

**OCALA DOWNTOWN DEVELOPMENT DISTRICT
CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

This supplement to the Independent Auditors' Report and Special Purpose Financial Statements has been developed in accordance with the Government Accounting Standards Board (GASB) Statement No. 34. It is intended to provide the readers of this report with a general overview of the financial activities of the Ocala Downtown Development District (the District). The District provides the following discussion and analysis of the District's financial activities for the fiscal year ended September 30, 2011. Management's Discussion and Analysis is designed to (a) assist the reader to focus on significant financial issues, (b) provide an overview of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

THE DOWNTOWN DEVELOPMENT DISTRICT

The Ocala Downtown Development District was created under the laws of Florida, Chapter 67-1782, and Ordinance No. 266 of the City of Ocala. The Governing Board of the District (the Board) is appointed by the Ocala City Council and, therefore, the City exercises significant influence over its operations and fiscal management. The District is considered a component unit for financial reporting purposes and is included as a blended special revenue fund within the City of Ocala's overall basic financial statements. The District has been determined by the State of Florida to be an Independent District pursuant to the provisions of Florida Statutes Section 200.001(8)(e) because it was established before the effective date of the 1968 Constitution and levy's taxes.

These special purpose financial statements are presented for the purpose of complying with state law, specifically Florida Statute Section 218.39(h) which requires separate audited financial statements for Independent Special Districts that have revenues and expenditures between \$50,000 and \$100,000 and have not had a financial audit during the preceding two years.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$249,043.
- The District's fund balance increased by \$12,576 as a result of 2011 operations.
- Revenues for fiscal year 2011 were \$95,414 while expenditures totaled \$72,838. In lieu of operating payments, transfers to the City's General Fund totaled \$10,000.
- For the period ending September 30, 2011, actual revenues exceeded budgeted revenues by \$26,165 while actual expenditures were \$80,804 less than budgeted expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental Funds. *Governmental funds* are typically used to account for tax-supported (governmental) activities. 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 the District's financial strength. The Districts expendable financial resources and the related liabilities are accounted for through a special revenue fund.

Special Revenue Funds. *Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Restricted Fund Balance. *Fund Balance* should be reported as Restricted when constraints placed on the use of resources such as enabling legislative, which authorizes the government to access, levy, charge, or otherwise mandate payment of resources. All of the District's fund balance is considered Restricted.

The District requires an audit every three years. During the period from fiscal year 2009 through fiscal year 2011, fund balance has increase from \$156,637 to 4249,043, an increase of approximately 59%.

DOWNTOWN DEVELOPMENT DISTRICT

	<u>2008</u>	<u>2011</u>
Revenues		
Property taxes	\$ 66,770	\$ 63,924
Investment income	-	3,396
Miscellaneous	-	28,094
Total revenues	<u>66,770</u>	<u>95,414</u>
Expenditures		
Current:		
General government	13,168	72,838
Total expenditures	<u>13,168</u>	<u>72,838</u>
Excess of revenues over expenditures	<u>53,602</u>	<u>22,576</u>
Other financing sources (uses)		
Transfers out	<u>(13,000)</u>	<u>(10,000)</u>
Net change In fund balances	40,602	12,576
Fund balances - beginning	116,035	236,467
Fund balances - ending	<u>\$ 156,637</u>	<u>\$ 249,043</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the end of the current fiscal year, the District's reported and ending fund balance of \$249,043, an increase of \$12,576 in comparison with the prior year. Other key financial elements include the following:

- Property taxes totaling \$63,924 represented approximately 67% of all revenues.
- Revenues from miscellaneous sources totaled \$28,094, representing 29% of total revenues.
- The District's fund balance of \$249,043 is restricted for specific purposes and can only be expended in the Downtown Development District.
- The Ocala City Council determines and adopts the millage rate for the District and the property tax revenue is used specifically for promotion and enhancement of the downtown area. For fiscal year 2011, the millage rates have been set at the rolled-back rates listed below.

FISCAL YEAR 2011 MILLAGE RATES

District A	1.5647
District B	1.5508
District C	1.1347

An annual budget is prepared for the District. The budget amounts presented below are the originally adopted and the legally amended final budget for the year ending September 30, 2011. During 2011, 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 the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles.

DOWNTOWN DEVELOPMENT DISTRICT

	<u>Original Budget</u>	<u>Final Budget</u>
Revenues		
Property taxes	\$ 64,249	\$ 64,249
Investment income	5,000	5,000
Miscellaneous	-	-
Total revenues	<u>69,249</u>	<u>69,249</u>
Expenditures		
Current:		
General government	24,460	108,835
Capital outlay	34,789	44,807
Total expenditures	<u>59,249</u>	<u>153,642</u>
Excess of revenues over expenditures	<u>10,000</u>	<u>(84,393)</u>
Other financing (uses)		
Transfers out	(10,000)	(10,000)
Total other financing (uses)	<u>(10,000)</u>	<u>(10,000)</u>
Net change in fund balance	-	(94,393)
Fund balance - beginning	<u>236,467</u>	<u>236,467</u>
Fund balance - ending	<u>\$ 236,467</u>	<u>\$ 142,074</u>

CAPIAL ASSETS AND DEBT ADMINISTRATION

The District's capital assets, net of depreciation, totaled \$43,712. Capital assets include Land and Buildings and Improvements.

The District had no major capital asset additions in fiscal year 2011.

At September 30, 2011, the District had no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2012 budget has been prepared as the District continues on its prescribed path of embracing change, reform and a culture of discipline intended to achieve new elevations and heights in organizational effectiveness and fiscal reform.
- The fiscal year 2012 budget is balanced with no tax increases.
- The District's \$43.5 million property value for fiscal year 2012 reflects a decrease of 5.7% from fiscal year 2011. This is considerable less than the 15.4% decrease from the prior fiscal year, and is consistent with property reductions in the current economy. In fiscal year 2012, the total ad valorem revenue anticipated for these three districts is \$62,588 based on the following rolled-back millage rates.

DOWNTOWN DEVELOPMENT DISTRICT MILLAGE RATES

	<u>2011</u>	<u>2012</u>	<u>% Change</u>
District A	1.5647	1.5862	1.37%
District B	1.5508	1.6191	4.40%
District C	1.1347	1.1772	3.75%

REQUEST FOR INFORMATION

This financial information is designed to present users with a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Office of Budget and Finance, Ocala City Hall, 151 SE Osceola Avenue, Ocala, Florida 34471.