MARION COUNTY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
September 30, 2005

Prepared by:
Finance Department
Office of the Clerk of
the Circuit Court
One of EMSA’s Paramedic crews provides Advanced Life Support (ALS) care for a car accident patient during transfer to the medevac helicopter crew from the Life-Net Air Ambulance Service prior to a rapid flight to the Level One Trauma Center at Shands Hospital - UF.
INTRODUCTORY SECTION

This section contains the following subsections:

- COUNTY OFFICIALS
- TABLE OF CONTENTS
- LETTER OF TRANSMITTAL
- ORGANIZATION CHART
- CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
MARION COUNTY, FLORIDA
COUNTY OFFICIALS

BOARD OF COUNTY COMMISSIONERS

Andy Kesselring.................................................. Chairman – District 1
Jim Payton.......................................................... Vice-Chairman – District 2
Randy Harris .......................................................... Commissioner – District 4
Charlie Stone.......................................................... Commissioner – District 5
Stan McClain.......................................................... Commissioner – District 3

ELECTED COUNTY OFFICERS

David R. Ellspermann ........................................ Clerk of the Circuit Court
Villie M. Smith .................................................. Property Appraiser
Ed Dean.............................................................................. Sheriff
Dee Brown .......................................................... Supervisor of Elections
George Albright .............................................................. Tax Collector
MARION COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2005

TABLE OF CONTENTS

INTRODUCTORY SECTION

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Officials</td>
<td>ii</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>iii</td>
</tr>
<tr>
<td>Letter of Transmittal</td>
<td>vii</td>
</tr>
<tr>
<td>Organization Chart</td>
<td>xiii</td>
</tr>
<tr>
<td>Certificate of Achievement for Excellence in Financial Reporting</td>
<td>xiv</td>
</tr>
</tbody>
</table>

FINANCIAL SECTION

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>2</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>4</td>
</tr>
<tr>
<td>Basic Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Government-wide Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Statement of Net Assets</td>
<td>15</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>16</td>
</tr>
<tr>
<td>Fund Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Balance Sheet – Governmental Funds</td>
<td>18</td>
</tr>
<tr>
<td>Reconciliation of the Balance Sheet of Governmental Funds</td>
<td></td>
</tr>
<tr>
<td>to the Statement of Net Assets</td>
<td>21</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balances</td>
<td>22</td>
</tr>
<tr>
<td>Governmental Funds</td>
<td></td>
</tr>
<tr>
<td>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities</td>
<td>24</td>
</tr>
<tr>
<td>Statement of Net Assets – Proprietary Funds</td>
<td>26</td>
</tr>
<tr>
<td>Statement of Revenues, Expenses, and Changes in Fund Net Assets</td>
<td>29</td>
</tr>
<tr>
<td>Proprietary Funds</td>
<td></td>
</tr>
<tr>
<td>Statement of Cash Flows – Proprietary Funds</td>
<td>30</td>
</tr>
<tr>
<td>Statement of Fiduciary Net Assets – Agency Funds</td>
<td>33</td>
</tr>
<tr>
<td>Statement of Net Assets – Component Units</td>
<td>34</td>
</tr>
<tr>
<td>Component Units</td>
<td></td>
</tr>
<tr>
<td>Statement of Activities – Component Units</td>
<td>35</td>
</tr>
<tr>
<td>Major Fund Budgetary Comparisons:</td>
<td></td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balance</td>
<td></td>
</tr>
<tr>
<td>Budget and Actual - General Fund</td>
<td>36</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balance</td>
<td></td>
</tr>
<tr>
<td>Budget and Actual - MSTU For Law Enforcement</td>
<td>37</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balance</td>
<td></td>
</tr>
<tr>
<td>Budget and Actual - Sheriff</td>
<td>38</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>39</td>
</tr>
</tbody>
</table>
Other Supplemental Information:

Budgetary Comparison Schedule:

Major Surtax Capital Projects Fund ........................................................................ 67

Non-Major Governmental Funds:

Combining Balance Sheet – All Nonmajor Governmental Funds ....................... 77
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – All Nonmajor Governmental Funds ........................................ 78
Combining Balance Sheet - Special Revenue Funds .............................................. 79

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Special Revenue Funds ............................................................. 85

Budgetary Comparison Schedules - Special Revenue Funds:

Fines and Forfeitures ......................................................................................... 91
80% Gas Tax Construction .................................................................................. 92
20% Gas Tax Construction .................................................................................. 93
Transportation Fund ............................................................................................ 94
Dunnellon Airport Authority ............................................................................... 95
Marion County Health Department ..................................................................... 96
Criminal Justice Court Costs ............................................................................. 97
Law Enforcement Trust ....................................................................................... 98
Sheriff’s Educational ........................................................................................... 99
911 Emergency Telephone System ....................................................................... 100
Building Department ........................................................................................... 101
Tourist Development Fund .................................................................................. 102
Local Housing Assistance Trust ........................................................................... 103
Impact Fee Ordinance Trust – Districts 1-4 ......................................................... 104
Rainbow Lakes Estates MSD .............................................................................. 105
Rainbow Lakes Estates Fire Protection ................................................................. 106
Marion Oaks MSTU .............................................................................................. 107
Road Improvement Special Assessments – All Funds .......................................... 108
Silver Springs Shores MSTU ................................................................................. 109
Recreational Special Assessments – All Funds ..................................................... 110
Street Lighting Special Assessments – All Funds ................................................ 111
MSBU for Fire and Rescue .................................................................................... 112
Fire Rescue Impact Fees ...................................................................................... 113
Emergency Medical Services Fund .................................................................... 114
Clean Water Program ............................................................................................ 115
General Services Special Assessments – All Funds ............................................. 116
Clerk of the Circuit Court ..................................................................................... 117
Property Appraiser ................................................................................................. 118
Supervisor of Elections ......................................................................................... 119
Tax Collector ........................................................................................................... 120
Combining Balance Sheet – Debt Service Funds ................................................... 121
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Debt Service Funds .................................................................. 125

Budgetary Comparison Schedules – Debt Service Funds:

Public Improvement Debt Service ...................................................................... 129
Parks and Land Acquisition Debt Service ........................................................... 130
Special Assessment Bonds, Series 1997A ............................................................ 131
Special Assessment Bonds, Series 1997B ............................................................ 132
Special Assessment Bonds, Series 1998A................................. 133
Special Assessment Bonds, Series 1998B................................. 134
Special Assessment Bonds, Series 1999A................................. 135
Special Assessment Bonds, Series 2000A................................. 136
Special Assessment Bonds, Series 2001A................................. 137
Special Assessment Bonds, Series 2003A................................. 138
Special Assessment Bonds, Series 2003B................................. 139
Special Assessment Bonds, Series 2004A................................. 140
Special Assessment Bonds, Series 2004B................................. 141
Special Assessment Bonds, Series 2004C................................. 142
Combining Balance Sheet – Capital Projects Funds ....................... 143
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Capital Projects Funds .......................................................... 145
Budgetary Comparison Schedules – Capital Projects Funds:
  Parks Capital Projects ................................................................. 147
  CIP Capital Projects ................................................................. 148
  Special Assessment Bonds, Series 2003A................................. 149
  Special Assessment Bonds, Series 2003B................................. 150
  Special Assessment Bonds, Series 2004A................................. 151
  Special Assessment Bonds, Series 2004B................................. 152
  Special Assessment Bonds, Series 2004C................................. 153
  Special Assessment Bonds, Series 2005A................................. 154
Fiduciary Funds – Agency Funds:
  Combining Statement of Fiduciary Net Assets – Agency Funds............. 156
  Statement of Changes in Assets and Liabilities – Agency Funds ................. 157

STATISTICAL SECTION

Table I  Government-wide Expenses by Function ........................................ 161
Table II  Government-wide Revenues .................................................................. 163
Table III General Governmental Expenditures – Last Ten Fiscal Years.............. 165
Table IV General Governmental Revenues – Last Ten Fiscal Years..................... 167
Table V Property Tax Levies and Collections – Last Ten Fiscal Years............... 169
Table VI Assessed and Estimated Actual Value of Taxable Property –
  Last Ten Fiscal Years........................................................................ 171
Table VII Property Tax Rates – Direct and Overlapping Governments –
  Last Ten Fiscal Years........................................................................ 173
Table VIII Principal Taxpayers – Ad Valorem Taxes –
  For the Year Ended September 30, 2004 .................................................. 177
Table IX Special Assessments Collections – Last Ten Fiscal Years ................. 179
Table X Computation of Legal Debt Margin.................................................... 181
Table XI Ratio of Net General Bonded Debt to Net Assessed Value
  And Net Bonded Debt Per Capita – Limited Tax General
  Obligation Bonds – Last Ten Fiscal Years............................................. 183
Table XII Ratio of Annual Debt Service Expenditures for
  General Bonded Debt to Total General Governmental
  Expenditures – Last Ten Fiscal Years.................................................... 185
Table XIII Computation of Direct and Overlapping Debt ................................ 186
Table XIV Revenue Bond Coverage – Last Ten Fiscal Years:
  A  Public Improvement Revenue Bonds................................................. 187
  B  Utilities System Revenue Bonds....................................................... 189
COMPLIANCE SECTION

Independent Auditors’ Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Governmental Auditing Standards .......................................................... 197

Independent Auditors’ Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program and State Financial Assistance Project ................................................................. 199

Schedule of Expenditures of Federal Awards and State Financial Assistance ............. 201

Schedule of Findings and Questioned Costs ............................................................... 205

Management Letter .................................................................................................... 207

SUPPORTING FINANCIAL STATEMENTS

Special-Purpose Fund Financial Statements and Required Supplementary Information ............................................................................................................. 210

Marion County Clerk of the Circuit Court
Marion County Property Appraiser
Marion County Sheriff
Marion County Supervisor of Elections
Marion County Tax Collector
To the Honorable Members of the
Board of County Commissioners and
Citizens of Marion County

Florida Statutes require that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report of the County of Marion, Florida (County) for the fiscal year ended September 30, 2005.

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

The County’s financial statements have been audited by an independent firm of certified public accountants, Purvis Gray & Company. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial
statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County’s financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The report of independent accountants is presented as the first component of the financial section of this report.

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

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

Profile of the County of Marion, Florida

Marion County was created by the Florida Legislature on March 14, 1844 from land formerly part of Alachua, Hillsborough and Orange Counties. The County is located in North Central Florida, encompassing more than 1,652 square miles making it one of Florida’s larger Counties. The eastern quarter of the County contains the Ocala National Forest which is one of the most visited national forests in America. The forest, along with its lakes and rivers, provide recreational opportunities for thousands of visitors each year.

Marion County is a political subdivision of the State of Florida. As such, it is governed by and derives its operating authority from the constitution and laws of the State of Florida. The County operates under a commission/administrator form of government, with a governing board consisting of five county commissioners, elected at-large to staggered four-year terms. Each commission member must meet district residency requirements. In addition to the Board of County Commissioners (BCC), there are five elected constitutional officers performing specifically designated governmental functions: The Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax
Collector. The BCC exercises a varying degree of budgetary control, but not administrative control, over the activities of the constitutional officers. During fiscal year 2004-2005, the Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector each operated their respective offices as budget officers with funding provided by the BCC in the form of operating subsidies. In return, each budget officer is responsible for the collection of revenues within their jurisdictional area, and for the subsequent remittance of such collections to the BCC. The Clerk of the Circuit Court operates a portion of his office as a budget officer, with the remainder being operated as a fee officer. Fee officers are authorized to retain revenues generated within their offices for the purpose of defraying the costs of operation. As Clerk to the BCC, the duties of the Clerk of the Circuit Court, as set forth in the Florida Constitution, include those of county auditor, accountant and custodian of county funds.

The financial reporting entity (the County) includes all the funds and account groups of the primary government (Marion County Board of County Commissioners) as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The County provides a full range of services including jails, police and fire protection, solid waste disposal, sewer and water services, the construction and maintenance of highways, streets and infrastructure, recreational activities, planning and zoning services, and economic development programs.

Blended component units, although legally separate entities, are in substance part of the primary government operation, and are included as part of the primary government. Accordingly, the Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector are included as blended component units of the County.

**Factors Affecting Financial Condition**

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

**Local Economy**

Fiscal year 2004-2005 proved to be another banner year for Marion County’s economy. While other parts of the country were suffering some of the worst weather damage in history, relatively mild weather allowed Marion County’s housing and commercial activity to continue without interruption. Countywide residential building permits exceeded 6,500. The industrial sector also enjoyed landmark growth with 12 companies expanding or relocating to the County.
These companies will bring an additional tax base of almost $70,000,000 worth of assets and will create a thousand new jobs with annual payrolls of almost $32,000,000.

Retail trade for 2003 (latest available) exceeded $7 billion and showed a 6.2% increase from the previous year. Excellence in healthcare has become a way of life as the County’s major hospitals continue to be ranked among the best in the country.

The area’s workforce continues to grow. The County’s workforce stands at 121,636 as of December 2005. This was a 4 percent increase over the same period the previous year. Unemployment for Marion County ranks well below the national and state averages. As of the end of 2005, the County’s unemployment rate was at 2.9 percent versus the State’s average of 3.4 percent.

**Long-Term Financial Planning**

The BCC have identified improvements to be made as part of their Capital Improvement Program (CIP) for fiscal years 2004-2005 through 2008-2009. The CIP includes General Capital Improvements in the amount of $75,768,633 of which $50,680,000 is to be funded from the proceeds of a One Percent Local Option Sales Tax levied through public referendum and in effect for the calendar years 2003 and 2004.

Planned General Capital Improvements include expanded and renovated office space for various County Commission departments and court related services, integrated phone system, jail renovation/expansion, Animal Center expansion, improvements to the Southeastern Livestock Pavilion and library expansion/improvements.

During fiscal year 2003-2004, the BCC adopted a Transportation Improvement Program (TIP) which identified specific improvements to be made to the County’s road system for fiscal years 2004-2005 through 2008-2009. The total projected cost of transportation improvements identified in the TIP is $112,460,000.

**Cash Management Policies and Practices**

Cash Management is exercised independently by each constitutional officer. The Clerk of the Circuit Court invests and disburses funds on behalf of the BCC as required by law and applicable management directives. Operating funds temporarily idle during the year were invested in interest bearing checking account with SunTrust Bank and/or in short to medium term investments through individual issuers. All Federal Agencies, Discount Notes, and Commercial Paper purchased during the 2004-2005 fiscal year were held in Marion County’s name.
in a trust account established by the County’s custodial bank, SunTrust Bank, Inc., Corporate Trust Division. Funds deposited in local banks were secured by a pledge of approved collateral securities by the participating institutions with the State Treasurer’s office.

**Risk Management**

Risk Management is the process of managing the County’s activities in order to minimize the potential adverse effects of certain types of losses. The main elements of the risk management program are risk control (loss reduction) and risk financing (restoration of the economic damages of losses incurred). In this regard, during fiscal year 1987-88, pursuant to the provisions of an interlocal agreement entered into with the City of Ocala, the joint City and County Risk Management Department was created to review and identify areas of risk, loss, and insurance coverage for each participant. This department is responsible for the establishment and implementation of a safety plan, which incorporates loss prevention and reduction standards. The department establishes standard insurance and indemnification provisions for contracts, leases, and other special use agreements entered into by the participating governments. In connection with the agreement, no joint or shared risk pools are contemplated, nor have any been created at the present time.

Presently, the County’s risk management program calls for self-insuring many types of risk, subject to the following limitations:

<table>
<thead>
<tr>
<th>Type of Risk</th>
<th>Amount of Risk Retained by County</th>
<th>Limit of Excess Insurance Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers Compensation</td>
<td>$750,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>General Liability(1)</td>
<td>$100,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Automobile Liability</td>
<td>$100,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Property</td>
<td>$100,000</td>
<td>Replacement Value</td>
</tr>
</tbody>
</table>

(1)Does not include coverage obtained by the Marion County Sheriff.

The limits stated above are on a per occurrence basis.

**Pension Plan**

Marion County provides pension benefits for all employees through a statewide plan managed by the Florida Department of Management Services, Division of Retirement. The County has no obligation in connection with employee benefits offered through this plan beyond its monthly payments to the Division of Retirement.
Awards and Acknowledgements


In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Marion County has received a Certificate of Achievement for the last twenty consecutive years (fiscal years ended 1985-2004). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

A comprehensive annual financial report of this nature could not have been prepared without the efficient and dedicated service of all staff members involved. We would like to express our appreciation to the staff of the Clerk of the Circuit Court Finance and Budget Departments for their efforts in producing this report, and to Purvis Gray & Company; Crippen, Trice & Hornby, L.L.P.; Dan O'Keefe; and Design Marketing Group, Inc. for their contributions to the design, preparation, and publication of this document. Finally, our thanks for the interest and support of the Board of County Commissioners in planning and conducting the fiscal operations of Marion County.

Respectfully submitted,

David R. Ellspermann  John W. Garri, CPA
Clerk of the Circuit Court  Finance Director
Certificate of Achievement for Excellence in Financial Reporting

Presented to

Marion County,
Florida

For its Comprehensive Annual Financial Report
for the Fiscal Year Ended
September 30, 2004

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.

[Signatures]

President

Executive Director