \$149,701, respectively.

Florida League of Cities Plans

There are two retirement plans for employees hired on or after January 1, 1996: a defined contribution plan for general employees, and a Police Officers' Pension Plan, a local-law plan that follows Chapter 185 of the Florida State Statutes. Both plans are administered by the Florida League of Cities. At September 30, 2002, the City had thirty-four general employees and nine police officers participating in these plans.

The *Retirement Plan and Trust for the General Employees of the City of Alachua* is a defined contribution plan with a vesting schedule between five and ten years of service. The amount contributed to the plan by the City is at the City Commission's discretion, 11 % for fiscal year 2002. The vesting schedules are as follows:

Years of Service	Percent Vested
0 - 4 Years	0 %
5 Years	50%
6 Years	60%
7 Years	70%
8 Years	80%
9 Years	90%
10 or More Years	100%

The normal retirement date from this plan is the first day of the month coincident with or next following attainment of age 62. Distributions may be made at the participant's election on or after the anniversary date following termination of employment and a one year break in service. The administrator and the investment manager of this plan is the Florida League of Cities' Florida Municipal Pension Trust Fund (FMPTF). The City's contributions to this plan for the years ended September 30, 2002, 2001, and 2000, were \$108,558, \$78,365, and \$52,247, respectively.

The *Retirement Plan and Trust for the Police Officers of the City of Alachua* is a defined benefit plan established under Chapter 185 of the Florida Statutes. Benefits are determined by the number of years of credited service multiplied by 2% and multiplied by final monthly compensation. Final monthly compensation is one-twelfth of the highest average earnings during the five best years out of the last ten years of creditable service prior to separation, or the career average, whichever is greater.

CITY OF ALACHUA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE M - PENSION PLANS (CONTINUED)

The normal retirement date is the first day of the month coincident with, or next following attainment of age 55 and 10 years of service or earlier attainment of age 52 and 25 years of service. The amount of accrued benefits will be reduced a maximum of 3 % for each year before the normal retirement age. This plan requires a 1 % contribution by all participants. If a member terminates before completing 10 years of credited service, all employee contributions are returned to the member, with no other benefits. Employees are 100% vested after ten years. The City's contributions are based on an actuarial study, 12.17 % for fiscal year 2001. The administrator and investment manager is the Florida League of Cities' FMPTF. Claims procedures and plan administration is supervised by the City of Alachua Police Officers' Pension Trust Fund Board of Trustees. The Florida League of Cities, Inc. issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, Florida 32302-1757, or by calling (850) 222-9684. Membership in this Board is established by the City Commission in compliance with Chapter 185, Florida Statutes. The City's contributions to this plan for the years ended September 30, 2002, 2001, and 2000, were \$32,311, \$24,506, and \$23,022, respectively.

NOTE N - RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. Insurance against losses are provided for the following types of risk with the following carriers:

Florida Municipal Insurance Trust

- Workers' Compensation and Employer's Liability

St. Paul Fire and Marine Insurance Company

- General liability and Automobile Liability
- Real and Personal Property Damage
- Automobile Physical Damage
- Public Employees' Blanket Bond
- Boiler Officials' Liability
- Law Enforcement Officers' Professional Liability and Other Mandated Coverage
- Accidental Death and Dismemberment
- Auxiliary Reserve Policy
- Law Enforcement Officers' Professional Liability

The City's coverage for workers' compensation is under a retrospectively related policy. Premiums are accrued based on the ultimate cost to-date of the City's experience

NOTE O - RECENTLY ISSUED ACCOUNTING REONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) recently issued GASB No. 34 Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments. The new standard will result in a new reporting model for state and local governments. The new financial statements must present, among other things, a new section for management discussion and analysis, presentation of government wide financial statements and the reporting of the cost of infrastructure assets. The new standard will be effective for years beginning after June 15, 2002 for those governments with revenues greater than \$10 million but less than \$100 million. Management anticipates that implementation of the new standards will not result in a material allocation of personal funds.



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COMBINING AND INDIVIDUAL FUND STATEMENTS

These financial statements provide a more detailed view of the "General Purpose Financial Statements" presented in the preceding subsection.

Combining statements are presented when there are more than one fund of a given fund type. Individual fund statements are presented when there is only one fund of a given type. Individual fund statements are also necessary to present budgetary comparisons.



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GENERAL FUND



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CITY OF ALACHUA, FLORIDA
GENERAL FUND
BALANCE SHEET
September 30, 2002
(With Comparative Figures for 2001)

	<u>2002</u>	<u>2001</u>
ASSETS		
Cash in bank, including certificates of deposit:		
Police department trust fund	\$ 27,440	16,675
Pooled cash	525,856	764,215
Receivables:		
Customer accounts	38,673	17,034
Other	73,109	67,170
Due from other funds	1,929,170	65,523
Due from other governments	137,337	78,421
Prepaid expenses	<u>179,346</u>	<u>42,825</u>
TOTAL ASSETS	<u>\$ 2,910,931</u>	<u>1,051,863</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 180,402	95,859
Other accrued expenses	77,747	86,444
Occupational licenses collected in advance	—	16,084
Due to other funds	1,631,382	—
Due to other governments	33,767	—
Other deferred revenues	<u>38,763</u>	<u>21,901</u>
Total liabilities	1,962,061	220,288
Fund balance:		
Reserved for:		
Prepaid expenses	179,346	42,825
Police department operations	27,440	16,675
Undesignated	<u>742,084</u>	<u>772,075</u>
Total fund balance	<u>948,870</u>	<u>831,575</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,910,931</u>	<u>1,051,863</u>

CITY OF ALACHUA, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended September 30, 2002
(With Comparative Actual Figures for 2001)

	2002		Variance	2001
	Budget (Revised)	Actual	Favorable (Unfavorable)	Actual
Taxes:				
Property taxes - current	\$ 1,684,785	1,726,899	42,114	1,287,943
Property taxes - delinquent	—	4,754	4,754	11,611
Franchise fees	175,000	113,287	(61,713)	171,487
Utility taxes	580,000	577,950	(2,050)	617,240
Local community service tax	—	208,957	208,957	—
Local option gas taxes	125,208	140,037	14,829	125,701
Total taxes	2,564,993	2,771,884	206,891	2,213,982
License and permits:				
Occupational licenses	22,000	25,327	3,327	27,711
Building permits	200,000	142,119	(57,881)	120,646
Total licenses and permits	222,000	167,446	(54,554)	148,357
Intergovernmental:				
Federal Grants:				
U.S. Department of Justice - LLEBG	—	13,601	13,601	16,464
U.S. Department of Transportation in car video	—	19,600	19,600	19,600
Passed through Alachua County School Board - DARE	—	43,200	43,200	21,600
U.S. Department of Justice - COPS - School-Based Partnership	—	—	—	2,780
U.S. Department of Housing and Urban Development:				
Housing Grant	—	43,500	43,500	—
Waco Grant	—	18,000	18,000	—
DCA - City Park	—	50,000	50,000	—
FEMA Assistance	—	—	—	15,012
Total Federal Grants	—	187,901	187,901	75,456
State Grants:				
Solid waste	4,000	—	(4,000)	2,132
Florida Department of Transportation Protection - FRDAP	—	—	—	48,477
	—	—	—	7,630
Total State Grants	4,000	—	(4,000)	58,239
State-Shared Revenue:				
State revenue sharing	139,898	138,420	(1,478)	136,143
Mobile home licenses	6,000	5,239	(761)	6,197
Alcoholic beverage tax	4,500	3,206	(1,294)	3,900
Half-cent sales tax	316,585	344,412	27,827	325,550
Fuel tax refund	4,000	5,282	1,282	5,202
Total State-Shared Revenue	470,983	496,559	25,576	476,992
Total Intergovernmental	474,983	684,460	209,477	610,687

CITY OF ALACHUA, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
Year Ended September 30, 2002
(With Comparative Actual Figures for 2001)

	2002			2001
	Budget (Revised)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues (continued):				
Charges For Serices				
Police services	—	6,649	6,649	4,202
Zoning fees	35,000	17,447	(17,553)	33,875
Sanitation revenue	365,000	391,224	26,224	328,540
Penalty revenue	6,500	7,518	1,018	6,549
Total Charges For Services	406,500	422,838	16,338	373,166
Fines and Forfeitures				
Court fines	80,000	68,422	(11,578)	68,904
Forfeitures	—	10,475	10,475	3,368
Total Fines and Forfeitures	80,000	78,897	(1,103)	72,272
Miscellaneous				
Interest	75,000	41,926	(33,074)	14,668
Rents	14,000	15,795	1,795	14,379
Miscellaneous revenue	9,500	29,157	19,657	98,835
Recreation department revenue	32,000	37,723	5,723	25,451
Assets sales	—	2,176	2,176	666
Cotributions and donations	—	127,682	127,682	—
Total Miscellaneous	130,500	254,459	123,959	153,999
Total Revenues	<u>\$ 3,878,976</u>	<u>4,379,984</u>	<u>501,008</u>	<u>3,572,463</u>

CITY OF ALACHUA, FLORIDA
GENERAL FUND
STATEMENT OF EXPENDITURES
(BUDGET AND ACTUAL)
Year Ended September 30, 2002
(With Comparative Actual Figures for 2001)

	2002			2001
	Budget (Revised)	Actual Expenditures	Variance Favorable (Unfavorable)	Actual
GENERAL GOVERNMENT				
Legislative:				
Personal services	\$ 55,267	44,287	10,980	34,404
Operations	20,178	27,053	(6,875)	19,965
Capital outlay	10,000	9,449	551	—
Total Legislative	85,445	80,789	4,656	54,369
Executive:				
Personal services	307,410	308,243	(833)	230,935
Operations	170,281	173,800	(3,519)	246,229
Capital outlay	22,000	566,552	(544,552)	6,260
Debt service	170,900	—	170,900	—
Total Executive	670,591	1,048,595	(378,004)	483,424
Finance and Administration				
Personal services	253,180	234,137	19,043	241,941
Operations	43,404	42,359	1,045	41,495
Capital outlay	—	—	—	1,009
Total Finance and Administration	296,584	276,496	20,088	284,445
Legal:				
Operations	126,000	117,352	8,648	77,431
Total Legal	126,000	117,352	8,648	77,431
Code Enforcement:				
Personal services	29,943	17,512	12,431	28,180
Operations	23,585	9,999	13,586	9,877
Total Code Enforcement	53,528	27,511	26,017	38,057
Total General Government	1,232,148	1,550,743	(318,595)	937,726
PUBLIC SAFETY				
Law Enforcement:				
Personal services	1,119,848	1,078,902	40,946	970,374
Operations	157,836	181,885	(24,049)	128,312
Capital outlay	64,056	64,056	—	127,975
Total Law Enforcement	1,341,740	1,324,843	16,897	1,226,661
Fire Control:				
Operations	351,154	304,090	47,064	291,227
	351,154	304,090	47,064	291,227

(CONTINUED)

CITY OF ALACHUA, FLORIDA
GENERAL FUND
STATEMENT OF EXPENDITURES (CONCLUDED)
(BUDGET AND ACTUAL)
Year Ended September 30, 2002
(With Comparative Actual Figures for 2001)

	2002			2001
	Budget (Revised)	Actual Expenditures	Variance Favorable (Unfavorable)	Actual
Protective Inspections:				
Personal services	270,052	259,233	10,819	214,279
Operations	111,996	65,468	46,528	80,264
Capital outlay	15,300	12,926	2,374	3,584
Total Protective Inspections	397,348	337,627	59,721	298,127
Animal Control:				
Personal services	--	--	--	3,544
Operations	--	--	--	980
Total Animal Control	--	--	--	4,524
Total Public Safety	2,090,242	1,966,560	123,682	1,820,539
PHYSICAL ENVIRONMENT				
Sanitation:				
Personal services	--	17,127	(17,127)	--
Operations	341,482	371,636	(30,154)	309,317
Total Sanitation	341,482	388,763	(47,281)	309,317
TRANSPORTATION				
Personal services	269,007	254,526	14,481	251,628
Operations	104,152	92,322	11,830	156,307
Capital outlay	28,000	27,526	474	8,000
Total Transportation	401,159	374,374	26,785	415,935
PARKS AND RECREATION				
Personal services	190,253	191,318	(1,065)	119,770
Operations	135,742	132,638	3,104	161,562
Capital outlay	36,000	34,904	1,096	26,114
Total Parks and Recreation	361,995	358,860	3,135	307,446
OTHER GRANT EXPENDITURES				
Operations	--	90,534	(90,534)	--
Capital Outlay	--	50,650	(50,650)	--
Total Other Grant Expenditure	--	141,184	(141,184)	--
Total Expenditures	\$ 4,427,026	4,780,484	(353,458)	3,790,963



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SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

CITY OF ALACHUA, FLORIDA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2002
(With Comparative Total Figures for 2001)

	Community Redevelopment Agency		Neighborhood Revitalization Grant		Totals	
	2002	2001	2002	2001	2002	2001
ASSETS						
Cash and cash equivalents	\$ 95,521	121,225	--	--	95,521	121,225
Due from other governments	33,767	--	--	--	33,767	--
TOTAL ASSETS	\$ 129,288	121,225	--	--	129,288	121,225
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 5,808	5,271	--	--	5,808	5,271
Due to other funds	--	--	--	65,523	--	65,523
Total liabilities	5,808	5,271	--	65,523	5,808	70,794
Fund balances:						
Reserved for community redevelopment	123,480	115,954	--	--	123,480	115,954
Reserved for economic development	--	--	--	(65,523)	--	(65,523)
Total fund balances	123,480	115,954	--	(65,523)	123,480	50,431
TOTAL LIABILITIES AND FUND BALANCES	\$ 129,288	121,225	--	--	129,288	121,225

CITY OF ALACHUA, FLORIDA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2002
(With Comparative Totals for 2001)

	Community Redevelopment Agency		Neighborhood Revitalization Grant		Totals	
	2002	2001	2002	2001	2002	2001
Revenues:						
Taxes	\$ 87,017	69,063	--	--	87,017	69,063
Intergovernmental revenue:						
Federal grants	--	--	--	462,855	--	462,855
Interest and miscellaneous	1,365	7,296	--	--	1,365	7,296
Total revenues	88,382	76,359	--	462,855	88,382	539,214
Expenditures:						
Economic environment	(80,856)	(414,972)	--	(528,532)	(80,856)	(943,504)
Excess of revenues over (under) expenditures	7,526	(338,613)	--	(65,677)	7,526	(404,290)
Other financing sources (uses):						
Loan proceeds	--	300,000	--	--	--	300,000
Total other financing sources (uses):	--	300,000	--	--	--	300,000
Excess of revenues and other financial sources over (under) expenditures and other financing uses	7,526	(38,613)	--	(65,677)	7,526	(104,290)
Fund balances - October 1	115,954	154,567	(65,523)	154	50,431	154,721
Residual equity transfer	--	--	65,523	--	65,523	--
Fund balances - September 30	<u>\$ 123,480</u>	<u>115,954</u>	<u>--</u>	<u>(65,523)</u>	<u>123,480</u>	<u>50,431</u>



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CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. (Enterprise Fund resources are not included in this category).

CITY OF ALACHUA, FLORIDA
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
September 30, 2002
(With Comparative Figures for 2001)

	Job Creation Grant		Other Capital Projects		Totals	
	2002	2001	2002	2001	2002	2001
ASSETS						
Cash and cash equivalents	\$ --	--	--	208,152	--	208,152
Due from other governments	--	16,000	--	--	--	16,000
TOTAL ASSETS	\$ --	16,000	--	208,152	--	224,152
LIABILITIES AND FUND BALANCE						
Liabilities:						
Due to other funds	\$ 63,385	16,449	--	--	63,385	16,449
Total liabilities	63,385	16,449	--	--	63,385	16,449
Fund balances:						
Unreserved	(63,385)	(449)	--	208,152	(63,385)	208,152
Reserved for economic development	--	--	--	--	--	(449)
Total fund balances (deficit)	(63,385)	(449)	--	208,152	(63,385)	207,703
TOTAL LIABILITIES AND FUND BALANCE	\$ --	16,000	--	208,152	--	224,152

CITY OF ALACHUA, FLORIDA
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended September 30, 2002
(With Comparative Figures for 2001)

	Job Creation Grant		Other Capital Projects		Totals	
	2002	2001	2002	2001	2002	2001
Revenues:						
Intergovernmental revenue:						
Federal grants	\$ 517,850	16,000	--	--	517,850	16,000
Total revenues	517,850	16,000	--	--	517,850	16,000
Expenditures:						
Economic environment	(580,786)	(16,449)	--	--	(580,786)	(16,449)
Excess of revenues (under) expenditures	(62,936)	(449)	--	--	(62,936)	(449)
Other financing sources (uses):						
Operating transfers in	--	--	--	208,152	--	208,152
Operating transfers out	--	--	(208,152)	--	(208,152)	--
Total other financing sources	--	--	(208,152)	208,152	(208,152)	208,152
Excess of revenues and other sources over (under) expenditures and other uses	(62,936)	(449)	(208,152)	208,152	(271,088)	207,703
Fund balances (deficit) - October 1	(449)	--	208,152	--	207,703	--
Fund balances (deficit)- September 30	\$ (63,385)	(449)	--	208,152	(63,385)	207,703



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ENTERPRISE FUNDS

An Enterprise Fund is used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges. The significant characteristic of Enterprise Funds is that the accounting system must be structured to reflect whether the activity is operated at a profit or loss, similar to comparable private enterprises. Thus, the reports of Enterprise Funds are self-contained and creditors, legislators or the general public can evaluate the performance of the municipal enterprises on the same basis as the performance of investor-owned enterprises in the same industry.

CITY OF ALACHUA, FLORIDA
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS
September 30, 2002
(With Comparative Totals for 2001)

	ASSETS					Totals	
	Electric	Water	Waste Water	Mosquito Control	Turkey Creek Water/ Wastewater	(Memorandum Only)	
						2002	2001
Current assets:							
Pooled cash	\$ 2,292,381	375,008	2,770,287	23,027	--	5,460,703	2,110,428
Investments	30,000	--	--	--	--	30,000	30,000
Receivables							
Accounts receivable	210,673	17,174	36,640	1,281	--	265,768	365,387
Other receivables	134,338	2,000	5,629	--	--	141,967	15,355
Due from other funds	2,232,696	80,981	1,262,764	--	--	3,576,441	1,249,145
Due from other governments	--	--	1,044,317	--	--	1,044,317	932,231
Inventories - at cost	215,796	19,342	--	--	--	235,138	256,133
Prepaid power costs	34,858	--	--	--	--	34,858	537,414
Prepaid expenses	7,209	--	--	--	--	7,209	7,209
Unbilled revenue	822,561	50,656	76,921	--	--	950,138	630,354
Total current assets - nonrestricted	5,980,512	545,161	5,196,558	24,308	--	11,746,539	6,133,656
Restricted assets:							
Cash and cash equivalents	533,885	110,285	221,931	--	--	866,101	1,794,746
Investments	255,763	--	--	--	--	255,763	849,302
Total restricted assets	789,648	110,285	221,931	--	--	1,121,864	2,644,048
Property, plant and equipment:							
Utility Plant in Service	7,644,029	4,905,318	7,073,793	7,200	--	19,630,340	19,425,963
Accumulated Depreciation	(3,442,967)	(2,165,525)	(2,631,878)	(936)	--	(8,241,306)	(7,648,753)
Construction in Progress	--	--	2,024,378	--	--	2,024,378	1,274,370
Total property, plant and equipment	4,201,062	2,739,793	6,466,293	6,264	--	13,413,412	13,051,580
Other assets:							
Bond issue costs	238,047	24,383	129,205	--	--	391,635	329,829
Total other assets	238,047	24,383	129,205	--	--	391,635	329,829
TOTAL ASSETS	\$ 11,209,269	3,419,622	12,013,987	30,572	--	26,673,450	22,159,113

CITY OF ALACHUA, FLORIDA
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS
September 30, 2002
(With Comparative Totals for 2001)

LIABILITIES AND FUND EQUITY

	Electric	Water	Waste Water	Mosquito Control	Turkey Creek Water/ Wastewater	Totals (Memorandum Only)	
						2002	2001
Current liabilities (payable from current assets):							
Accounts payable	\$ 476,072	13,021	31,550	1,899	--	522,542	1,107,813
Accrued expenses	56,426	8,166	5,931	--	--	70,523	26,233
Due to other funds	250,858	52,153	3,443,301	--	--	3,746,312	1,232,696
Accrued compensated absences	30,877	5,852	16,313	--	--	53,042	41,102
Total current liabilities (payable from current assets)	814,233	79,192	3,497,095	1,899	--	4,392,419	2,407,844
Current liabilities (payable from restricted assets):							
Accrued interest	210,864	42,235	123,476	--	--	376,575	402,027
Current portion of long-term debt	153,404	42,996	179,600	--	--	376,000	356,000
Customer deposits	262,443	34,380	33,897	--	--	330,720	217,013
Total current liabilities (payable from restricted assets)	626,711	119,611	336,973	--	--	1,083,295	975,040
Long-term debt - excluding current portion							
Note payable	--	--	49,360	--	--	49,360	48,062
Deferred credit - CR-3 decommissioning costs	255,763	--	--	--	--	255,763	214,111
Bonds payable	7,130,129	1,388,607	3,811,264	--	--	12,330,000	12,618,867
Total long-term debt	7,385,892	1,388,607	3,860,624	--	--	12,635,123	12,881,040
TOTAL LIABILITIES	8,826,836	1,587,410	7,694,692	1,899	--	18,110,837	16,263,924
Fund equity:							
Contributions							
Customers	--	36,774	924,325	--	--	961,099	961,099
Farmers Home Administration	--	246,900	180,400	--	--	427,300	427,300
EDA and HUD	--	135,050	1,247,171	--	--	1,382,221	1,382,221
Capital Project Fund	--	37,758	844,478	--	--	882,236	882,236
Other	--	372,305	7,538	--	--	379,843	379,843
Total contributed capital	--	828,787	3,203,912	--	--	4,032,699	4,032,699
Retained earnings:							
Unreserved retained earnings	2,382,433	1,003,425	1,115,383	28,673	--	4,529,914	1,862,490
Total retained earnings	2,382,433	1,003,425	1,115,383	28,673	--	4,529,914	1,862,490
Total fund equity	2,382,433	1,832,212	4,319,295	28,673	--	8,562,613	5,895,189
TOTAL LIABILITIES AND FUND EQUITY	\$ 11,209,269	3,419,622	12,013,987	30,572	--	26,673,450	22,159,113

CITY OF ALACHUA, FLORIDA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended September 30, 2002
(With Comparative Totals for 2001)

	Electric	Water	Waste Water	Mosquito Control	Turkey Creek Water/ Wastewater	Totals (Memorandum Only)	
						2002	2001
Operating revenues:							
Utility billings	\$ 7,126,638	582,400	927,154	34,054	--	8,670,246	8,353,088
Other operating charges	428,174	12,766	12,483	638	--	454,061	330,212
Total operating revenues	7,554,812	595,166	939,637	34,692	--	9,124,307	8,683,300
Operating expenses:							
Electric power expenses:							
Nuclear power generation and transmission	129,598	--	--	--	--	129,598	115,257
Purchased power and other	4,342,673	--	--	--	--	4,342,673	4,407,507
Personal services	369,887	143,205	181,643	2,714	--	697,449	656,076
Contractual services	5,375	63,688	77,865	--	--	146,928	178,064
Supplies	68,902	41,220	41,875	4,177	--	156,174	78,129
Repairs and maintenance	55,004	46,421	48,846	32	--	150,303	155,042
Billing and administration	320,238	125,022	134,500	12,809	--	592,569	458,510
Depreciation	267,828	147,160	176,845	720	--	592,553	554,332
Other expense	43,567	79,966	139,054	823	--	263,410	197,159
Total operating expenses	5,603,072	646,682	800,628	21,275	--	7,071,657	6,800,076
Operating income (loss)	1,951,740	(51,516)	139,009	13,417	--	2,052,650	1,883,224
Non-operating revenues (expenses):							
Interest income	36,830	678	21,922	--	--	59,430	183,342
Interest and fiscal charges	(477,845)	(84,993)	(252,601)	--	--	(815,439)	(827,039)
Amortization of Bond Issue Costs	(12,742)	(1,591)	(6,068)	--	--	(20,401)	(20,946)
Connection charges	--	158,794	149,475	--	--	308,269	166,177
Grant Revenue	--	--	1,244,623	--	--	1,244,623	--
Miscellaneous income (expense)	219,474	39,928	124,059	--	--	383,461	42,630
Total non-operating revenues (expenses)	(234,283)	112,816	1,281,410	--	--	1,159,943	(455,836)
Net income (loss) before transfers	1,717,457	61,300	1,420,419	13,417	--	3,212,593	1,427,388
Operating transfers out	(531,246)	(13,921)	--	--	--	(545,167)	(880,106)
Net income (loss)	1,186,211	47,379	1,420,419	13,417	--	2,667,426	547,282
Retained earnings - October 1	1,196,222	911,965	(372,715)	15,256	111,760	1,862,488	1,315,208
Residual equity transfers	--	44,081	67,679	--	(111,760)	--	--
Retained earnings - September 30	\$ 2,382,433	1,003,425	1,115,383	28,673	--	4,529,914	1,862,490

FIDUCIARY FUNDS

CITY OF ALACHUA, FLORIDA
FIDUCIARY FUND TYPES
COMBINED BALANCE SHEETS
September 30, 2002
(With Comparative Totals for 2001)

	Pension Trust				Totals	
	General Employees		Police Officers		(Memorandum Only)	
	2002	2001	2002	2001	2002	2001
Assets:						
Investments	<u>\$ 274,073</u>	<u>184,420</u>	<u>391,782</u>	<u>329,447</u>	<u>665,855</u>	<u>513,867</u>
Net assets held in trust for pension benefits	<u>\$ 274,073</u>	<u>184,420</u>	<u>391,782</u>	<u>329,447</u>	<u>665,855</u>	<u>513,867</u>

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Honorable Mayor, City Commissioners
and City Manager
City of Alachua, Florida

We have audited the general purpose financial statements of the City of Alachua, Florida, as of and for the year ended September 30, 2002, and have issued our report thereon dated April 3, 2003. Except as discussed in the following paragraph, 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.

We did not obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types is fairly presented at cost or estimated historical cost, due to insufficient detail within the City's property records.

Compliance

As part of obtaining reasonable assurance about whether the City of Alachua's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as item 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. In addition, we noted other matters involving the internal control over financial reporting that we have reported to the City Commission in the management letter dated April 3, 2003.

This report is intended solely for the information of the Mayor, City Commissioners, City Manager, management, the Auditor General of the State of Florida and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

CPA Associates

Bradenton, Florida

April 3, 2003

CITY OF ALACHUA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>CFSA Number</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>				
U.S. Department of Housing and Urban Development				
Passed through Department of Community Affairs:				
Section 108 Loan Guarantee - Dollar General	14.248	010D-SE99-99-15-X01		\$ 2,195,000
Community development block grant program:				
Job creation project	14.228	01DB-79-03-11-02-E38		578,375
Housing Grant	14.228	02DB-89-03-11-02-HO1		51,266
WACO Project	14.228	02DB-89-11-43-02-E51		<u>24,712</u>
Total U.S. Department of Housing and Urban Redevelopment				2,849,353
U.S. Department of Justice				
Law enforcement block grant program	16.592	02-LB-BX-0235		3,584
Law enforcement block grant program	16.592	01-LB-BX-0982		<u>20,017</u>
Total U.S. Department of Justice				23,601
U.S. Department of Commerce				
Economic Development Administration:				
Public works and facilities development program	11.300	04-01-04373		774,751
U.S. Department of Environmental Protection				
Passed through Florida department of environmental protection:				
Drinking water state revolving fund grant	66.468	DW0115010		<u>26,050</u>
Total Federal Awards				<u>\$ 3,673,755</u>
<u>State Financial Assistance</u>				
Florida Department of Environmental Protection				
Florida recreation development assistance program	37.017	F0247		\$ 15,352
Florida recreation development assistance program	37.017	F0249		7,705
Governor's water panel wastewater grant	37.039	SP90090		4,583
SFR wastewater	37.039	WWG12079008P		8,800
USDA water and waste program	37.039	Unknown		<u>5,960</u>
Total Florida Department of Environmental Protection and state financial assistance				<u>\$ 42,400</u>

See independent auditor's report and notes to this schedule.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER COMPLIANCE
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT**

Honorable Mayor, City Commissioners
and City Manager
City of Alachua, Florida

Compliance

We have audited the compliance of the City of Alachua, Florida, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2002. The City of Alachua's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the City of Alachua's management. Our responsibility is to express an opinion on the City of Alachua's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of Alachua's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Alachua's compliance with those requirements.

In our opinion, the City of Alachua complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2002.

Internal Control over Compliance

The management of the City of Alachua is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City of Alachua's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the general purpose financial statements of the City of Alachua, Florida, as of and for the year ended September 30, 2002, and have issued our report thereon dated April 3, 2003. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General and are not a required part of the general purpose financial statements of City of Alachua, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Mayor, City Commissioners, City Manager, management, the Auditor General of the State of Florida and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

CFA Associates

Bradenton, Florida
April 3, 2003

CITY OF ALACHUA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2002

Part I – Summary of Auditor’s Results

General Purpose Financial Statement Section

Type of auditor’s report issued: Qualified Opinion

Internal control over financial reporting:

Material weakness (es) identified? X yes no

Reportable condition(s) identified not considered to be material weaknesses? yes X no

Noncompliance material to general purpose financial statements noted? yes X no

Federal Awards Section

Dollar threshold used to determine Type A programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

Type of auditor’s report on compliance for major programs: Unqualified Opinion

Internal Control over compliance:

Material weakness(es) identified? yes X no

Were reportable condition(s) identified not considered to be material weakness(es)? yes X no

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))? yes X no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.300	Department of Commerce – Public Works and Facilities Program
14.228	Department of Housing and Urban Development – Community Development Block Grant Program
14.248	Department of Housing and Urban Development – Section 108 Loan Guarantee-Dollar General

CITY OF ALACHUA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2002

Part I – Summary of Auditor’s Results (continued)

State Awards Section

Dollar threshold used to determine Type A projects: \$300,000

Type of auditor’s report on compliance for major projects: Unqualified Opinion

Internal Control over compliance:

Material weakness(es) identified? yes X no

Were reportable condition(s) identified not considered
to be material weakness(es)? yes X no

Any audit findings disclosed that are required to be reported in
accordance with Rule 10.557, rules of the Auditor General of
the State of Florida? yes X no

Identification of major projects

CSFA Number(s)	Name of State Project
N/A	NONE

Part II – Schedule of General Purpose Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general purpose financial statements that are required to be reported in accordance with Chapter 5.18 through 5.20 of Government Auditing Standards.

01-1: Accounting Records*

Condition – Although improvement in the City’s accounting records was noted in the current and prior audits, there are several areas that still need improvement including long-term debt, pooled cash, interest income, pension activity, fixed asset additions, depreciation, accounts receivable and accrued wages.

Criteria - The City needs standard procedures to record entries and to perform reconciliations on a monthly basis to ensure accurate presentation of monthly and annual financial information.

Effect of Condition – Lack of monthly accounting procedures may result in errors and irregularities which go undetected for extended periods of time and may cause financial reports to be misstated.

CITY OF ALACHUA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2002

Recommendation – The City should formalize monthly procedures to assure these items are properly accounted for in a timely manner, and as a sound practice of internal control and financial management. We recommend that management evaluate the various responsibilities, assign duties to particular personnel and create a system for review and oversight.

Status – The City has had the same findings for the past two years and improvement in their accounting records is still needed. The City has hired additional staff for the 2002-2003 fiscal year and plans to assign specific monthly duties to particular personnel.

Part III – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including known fraud and questioned costs, related to the audit of federal and state programs, as required to be reported by Circular A-133 Section .510 (a) and Rule 10.554(1)(J) 4, Rules of the Auditor General of the State of Florida.

No reportable conditions, material weaknesses, and instances of noncompliance, including known fraud and questioned costs, related to the audit of federal and state projects were identified.

Part IV – Summary Schedule of Prior Audit Findings

01-2: Capital Improvement Plan*

The City continues to experience growth which may require significant improvements to the City's existing infrastructure. It was recommended in the September 30, 2000 and 2001 audit reports that the City develop a formal capital improvement plan.

During the current audit, we noted that the City had developed and adopted a formal capital improvement and funding plan to meet the anticipated future infrastructure requirements of the City.

* Indicates finding was reported in prior

MANAGEMENT LETTER – LOCAL GOVERNMENTAL ENTITIES

Honorable Mayor, City Commissioners
and City Manager
City of Alachua, Florida

We have audited the financial statements of the City of Alachua, Florida, as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated April 3, 2003. In our report, our opinion was qualified because we were unable to obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types were fairly presented at cost or estimated historical cost, due to insufficient detail within the City's property records.

Except as discussed above, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 3, 2003, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g) 1.a.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. All inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report have been corrected, except for those reported below under the heading *Prior Year Findings and Recommendations*.

The Rules of the Auditor General (Section 10.554(1)(g) 1.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been corrected, except for those reported below under the heading *Prior Year Findings and Recommendations*.

As required by the Rules of the Auditor General (Section 10.554(1)(g) (2.)), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Alachua, Florida complied with Section 218.415, Florida Statutes.

The Rules of Auditor General (Section 10.554(1)(g) (4.)) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed matters required to be disclosed in the section under *Prior Year Findings and Recommendations*.

The Rules of the Auditor General (Section 10.554(1)(g) (5.)) also require that the name of official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was established in 1908 under the legal authority of Chapter 165, Florida Statutes. There are no component units related to the City of Alachua, Florida.

As required by the Rules of the Auditor General (Section 10.554(1)(g) 6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the City of Alachua, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(g) 6.b.), we determined that the annual financial report for the City of Alachua for the fiscal year ended September 30, 2002, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

As required by the Rules of the Auditor General (Sections 10.554(g)(6) c. and 10.556), we applied financial condition assessment procedures as of the fiscal year end. It is management's responsibility to monitor the entity'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. No findings were noted in this regard.

This management letter is intended solely for the information of the Mayor, City Commissioners, City Manager, management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

CPA Association

Bradenton, Florida
April 3, 2003

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

01-3 Budgets

Due to an incomplete budget amendment, the City's September 30, 2001 financial statements reflected a \$843,172 deficit budgeted fund balance in the debt service fund. An additional budget amendment should have been made to transfer approximately \$1.1 million from the Project Gold capital project fund to the debt service fund. It was recommended that the City more closely monitor budget to actual variations to ensure an absence of budget deficits in the future.

During the current audit, we noted no problems of this nature.

01-4 Wastewater Overdraft

The City's wastewater fund has typically operated at an annual loss and had accumulated a net overdraft position in its unrestricted cash of \$1,232,696 and \$318,387 at September 30, 2001 and 2000, respectively. The City maintains operating cash for all funds in a pooled cash account, so the overdraft position represents amounts due other funds of the City, not amounts due to the bank. In prior audits, it was recommended that this interfund liability be eliminated through Commission action by authorizing one-time and annual transfers from other funds to support these losses. The alternative would have been to raise wastewater rates so that the fund is self-supporting.

During the current audit, it was noted that the status is still the same. We continue to make the recommendation noted above.

01-5 Out of Balance Funds

During the prior audit, there were a number of funds that were out of balance. In a double entry accounting system, funds should never be out of balance. This was brought to the attention of management after year end and steps were being taken to correct this problem.

During the current audit, we identified three funds that were out of balance. We continue to recommend that management take steps to identify and correct the problem.

01-6 Pooled Cash Reconciliation

During the prior audit, it was noted that the City's pooled cash and investment fund reconciliation was not being accurately or timely prepared by management. During the current audit, we noted the same problems. Management should analyze the procedures for summarizing and recording the pooled cash transactions to correct the conditions that are causing reconciliation problems. Accurate and timely reconciliations should be prepared, and retained, on a monthly basis.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

02-1 Cash Management/Investment Policies

The City does not have formal cash management and investment policies. We noted that the City has several non-interest bearing bank accounts with large balances. The City should adopt a formal comprehensive policy for managing cash and investments. Funds in excess of current needs should be temporarily invested in either a State Pool or a short-term investment account. The City needs to minimize idle cash and increase interest income. Adequate control needs to be maintained over cash inflows and outflows. The following items should be considered when creating a cash management policy: (a) cash required for normal operations is maintained at the lowest level possible (b) hold a diverse portfolio and take advantage of federal and/or state depository insurance options (c) any collateral available should be obtained in the form of securities and (d) the underlying securities are held by the City itself. The City should become familiar with the state statutes in relation to limitations on investing activities in conjunction with creating formal procedures.

02-2 Debt

The City has several debt accounts within the general long-term debt account group and the enterprise funds. These debt issues present numerous accounting issues that are not being accounted for properly (Finding 01-1). The City should consider engaging a financial advisor to review all current debt issues and determine if any economies of scale or monetary savings are available through consolidation or other actions.

02-3 Segregation of Duties

During our audit, we noted several areas where there is a lack of segregation of duties among accounting staff. Currently one employee is performing all payroll functions, accounts payable, and cash disbursement functions. The City needs to evaluate the control environment and separate duties accordingly. With the addition of planned personnel hirings, the City should be able to overcome this problem. The City should review all control systems and establish new duties for payroll and payable/disbursement functions.