

SPECIAL-PURPOSE FINANCIAL  
STATEMENTS, REQUIRED SUPPLEMENTARY  
INFORMATION, OTHER FINANCIAL  
INFORMATION, AND OTHER REPORTS

Hillsborough County, Florida  
Tax Collector  
Year Ended September 30, 2009

Hillsborough County, Florida  
Tax Collector

Special-Purpose Financial Statements,  
Required Supplementary Information,  
Other Financial Information, and Other Reports

Year Ended September 30, 2009

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## Report of Independent Certified Public Accountants

The Honorable Doug Belden  
Tax Collector  
Hillsborough County, Florida

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of Hillsborough County, Florida Tax Collector (the Tax Collector), as listed in the table of contents, as of and for the year ended September 30, 2009. These special-purpose financial statements are the responsibility of the management of the Tax Collector. Our responsibility is to express opinions on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. We were not engaged to perform an audit of the Tax Collector's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.577(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of the Tax Collector's financial position and its changes in financial position, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States. Additionally, the special-purpose statements present only the Tax Collector and do not purport to, and do not, present fairly the financial position of Hillsborough County, Florida, as of September 30, 2009, and the changes in its financial position, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hillsborough County, Florida Tax Collector as of September 30, 2009, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules on page 21 are not a required part of the special-purpose financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 special-purpose financial statements. The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Tax Collector, Hillsborough County, Florida; management; the Board of County Commissioners, Hillsborough County, Florida; and the Auditor General, State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ernst + Young LLP*

December 9, 2009

Hillsborough County, Florida  
Tax Collector

Special-Purpose Balance Sheet – General Fund

September 30, 2009

**Assets**

Cash and cash equivalents	\$ 31,347,148
Investments	51,662
Accounts receivable	1,253
Prepaid expenditures	1,068
Due from Board of County Commissioners	287,320
Due from other governmental agencies	35,281
Total assets	<u>\$ 31,723,732</u>

**Liabilities and fund balance**

Liabilities:

Accounts payable	\$ 246,697
Wages and benefits payable	447,478
Deferred revenue	421,400
Due to Board of County Commissioners	28,606,893
Due to other governmental agencies	<u>2,001,264</u>
Total liabilities	31,723,732

Fund balance	—
Total liabilities and fund balance	<u>\$ 31,723,732</u>

*See accompanying notes.*

Hillsborough County, Florida  
Tax Collector

Special-Purpose Statement of Revenues, Expenditures, and  
Changes in Fund Balance – General Fund

Year Ended September 30, 2009

Revenues:

Charges for services:	
Board of County Commissioners	\$ 27,831,356
Other governmental agencies	4,684,401
Taxpayers	12,070,180
Interest earnings	104,021
Miscellaneous	177,639
Total revenues	<u>44,867,597</u>

Expenditures:

General government:	
Personal services	17,938,381
Operating expenditures	5,183,686
Capital outlay	403,835
Distribution of excess revenues to other governmental agencies	<u>2,001,107</u>
Total expenditures	<u>25,527,009</u>

Excess of revenues over expenditures 19,340,588

Other financing uses:

Distribution of excess revenues to the Board of County Commissioners	<u>(19,340,588)</u>
Total other financing uses	<u>(19,340,588)</u>

Net change in fund balance –

Fund balance, beginning of year –

Fund balance, end of year \$ –

*See accompanying notes.*

Hillsborough County, Florida  
Tax Collector

Special-Purpose Balance Sheet –  
Agency Funds

September 30, 2009

**Assets**

Cash and cash equivalents	\$ 14,748,950
Investments	615
Accounts receivable	86,085
Due from other governmental agencies	763
Total assets	<u>\$ 14,836,413</u>

**Liabilities**

Accounts payable	\$ 2,790,692
Deposits	168,436
Due to other governmental agencies	11,877,285
Total liabilities	<u>\$ 14,836,413</u>

*See accompanying notes.*

# Special-Purpose Financial Statements

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements

September 30, 2009

**1. Summary of Significant Accounting Policies**

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying special-purpose financial statements.

**Reporting Entity**

The Hillsborough County, Florida Tax Collector (the Tax Collector) is a separate constitutional officer as provided by Article VIII, Section 1, of the Constitution of the State of Florida, and the Home Rule Chapter adopted by the people of Hillsborough County, Florida (the County). For financial reporting purposes, the Tax Collector is deemed to be a part of the primary government of the County and, therefore, is included as such in the Hillsborough County, Florida Comprehensive Annual Financial Report.

**Basis of Presentation**

These special-purpose financial statements presented include the general fund and agency funds of the Tax Collector's office. The accompanying special-purpose financial statements were prepared for purposes of complying with Section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Governmental Entity Audits*.

Chapter 10.556(5), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the County Tax Collector to present only fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Tax Collector as of September 30, 2009, and the changes in its financial position for the year then ended in conformity with Governmental Accounting Standards Boards (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles accepted in the United States.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

The Tax Collector utilizes the following fund types:

- *The General Fund*, a major governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Tax Collector that are not required either legally or by accounting principles generally accepted in the United States to be accounted for in another fund.
- *The Agency Funds*, fiduciary funds, are custodial in nature and do not involve measurement of results of operations (assets equal liabilities). The Agency Funds are used (1) to account for collection of motor vehicle registration receipts and the subsequent remittance of those receipts to the state of Florida and (2) to account for the collection and distribution of local property tax monies and funds generated from the sale of miscellaneous licenses from the state of Florida.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special-purpose financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed by the General Fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid.

Charges for services on the collection of property taxes are recognized as revenue in the fiscal year for which taxes are levied, provided they are collected within 30 days after the end of the fiscal year. Certain other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Investment revenues are recorded as earned.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Property Tax Collections**

Chapter 197, *Florida Statutes*, governs property tax collections.

- *Current Taxes* – All property taxes become due and payable on November 1 and are delinquent on April 1 of the following year. Discounts of 4%, 3%, 2%, and 1% are allowed for early payment in November through February, respectively.
- *Unpaid Taxes – Sale of Tax Certificates* – The Tax Collector advertises, as required by *Florida Statutes*, then sells tax certificates on all real property for unpaid taxes. Certificates not purchased are issued to the County. Any person owning real property upon which a tax certificate has been sold may redeem the real property by paying the Tax Collector the face amount of the tax certificate plus interest and other costs.
- *Tax Deeds* – The owner of a tax certificate may, after two years when the taxes have been delinquent (after April 1), file an application for tax deed sale. The County, as a certificate owner, is required to exercise similar procedures two years after taxes have been due (November 1). Tax deeds are issued to the highest bidder for the property, which is sold at public auction. The Clerk of the Circuit Court of the County administers these sales.

**Cash, Cash Equivalents, and Investments**

Cash consists of checking and savings accounts, collectively designated as cash deposits. Cash deposits are carried at cost.

The Tax Collector deposits cash in qualified public depositories. The deposits are fully insured by the Federal Deposit Insurance Corporation and/or secured by the multiple financial institution collateral pool established under Chapter 280, *Florida Statutes*. In accordance with these statutes, qualified public depositories are required to pledge eligible collateral in varying percentages. Any losses to public depositors are covered by applicable deposit insurance, by the sale of pledged securities and, if necessary, by assessments against other qualified public depositories.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

*Florida Statutes*, Section 218.415, authorizes the Tax Collector to invest in obligations of the U.S. government, its agencies and instrumentalities, and certain other investments. Investments are stated at fair value.

**Compensated Absences**

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Tax Collector determines the liability for compensated absences, as well as certain other salary-related costs associated with the payment of compensated absences that are recorded and reported by the County in its basic financial statements. Vacation leave is accrued as a liability as the benefits are earned by the employees. Sick leave is accrued as a liability as the benefits are earned by the employees, but only to the extent that it is probable that the Tax Collector will compensate the employees for the benefits through cash payments at termination or retirement.

The Tax Collector's sick time payable liability at September 30, 2009, consisted of two parts. Hillsborough County Civil Service Rules state that sick leave termination payments are to be made under two conditions. Compensation for employees in "Plan A" includes a sick leave payment at termination for all hours of sick time accrued up to 480 hours and half of the sick time accrued over 960 hours. A liability is recorded for each employee in Plan A based on the employee's hourly pay rate. Compensation for employees in "Plan B" includes a sick leave payment at termination for the employee's unused sick leave hours from February 2, 1997, with payment only for each hour of sick time accrued up to 480 hours and half of the sick time accrued over 960 hours. A liability is recorded for each employee who has a termination payment under Plan B. Employees in Plan B hired after February 2, 1997, will not receive a sick leave payment at termination, so no sick leave liability is recorded for these employees.

The compensated absences liability also includes other salary-related costs incrementally associated with the payment of compensated absences such as the Tax Collector's share of Social Security and Medicare taxes, as well as the Tax Collector's required pension contributions to the Florida Retirement System.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Refund of “Excess Fees”**

*Florida Statutes* provide that the excess of the Tax Collector’s fee revenue over expenditures is to be distributed to each governmental agency in the same proportion as the fees paid by the governmental agency bear to total fee income received by the Tax Collector. The amount of undistributed excess fees at the end of the fiscal year is reported as amounts due to the Board of County Commissioners and other taxing districts, and the transfer and distribution of total excess fees are reported as either an other financing use or expenditure.

**Pension and Other Postemployment Benefits (OPEB) Disclosures**

The Tax Collector accounts for its postemployment benefits other than pensions in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Based upon estimates the Tax Collector’s annual required contribution (ARC), which is the portion of the total actuarial accrued liability allocated to the current fiscal year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded actuarial accrued liability (past benefits earned, but not previously funded). The Tax Collector’s ARC requiring disclosure for fiscal year 2009 is \$87,107. The “net OPEB obligation” is the net amount for which the Tax Collector would be obligated and is equivalent to the ARC less retiree claims and stipends to be paid by the Tax Collector. The Tax Collector’s net OPEB obligation at September 30, 2009, is \$35,753. The Tax Collector contribution of \$129,884 has been charged as operating expenditures and set aside in the County’s Self-Insurance Internal Service Fund during the fiscal year ended September 30, 2009. The contributions have been offset by retiree contributions totaling \$149,427. See Note 7, *Other Postemployment Benefits (OPEB)*, for more information on the Tax Collector’s OPEB plan.

**2. Cash, Cash Equivalents, and Investments**

At September 30, 2009, cash and cash equivalents included \$35,175,404 for cash on hand and cash deposited in banks and \$10,920,694 for investments in the Florida PRIME pool (SBA Pool), formerly State Board of Administration (SBA) Local Government Investment Pool. Bank balances at September 30, 2009, were \$32,578,095. Bank balances are fully insured in accordance with Section 280, *Florida Statutes*, which establishes the multiple financial institution collateral pool.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**2. Cash, Cash Equivalents, and Investments (continued)**

The SBA manages the SBA Pool, a 2a-7-like pool, carried at amortized cost. A 2a-7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, the SBA Pool operates essentially as a money market fund. The fair value of the Tax Collector's position in the pool is the same as the value of pool shares.

Regulatory oversight of the SBA is provided by three trustees-elected officials who are accountable to the electorate: the Governor of the state of Florida as Chairman; the Chief Financial Officer as Treasurer; and the Attorney General as Secretary. External oversight of the SBA is provided by the Investment Advisory Council, which reviews investment performance, strategy and decision-making, and provides insight, advice and counsel on these and other matters when appropriate. Audit oversight is also provided by the state of Florida Auditor General's Office.

On November 29, 2007, the trustees of the SBA suspended deposits and withdrawals from the SBA Pool. This action was taken to stop withdrawals that caused the SBA Pool's assets to fall from about \$27 billion down to \$14 billion in a month's time. Some local governments initiated withdrawals due to fears associated with securities that were downgraded below the credit quality guidelines set for initial purchase as well as some limited defaults. Most principal and interest payments continued to be received by the SBA Pool. On December 4, 2007, the SBA split the SBA Pool into two funds: 86% was allocated to the Local Government Investment Pool (LGIP) designated to hold high-quality money-market appropriate securities and 14% was allocated to the Fund B Surplus Funds Trust Fund (Fund B) designated to hold higher-risk securities such as those in default, having payment extensions or having significant changes in credits risk. In addition, the Investment Pool's entire November interest and loan loss reserve was placed in Fund B to offset some of the lost value. The SBA contracted with Federated Investors to manage the LGIP and Fund B.

The SBA took a variety of actions to stabilize and strengthen the LGIP. Withdrawal limitations were imposed on the LGIP. At first, the greater of 15% of the original balance in the LGIP or \$2 million was available to participants without a 2% redemption fee. During fiscal year 2009, both the percentage and dollar-amount restrictions were gradually increased until the greater of 50% of the original balance or \$12 million could be withdrawn without the 2% redemption fees.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**2. Cash, Cash Equivalents, and Investments (continued)**

In December 2007, Standard & Poor's issued a AAAM rating on the LGIP, which is the highest rating category for a government investment pool fund. Additional oversight was also established. The Florida Chief Financial Officer directed the SBA Audit Committee to review the local government investment pool. The SBA also had the June 30, 2008, financial statements of the Local Government Investment Pool audited for the first time by independent certified public accountants.

The SBA also took a variety of actions to stabilize Fund B and maximize the collection of Fund B's principal and interest to increase the liquidity available to participants as quickly as possible. No withdrawals were permitted from Fund B. The Tax Collector's Fund B balance at year-end valued at "amortized cost" was reduced to \$95,196 compared to a net asset value (fair value) at year-end of \$52,277. The difference between these two amounts was the Tax Collector's unrealized loss in Fund B at year-end of \$42,919. Interest earnings shown in the financial statements is presented net of all fair value changes through year-end. As a result, the unrealized loss associated with Fund B is included as a part of interest earnings reported in the financial statements.

To further improve operating procedures for the LGIP and Fund B, a new Florida statute with many provisions was enacted during the fiscal year. For example, an investment policy document consistent with the statutes will be updated annually. Monthly management summary reports were required along with new internal controls and a formal escalation process. Specific limitations were imposed on the executive director's authority to limit contributions or withdrawals with immediate disclosure and formal trustee review. The allocation of fund gains and losses must be shared pro-rata by all participants. Any penalties such as for an early redemption fee must be disclosed in enrollment materials and participants must be provided advance notice prior to a change in penalties. A six-member Participant Local Government Advisory Council was created to review the administration of the fund and make recommendations to the trustees. The new statute strengthened oversight over the LGIP.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**2. Cash, Cash Equivalents, and Investments (continued)**

**Custodial Credit Risk**

At September 30, 2009, the Tax Collector's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*. Under this Chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss.

**Credit Risk**

The Tax Collector's policy is to follow the guidelines in Section 219.075, *Florida Statutes*, regarding the deposit of funds received and the investment of surplus funds. Sections 219.075 and 218.415, *Florida Statutes*, authorize the Tax Collector to invest in the SBA Pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; direct obligations of the United States Treasury; federal agencies and instrumentalities, or interest-bearing time deposits and savings accounts held in federal or state-chartered banks and savings and loan associations doing business in Florida, provided that any such deposits are secured by collateral as may be prescribed. Additionally, *Florida Statutes* allow local governments to place public funds with institutions that participate in a collateral pool under Florida Security for Public Deposits Act. The pool is administered by the State Treasurer who may make additional assessments to ensure that no public funds will be lost.

At September 30, 2009, substantially all of the Tax Collector's investments were in the SBA Pool administered by the State Board of Administration, an investment pool not rated by a nationally recognized statistical rating organization.

**3. Capital Assets**

The tangible personal property used by the Tax Collector is reported as capital assets in the statement of net assets as part of the basic financial statements of the County. Upon acquisition, such assets are recorded as expenditures in the General Fund of the Tax Collector and capitalized at cost in the capital asset accounts of the County. The Tax Collector maintains custodial responsibility for the capital assets used by its office.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**4. Accounts Payable**

Accounts payable in the General Fund are due to various vendors. Accounts payable in the Agency Funds are primarily tax certificates.

**5. Accumulated Compensated Absences**

The amount of vested accumulated compensated absences payable based upon the Tax Collector's annual leave and sick leave policy is reported as a liability in the statement of net assets in the County's basic financial statements. The change in accumulated compensated absences during the year ended September 30, 2009, is as follows:

Beginning balance	\$ 1,731,170
Additions	1,321,271
Deletions	<u>(1,280,112)</u>
Ending balance	<u>\$ 1,772,329</u>

**6. Retirement Plan**

Substantially all full-time Tax Collector employees are participants in the Florida Retirement System (the System), a multiple employer cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers approximately 990,000 full-time employees of various governmental units within the state of Florida.

The System provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at 30 years of service or after age 62 with six or more years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years of service credit where average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to this retirement system.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**6. Retirement Plan (continued)**

The Deferred Retirement Option Program (DROP) is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the System, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends (maximum of 60 months), employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

The Tax Collector has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Division of Retirement 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 State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Participating employer contributions are based upon statewide rates established by the state of Florida. These rates are applied to employee salaries as follows:

Official, 9.85% and 9.85% from October 1, 2008 through June 30, 2009, and July 1, 2009 through September 30, 2009, respectively;

Senior Class, 13.12% and 13.12% from October 1, 2008 through June 30, 2009, and July 1, 2009 through September 30, 2009, respectively;

Regular, 16.53% and 16.53% from October 1, 2008 through June 30, 2009, and July 1, 2009 through September 30, 2009, respectively;

Drop, 10.91% and 10.91% from October 1, 2008 through June 30, 2009, and July 1, 2009 through September 30, 2009, respectively

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**6. Retirement Plan (continued)**

During the fiscal year ended September 30, 2009, the Tax Collector contributed to the System an amount equal to 10.23% of total covered payroll. The Tax Collector's contributions made during the years ended September 30, 2009, 2008, and 2007, were \$1,264,791, \$1,278,070, and \$1,275,707, respectively, and are equal to the actuarially determined contribution requirements for each year.

**7. Postretirement Health Care Benefits**

Effective for the 2007-08 fiscal year, the Hillsborough County Tax Collector implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the Tax Collector. The requirements of this Statement were implemented prospectively, with the actuarially determined liability of \$1,499,796 at the October 1, 2007, implementation date being amortized over 30 years.

**Plan Description**

The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the Tax Collector. Pursuant to the provisions of Section 112.0801, *Florida Statutes*, former employees and eligible dependents who retire from the Tax Collector may continue to participate in the Tax Collector's fully insured health and hospitalization plans for medical and prescription drug coverage. The Tax Collector subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. In addition to the implicit subsidy, the Tax Collector provides a premium stipend of \$5 for each year of service. The stipend is payable to retiree's ages 62 to 65 for Regular employees and to retiree's ages 55 to 65 for Special Risk employees. Participants do not have to take medical coverage to receive the stipend, but they must have been eligible for medical at retirement. Also, retirees are required to enroll in the Federal Medicare program for the primary coverage as soon as they are eligible.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**7. Postretirement Health Care Benefits (continued)**

**Funding Policy**

For the Postemployment Healthcare Benefits Plan, contribution requirements of the Tax Collector are established and may be amended through recommendations of the Tax Collector. The Tax Collector has not advanced-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. As of October 1, 2008, there were 21 retiree and 5 eligible dependents receiving postemployment healthcare benefits. For the 2008-09 fiscal year, the Tax Collector provided required contributions of \$129,884 toward annual OPEB costs comprised of medical and drug claim payments, health insurance subsidies, and retention costs. Tax Collector contributions are offset by retiree contributions totaling \$149,427. Required contributions are based on projected pay-as-you-go financing.

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the Tax Collector's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Tax Collector's net OPEB obligation:

	<b>Fiscal Year End September 30, 2009</b>
(1) Normal cost	\$ 54,223
(2) Amortization of unfunded accrued liability	30,052
(3) Interest	2,950
(4) Annual required contribution	87,225
(5) Interest on net OPEB obligation (asset) (NOO)	2,481
(6) Amortization of NOO	(2,363)
(7) Total expense or annual OPEB cost (AOC)	87,107
(8) Actual credit (contribution) toward OPEB cost	19,543
(9) Change in NOO	106,550
(10) NOO beginning of year	(\$70,897)
(11) NOO end of year	\$ 35,753

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**7. Postretirement Health Care Benefits (continued)**

The Tax Collector’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009, was as follows:

Fiscal Year	AOC	Net Contribution	Percent of AOC Contributed	NOO
September 30, 2009	\$ 87,107	\$ (19,543)	(22.4%)	\$ 35,753

**Funded Status and Funding Progress** – As of September 30, 2009, the actuarial accrued liability for benefits was \$896,289, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$896,289. The covered payroll (annual payroll for active participating employees) was \$12,471,429 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.2%.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections for benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**7. Postretirement Health Care Benefits (continued)**

The Tax Collector's initial OPEB actuarial valuation for the 2008-09 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5% rate of return on invested assets, which is the Tax Collector's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5% per year, and an annual healthcare cost trend rate of 10.5% initially for the 2008-09 fiscal year, reduced by 1% per year, to an ultimate rate of 5.5% for the fiscal year ended in September 30, 2014. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The unfunded actuarial accrued liability was amortized over 30 years in calculating the Tax Collector's 2008-09 fiscal year annual required contribution.

**8. Lease Commitments**

The Tax Collector pays rent under operating leases for its various collection offices. These leases are cancelable if funds are not appropriated for their purpose and are not enforceable against a new administration with the exception of an operating lease agreement at one collection office. If the option to renew is not exercised, there is potential for termination costs totaling \$125,000 for 2013.

Currently, management believes the remaining lease option will be renewed and, therefore, does not expect to incur these costs. The schedule of future minimum lease payments below does not reflect the renewal option.

Rental expenditures under operating leases for the year ended September 30, 2009, amounted to \$759,802. The future minimum lease payments for the Tax Collector under operating leases as of September 30, 2009, are as follows:

2010	\$ 795,806
2011	757,655
2012	668,039
2013	680,466
2014	449,315
	<u>\$ 3,351,281</u>

Hillsborough County, Florida  
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

**9. Deferred Compensation**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time County employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants or their estate until termination, retirement, death, or unforeseeable emergency.

**10. Risk Management**

The County has established various self-insurance funds, in which the Tax Collector participates. These funds are accounted for as internal service funds in the basic financial statements of the County. Workers' compensation claims exceeding \$500,000 per claim are covered with specific excess insurance. The County is also self-insured under sovereign immunity up to a maximum of \$100,000 per person/\$200,000 per occurrence for claims against the County involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, *Florida Statutes*, can only be recovered through an act of the State of Florida Legislature. There have been no significant reductions in insurance coverage in the last year. Settled claims have not exceeded commercial coverage in the past three years. Reserves have been established for both claims that have been reported but not paid and claims incurred but not reported. Employee medical benefits claims exceeding \$100,000 per claim are covered with specific excess insurance up to \$1,000,000 (the medical benefits fund is covered by aggregate excess insurance through reinsurance purchased from private insurance carriers). During the year ended September 30, 2009, the Tax Collector paid \$144,368 to the Board for insurance coverage. Certain litigation has been settled in 2009 for an approximate amount of \$725,000. The amount will be paid as resources become available in fiscal year 2010.

# Required Supplementary Information

Hillsborough County, Florida  
Tax Collector

Schedule of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual General Fund (Budgetary Basis)

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Charges for services:				
Board of County Commissioners	\$ 25,654,000	\$ 25,654,000	\$ 27,831,356	\$ 2,177,356
Other governmental agencies	4,126,000	4,126,000	4,684,401	558,401
Taxpayers	11,134,400	11,134,400	12,070,180	935,780
Interest income	500,000	500,000	104,021	(395,979)
Miscellaneous	191,000	191,000	177,639	(13,361)
Total revenues	<u>41,605,400</u>	<u>41,605,400</u>	<u>44,867,597</u>	<u>3,262,197</u>
Expenditures:				
General government:				
Personal services	18,499,943	18,229,943	17,938,381	291,562
Operating expenditures	5,100,843	5,440,664	5,183,686	256,978
Capital outlay	149,550	452,730	403,835	48,895
Total expenditures	<u>23,750,336</u>	<u>24,123,337</u>	<u>23,525,902</u>	<u>597,435</u>
Excess of revenues over expenditures	17,855,064	17,482,063	21,341,695	3,859,632
Other financing uses:				
Transfer out:				
Distribution of excess revenues:				
Board of County Commissioners	(16,084,381)	(15,748,370)	(19,340,588)	(3,592,218)
Other governmental agencies	(1,770,683)	(1,733,693)	(2,001,107)	(267,414)
Total other financing uses	<u>(17,855,064)</u>	<u>(17,482,063)</u>	<u>(21,341,695)</u>	<u>(3,859,632)</u>
Net change in fund balance				
Fund balance, beginning of year	–	–	–	–
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

Hillsborough County, Florida  
Tax Collector

Note to Required Supplementary Information

**Budgetary Requirement**

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the *Florida Statutes*. The budgeted revenues and expenditures reported in the required supplementary information reflect all approved amendments.

On or before August 1 of each year, the Tax Collector submits an operating budget for the General Fund to the Florida Department of Revenue (the Department) and the Hillsborough County, Florida Board of County Commissioners (the Board). The Department examines the budget and returns it to the Tax Collector with rulings thereon. The Tax Collector revises the budget as required and resubmits it to the Department for final approval. After final approval, no reductions or increases are permitted without the approval of the Department.

Budgetary control is maintained at the major object code level of the Tax Collector's departments. Budgetary changes within the major object expenditure categories are made at the discretion of the Tax Collector. Appropriations lapse at the end of the fiscal year to the extent they have not been expended.

There is a difference between the budgetary basis of accounting and GAAP in the treatment of excess fee distributions to entities outside of the County's reporting entity. On a budgetary basis, distributions of excess fees through this fund are reported as other financing uses. On a GAAP basis, these distributions are reported as expenditures because there is a reduction in the new financial resources of the County.

# Other Financial Information

Hillsborough County, Florida  
Tax Collector

Combining Special-Purpose Balance Sheet –  
All Agency Funds

September 30, 2009

	<b>Tax and License Fund</b>	<b>Motor Vehicle Fund</b>	<b>Total All Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 12,973,784	\$ 1,775,166	\$ 14,748,950
Investments		615	615
Accounts receivable	35,165	50,920	86,085
Due from other governmental agencies	708	55	763
Total assets	<u>\$ 13,009,657</u>	<u>\$ 1,826,756</u>	<u>\$ 14,836,413</u>
<b>Liabilities</b>			
Accounts payable	\$ 2,774,914	\$ 15,778	\$ 2,790,692
Deposits		168,436	168,436
Due to other governmental agencies	10,234,743	1,642,542	11,877,285
Total liabilities	<u>\$ 13,009,657</u>	<u>\$ 1,826,756</u>	<u>\$ 14,836,413</u>

Hillsborough County, Florida  
Tax Collector

Combining Statement of Changes in  
Assets and Liabilities – All Agency Funds

Year Ended September 30, 2009

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009
<b>Tax and License Fund</b>				
Assets:				
Cash and cash equivalents	\$ 14,592,537	\$ 4,089,146,807	\$ 4,090,765,560	\$ 12,973,784
Accounts receivable	12,626	3,421,942	3,399,403	35,165
Due from other governments	1,733	2,075	3,100	708
Total assets	<u>\$ 14,606,896</u>	<u>\$ 4,092,570,824</u>	<u>\$ 4,094,168,063</u>	<u>\$ 13,009,657</u>
Liabilities:				
Accounts payable	\$ 5,091,593	\$ 115,107,804	\$ 117,424,483	\$ 2,774,914
Due to other governmental agencies	9,515,303	2,572,211,353	2,571,491,913	10,234,743
Total liabilities	<u>\$ 14,606,896</u>	<u>\$ 2,687,319,157</u>	<u>\$ 2,688,916,396</u>	<u>\$ 13,009,657</u>
<b>Motor Vehicle Fund</b>				
Assets:				
Cash and cash equivalents	\$ 1,616,466	\$ 89,333,499	\$ 89,174,799	\$ 1,775,166
Investments	1,081	-	466	615
Accounts receivable	44,789	270,771	264,640	50,920
Due from other governments	578	361	884	55
Total assets	<u>\$ 1,662,914</u>	<u>\$ 89,604,631</u>	<u>\$ 89,440,789</u>	<u>\$ 1,826,756</u>
Liabilities:				
Accounts payable	\$ 22,259	\$ 2,395,565	\$ 2,402,046	\$ 15,778
Deposits	240,799	1,765,211	1,837,574	168,436
Due to other governmental agencies	1,399,856	81,714,332	81,471,646	1,642,542
Total liabilities	<u>\$ 1,662,914</u>	<u>\$ 85,875,108</u>	<u>\$ 85,711,266</u>	<u>\$ 1,826,756</u>
<b>Total – All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 16,209,003	\$ 4,178,480,306	\$ 4,179,940,359	\$ 14,748,950
Investments	1,081	-	466	615
Accounts receivable	57,415	3,692,713	3,664,043	86,085
Due from other governmental agencies	2,311	2,436	3,984	763
Total assets	<u>\$ 16,269,810</u>	<u>\$ 4,182,175,455</u>	<u>\$ 4,183,608,852</u>	<u>\$ 14,836,413</u>
Liabilities:				
Accounts payable	\$ 5,113,852	\$ 117,503,369	\$ 119,826,529	\$ 2,790,692
Deposits	240,799	1,765,211	1,837,574	168,436
Due to other governmental agencies	10,915,159	2,653,925,685	2,652,963,559	11,877,285
Total liabilities	<u>\$ 16,269,810</u>	<u>\$ 2,773,194,265</u>	<u>\$ 2,774,627,662</u>	<u>\$ 14,836,413</u>

# Other Reports

Report of Independent Certified Public Accountants on Internal Control  
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the  
Special-Purpose Financial Statements Performed in Accordance With *Government  
Auditing Standards*

The Honorable Doug Beldon  
Tax Collector  
Hillsborough County, Florida

We have audited the special-purpose financial statements of Hillsborough County, Florida Tax Collector of (the Tax Collector) as of and for the year ended September 30, 2009, and have issued our report thereon dated December 9, 2009, which describes that such special-purpose financial statements have been prepared for the purpose of complying with, Section 218.39, *Florida Statutes*, and Section 10.577(3), *Rules of the Auditor General for Local Governmental Entity Audits*. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tax Collector's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tax Collector's internal control over financial reporting.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tax Collector's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of special-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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Tax Collector, Hillsborough County, Florida; management; the Board of County Commissioners, Hillsborough County; and the Auditor General, State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ernst + Young LLP*

December 9, 2009

## Management Letter on Internal Control and State Reporting Requirements

The Honorable Doug Beldon  
Tax Collector  
Hillsborough County, Florida

In planning and performing our audit of each major fund and the aggregate remaining fund information of the special-purpose financial statements of Hillsborough County, Florida Tax Collector (the Tax Collector) for the year ended September 30, 2009, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements and not to provide assurance on internal control.

During our audit, the following matters came to our attention that we believe merit your consideration.

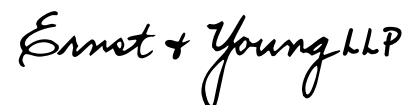
### Recommendations

There were no recommendations in either the current or prior year

### Required Disclosures

The Tax Collector has complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds.

This management letter is intended solely for the information and use of the Tax Collector, Hillsborough County, Florida; management; the Board of County Commissioners, Hillsborough County; and the Auditor General, State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.



December 9, 2009