

**HILLSBOROUGH COUNTY, FLORIDA  
TAX COLLECTOR**

**Special-Purpose Financial Statements  
Year Ended September 30, 2011**

**Hillsborough County, Florida**  
**Tax Collector**  
**Special-Purpose Financial Statements**  
**Year Ended September 30, 2011**

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## Report of Independent Certified Public Accountants

To the Honorable Doug Belden  
Tax Collector of Hillsborough County, Florida:

We have audited the accompanying special-purpose financial statements of the major fund and the aggregate remaining fund information of Hillsborough County, Florida Tax Collector (the "Tax Collector"), as of and for the year ended September 30, 2011. These special-purpose financial statements are the responsibility of the Tax Collector's management. 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes 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(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position and changes in financial position of the Tax Collector. Additionally, the special-purpose financial statements present only the Tax Collector and are not intended to present the financial position and changes in financial position of Hillsborough County, Florida, taken as a whole.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Tax Collector as of September 30, 2011, and the respective changes in financial position, thereof 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 a report dated December 14, 2011 on our consideration of the Tax Collector's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 16 and 17 be presented to supplement the special-purpose financial statements. Such information, although not a part of the special-purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special-purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special-purpose financial statements, and other knowledge we obtained during our audit of the special-purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the special-purpose financial statements of the Tax Collector taken as a whole. The combining agency fund statements are presented for the purposes of additional analysis and are not a required part of the special-purpose financial statements. The combining agency fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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's management, the Hillsborough County Board of County Commissioners, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Behart & Holland, L.L.P.*

Tampa, Florida  
December 14, 2011

**SPECIAL-PURPOSE  
FINANCIAL STATEMENTS**

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Special-Purpose Balance Sheet – General Fund**  
**September 30, 2011**

**Assets**

Cash and cash equivalents	\$ 28,538,197
Investments	43,742
Accounts receivable	18,792
Due from Board of County Commissioners	75,022
Due from other governmental agencies	44,713
Total assets	<u><u>\$ 28,720,466</u></u>

**Liabilities and fund balance**

Liabilities:

Accounts payable	\$ 105,640
Wages and benefits payable	560,988
Deferred revenue	421,012
Due to Board of County Commissioners	26,232,958
Due to other governmental agencies	1,399,868
Total liabilities	<u><u>28,720,466</u></u>

Fund balance	—
Total liabilities and fund balance	<u><u>\$ 28,720,466</u></u>

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Special-Purpose Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances – General Fund**  
**Year Ended September 30, 2011**

**Revenues:**

Charges for services:	
Board of County Commissioners	\$ 22,338,269
Other governmental agencies	4,130,348
Taxpayers	9,694,568
Interest earnings	44,118
Miscellaneous	230,542
Total revenues	<u>36,437,845</u>

**Expenditures:**

General government:	
Personal services	17,648,551
Operating expenditures	4,668,999
Capital outlay	186,277
Distribution of excess revenues to other governmental agencies	<u>1,399,868</u>
Total expenditures	<u>23,903,695</u>

<b>Excess of revenues over expenditures</b>	<u>12,534,150</u>
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**Other financing uses:**

Distribution of excess revenues to the Board of County Commissioners	<u>(12,534,150)</u>
Total other financing uses	<u>(12,534,150)</u>

<b>Net change in fund balance</b>	-
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<b>Fund balance, beginning of year</b>	-
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<b>Fund balance, end of year</b>	<u>\$ -</u>
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**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Special-Purpose Balance Sheet – Agency Funds**  
**September 30, 2011**

**Assets**

Cash and cash equivalents	\$ 19,457,364
Investments	520
Accounts receivable	<u>84,426</u>
Total assets	<u><u>\$ 19,542,310</u></u>

**Liabilities**

Accounts payable	\$ 2,316,298
Deposits	129,231
Due to other governmental agencies	<u>17,096,781</u>
Total liabilities	<u><u>\$ 19,542,310</u></u>

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 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.

*Financial 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.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation* – These special-purpose financial statements 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(2), *Florida Statutes*, and Section 10.550, *Rules of the Auditor General for Local Governmental Entity Audits* (the “Rules”), which require the Tax Collector to only present fund financial statements. In conformity with the Rules, the Tax Collector has not presented the government-wide financial statements, related disclosures or management’s discussion and analysis, which are required to present a complete presentation of its financial position and changes in financial position.

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 of America 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 registrations and titles for vehicles, vessels, and mobile homes and driver license transactions and the subsequent distribution of those receipts to the state of Florida and (2) to account for the collection and distribution of property and tangible personal property taxes, business taxes, tourist development taxes, and hunting and fishing licenses.

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.

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

*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 and Cash Equivalents* – Cash and cash equivalents consist of bank checking and savings accounts, carried at cost, and an investment in Florida PRIME, which is presented at estimated fair value based on \$1 per trust share.

*Investments* – Investments consist of funds invested in the State Board of Administration of Florida's Fund B Surplus Funds Trust Fund ("Fund B"). Investments in Fund B are stated at fair value based on estimated fair value of the Tax Collector's share of Fund B's underlying portfolio.

*Prepaid Items* – The cost of prepaid items is recorded as an expenditure at the time it is acquired, which is in accordance with the purchases method.

*Deferred Revenue* – Deferred revenue represents fees charged by the Tax Collector for the collection of business taxes in fiscal 2011 that relate to fiscal 2012.

*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.

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (continued)**

The Tax Collector's sick time payable liability consisted of two parts at September 30, 2011, resulting from Hillsborough County Civil Service Rules that state 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 in the County's basic financial statements 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 at 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 in the County's basic financial statements for each employee who has a termination payment under Plan B. Employees 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.

*Distribution of Excess Revenues – 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 other financing uses.

*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*.

*Use of Estimates* – The preparation of financial statements requires management to make use of estimates that affect reported amounts. Actual results could differ from estimates.

*Subsequent Events* – The Tax Collector has evaluated subsequent events through December 14, 2011, in connection with the preparation of these special-purpose financial statements, which is the date the special-purpose financial statements were available to be issued.

**Note 2 – Cash, Cash Equivalents, and Investments**

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.

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 2 – Cash, Cash Equivalents, and Investments (continued)**

At September 30, 2011, cash and cash equivalents included \$34,251,654 of cash on hand and cash deposited in banks and \$13,743,907 invested in Florida PRIME. The bank balances were \$32,546,307 for deposits and \$13,743,907 for investments in Florida PRIME. Bank deposits are insured by the Federal Deposit Insurance Corporation or covered by the State of Florida collateral pool, a multiple financial pool with the ability to assess its members for collateral shortfalls if a member institution fails. Florida PRIME is a 2a7-like pool, which is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, governing money market funds. Thus, this pool operates essentially as a money market fund. Florida PRIME has a Standard & Poor’s rating of AAAM at September 30, 2011.

The Tax Collector’s investment in Fund B represents the remainder of amounts invested on November 29, 2007, when the Florida State Board of Administration implemented a temporary freeze on investments held; Fund B is unrated and is not evidenced by securities that exist in physical or book entry form. Participants are prohibited from withdrawing funds from Fund B, and a formal withdrawal policy has not been developed. The estimated fair value of Fund B underlying investments is 75.68% of original cost and the estimated weighted average life of Fund B investments is 4.82 years as of September 30, 2011. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life. At September 30, 2011, the cost basis of Fund B was \$58,483 and the fair value of Fund B was \$44,262. Interest earnings reported in the general fund include changes in value associated with Fund B.

Additional information regarding Fund B may be obtained from the Florida State Board of Administration at <http://www.sbafla.com/prime>.

**Note 3 – Capital Assets**

The tangible and intangible 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 and are capitalized at cost in the capital assets accounts of the County. The Tax Collector maintains custodial responsibility for the capital assets used by its office. As of September 30, 2011 capital assets held by the Tax Collector is as follows:

Tangible personal property, net	\$	175,003
Intangible personal property, net		11,273
		186,276
	\$	186,276

**Note 4 – Accounts Payable**

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

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 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, 2011, is as follows:

Beginning balance	\$ 1,752,584
Additions	1,197,218
Deletions	<u>(1,361,268)</u>
Ending balance	<u>\$ 1,588,534</u>

**Note 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 administered by the state of Florida. The System offers members both a defined benefit plan (Pension Plan) and/or a defined contribution plan (Investment Plan) to provide retirement, disability, and death benefits for active members, retirees, surviving beneficiaries, and Deferred Retirement Option Program (DROP) participants.

DROP is a program that provides for payment of retirement benefits for System members for a maximum of five years. Under this program, an employee may retire and have his benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. When the DROP period ends, employment terminates, the employee receives payment of the accumulated DROP benefits, and monthly Pension Plan and/or Investment Plan retirement benefits begin.

Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 making changes to the System. Benefits are computed on the basis of age, average final compensation, and service credit.

Plan members hired prior to July 1, 2011 with 30 years of service regardless of age or at age 62 with 6 years of credited service are entitled to an annual retirement benefit payable monthly for life, equal to 1.6% of their final average compensation for each year of credited service. Average final compensation is the average of the employee's five highest fiscal years of salary earned during credited service. Vested employees with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Plan members hired on or after July 1, 2011 with 33 years of service regardless of age or at age 62 with 8 years of credited service are entitled to annual retirement benefits payable monthly for life, equal to 1.6% of their final average compensation for each year of credited service. Average final compensation will be the average of the employee's eight highest fiscal years earned during credited service. Vested employees with less than 33 years of service may retire before age 62 and receive reduced retirement benefits.

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 6 – Retirement Plan (continued)**

There will be no Pension Plan Cost of Living Adjustment (“COLA”) on service earned on or after July 1, 2011. A reduced COLA will be calculated if a member’s retirement or DROP participation date is effective on or after August 1, 2011. The reduced COLA will be calculated by taking the total years of service earned prior to July 1, 2011 and dividing it by the total years of service at retirement, then multiplying it by 3%.

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, or by accessing the following website: [http://dms.myflorida.com/human\\_resource\\_support/retirement/publications](http://dms.myflorida.com/human_resource_support/retirement/publications).

The System Annual Report July 1, 2009 – June 30, 2010 available as mentioned above, stated that the System pension plan was 86.59% funded at July 1, 2010 since the actuarial value of assets was \$120.93 billion compared to the actuarial accrued liability of \$139.65 billion.

Effective July 1, 2011, System members are required to contribute 3% of pretax salaries. Participating employer contributions are based upon statewide rates established by the state of Florida. These rates are applied to employee salaries as follows:

Official, 18.64% and 11.14% from October 1, 2010 through June 30, 2011, and July 1, 2011 through September 30, 2011, respectively;

Senior Class, 14.57% and 6.27% from October 1, 2010 through June 30, 2011, and July 1, 2011 through September 30, 2011, respectively;

Regular, 10.77% and 4.91% from October 1, 2010 through June 30, 2011, and July 1, 2011 through September 30, 2011, respectively;

Drop, 12.25% and 4.42% from October 1, 2010 through June 30, 2011, and July 1, 2011 through September 30, 2011, respectively

During the fiscal year ended September 30, 2011, the Tax Collector contributed to the System an amount equal to 9.60% of total covered payroll. The Tax Collector’s contributions made during the years ended September 30, 2011, 2010, and 2009, were \$1,161,703, \$1,280,168, and \$1,264,791, respectively, and are equal to the actuarially determined contribution requirements for each year.

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 7 – Other Postemployment Benefits**

*Plan Description* – The Tax Collector offers a single-employer postretirement healthcare 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 retirees ages 62 to 65 for Regular employees and to retirees 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 coverage at retirement. Also, retirees are required to enroll in the Federal Medicare program for the primary coverage as soon as they are eligible.

*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 advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. For the 2010-11 fiscal year, the Tax Collector provided required contributions of \$163,749 toward annual OPEB costs comprised of medical and drug claim payments, health insurance subsidies, and retention costs, which have been charged as operating expenditures and set aside in the County’s Self-Insurance Internal Service Fund during the fiscal year ended September 30, 2011. Tax Collector contributions are offset by retiree contributions totaling \$138,152. Required contributions are based on projected pay-as-you-go financing.

*Annual OPEB Cost and Net OPEB Obligation* – The Tax Collector engaged an actuarial firm to determine the estimated obligation associated with the postemployment health insurance benefits as of September 30, 2011, as well as the actuarially required contribution (“ARC”) for funding this obligation. The net OPEB obligation (“NOO”) 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 ARC 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).

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 7 – Other Postemployment Benefits (continued)**

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 NOO:

	Fiscal Year End September 30, 2011
(1) Normal cost	\$ 55,138
(2) Amortization of unfunded accrued liability	35,732
(3) Interest	3,180
(4) Annual required contribution	94,050
(5) Interest on net OPEB obligation (asset)	3,757
(6) Amortization of NOO	(3,579)
(7) Total expense or annual OPEB cost ("AOC")	94,228
(8) Actual credit (contribution) toward OPEB cost	(25,597)
(9) Change in NOO	68,631
(10) NOO beginning of year	107,357
(11) NOO end of year	\$ 175,988

The Tax Collector's annual OPEB cost, OPEB contributions net of amounts received from retirees, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2011 and the two preceding years were as follows:

Fiscal Year	AOC	Net Contribution	Percent of AOC Contributed	NOO
September 30, 2009	\$ 87,107	\$ (19,543)	(22.40%)	\$ 35,753
September 30, 2010	\$ 91,987	\$ 20,383	22.20%	\$ 107,357
September 30, 2011	\$ 94,228	\$ 25,597	27.20%	\$ 175,988

The Tax Collector recognizes OPEB expenditures as amounts are funded. The amount of ARC in excess of contributions funded is a long-term obligation and, accordingly, is presented on the government-wide statement of net assets in the County's Comprehensive Annual Financial Report.

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Notes to Special-Purpose Financial Statements**

**Note 7 – Other Postemployment Benefits (continued)**

*Funded Status and Funding Progress* – The following table shows the funding progress as of September 30, 2011 and the two preceding years:

	<b>Actuarial Valuation Date</b>		
	<b>September 30, 2011</b>	<b>September 30, 2010</b>	<b>September 30, 2009</b>
Actuarial Value of Assets	\$ -	\$ -	\$ -
Actuarial Accrued Liability	\$ 990,602	\$ 937,333	\$ 896,289
Unfunded Actuarial Accrued Liability (UAAL)	\$ 990,602	\$ 937,333	\$ 896,289
Funded Ratio	0.0%	0.0%	0.0%
Covered Payroll	\$ 12,308,383	\$ 12,307,531	\$ 12,471,429
UAAL as a Percentage of Covered Payroll	8.0%	7.6%	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 of 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.

For the 2010-11 fiscal year the Tax Collector's OPEB actuarial valuation 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 percent 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 percent per year, and an annual healthcare cost trend rate of 10.5 percent initially for the 2010-11 fiscal year, reduced to an ultimate rate of 5.5 percent for the fiscal year ending September 30, 2018. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years. 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**

**Note 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 the termination costs. As such, the schedule of future minimum lease payments below reflects the renewal option.

Rental expenditures under operating leases for the year ended September 30, 2011, amounted to \$857,980. The future minimum lease payments for the Tax Collector under operating leases as of September 30, 2011, are as follows:

2012	\$ 975,201
2013	990,262
2014	843,698
2015	726,846
2016	738,644
2017-2021	1,174,615
2022-2026	344,220
2027-2028	114,740
	<u>\$ 5,908,226</u>

**Note 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.

**Note 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, 2011, the Tax Collector paid \$108,525 to the Board for insurance coverage.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual –**  
**General Fund (Budgetary Basis)**  
**September 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Board of County Commissioners	\$ 22,184,000	\$ 22,184,000	\$ 22,338,269	\$ 154,269
Other governmental agencies	3,686,000	3,686,000	4,130,348	444,348
Taxpayers	10,165,000	10,165,000	9,694,568	(470,432)
Interest income	30,000	30,000	44,118	14,118
Miscellaneous	196,000	196,000	230,542	34,542
Total revenues	<u>36,261,000</u>	<u>36,261,000</u>	<u>36,437,845</u>	<u>176,845</u>
Expenditures:				
General government:				
Personal services	18,496,371	18,146,025	17,648,551	497,474
Operating expenditures	4,710,657	5,228,801	4,668,999	559,802
Capital outlay	–	204,174	186,277	17,897
Total expenditures	<u>23,207,028</u>	<u>23,579,000</u>	<u>22,503,827</u>	<u>1,075,173</u>
Excess of revenues over expenditures	13,053,972	12,682,000	13,934,018	1,252,018
Other financing uses:				
Distribution of excess revenues:				
Board of County Commissioners	(11,727,011)	(11,392,850)	(12,534,150)	(1,141,300)
Other governmental agencies	(1,326,961)	(1,289,150)	(1,399,868)	(110,718)
Total other financing uses	<u>(13,053,972)</u>	<u>(12,682,000)</u>	<u>(13,934,018)</u>	<u>(1,252,018)</u>
Net change in fund balance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
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 Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Budgetary Basis)**

**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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 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 the financial statement basis of accounting for 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. For financial statement purposes, these distributions are reported as expenditures because there is a reduction in financial resources of the County.

## **OTHER FINANCIAL INFORMATION**

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Combining Statement of Net Assets - Agency Funds**  
**September 30, 2011**

	<b>Tax and License Fund</b>	<b>Motor Vehicle Fund</b>	<b>Total All Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 17,253,137	\$ 2,204,227	\$ 19,457,364
Investments	-	520	520
Accounts receivable	603	83,823	84,426
Total assets	<u>\$ 17,253,740</u>	<u>\$ 2,288,570</u>	<u>\$ 19,542,310</u>
<b>Liabilities</b>			
Accounts payable	\$ 2,301,167	\$ 15,131	\$ 2,316,298
Deposits	-	129,231	129,231
Due to other governmental agencies	14,952,573	2,144,208	17,096,781
Total liabilities	<u>\$ 17,253,740</u>	<u>\$ 2,288,570</u>	<u>\$ 19,542,310</u>

**HILLSBOROUGH COUNTY, FLORIDA**  
**Tax Collector**  
**Combining Statement of Changes in Assets and Liabilities – Agency Funds**  
**September 30, 2011**

	<b>Balance September 30, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2011</b>
<b>Tax and License Fund</b>				
Assets:				
Cash and cash equivalents	\$ 10,226,491	\$ 2,578,737,777	\$ 2,571,711,131	\$ 17,253,137
Accounts receivable	10,157	1,429,162	1,438,716	603
Due from other governments	–	16,358	16,358	–
Total assets	<u>\$ 10,236,648</u>	<u>\$ 2,580,183,297</u>	<u>\$ 2,573,166,205</u>	<u>\$ 17,253,740</u>
Liabilities:				
Accounts payable	\$ 1,462,873	\$ 91,749,487	\$ 90,911,193	\$ 2,301,167
Due to other governmental agencies	8,773,775	2,043,257,108	2,037,078,310	14,952,573
Total liabilities	<u>\$ 10,236,648</u>	<u>\$ 2,135,006,595</u>	<u>\$ 2,127,989,503</u>	<u>\$ 17,253,740</u>
<b>Motor Vehicle Fund</b>				
Assets:				
Cash and cash equivalents	\$ 2,120,296	\$ 137,485,190	\$ 137,401,259	\$ 2,204,227
Investments	612	–	92	520
Accounts receivable	66,470	324,946	307,593	83,823
Total assets	<u>\$ 2,187,378</u>	<u>\$ 137,810,136</u>	<u>\$ 137,708,944</u>	<u>\$ 2,288,570</u>
Liabilities:				
Accounts payable	\$ 17,256	\$ 6,109,730	\$ 6,111,855	\$ 15,131
Deposits	133,709	2,196,932	2,201,410	129,231
Due to other governmental agencies	2,036,413	129,140,089	129,032,294	2,144,208
Total liabilities	<u>\$ 2,187,378</u>	<u>\$ 137,446,751</u>	<u>\$ 137,345,559</u>	<u>\$ 2,288,570</u>
<b>Total – Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 12,346,787	\$ 2,716,222,967	\$ 2,709,112,390	\$ 19,457,364
Investments	612	–	92	520
Accounts receivable	76,627	1,754,108	1,746,309	84,426
Due from other governmental agencies	–	16,358	16,358	–
Total assets	<u>\$ 12,424,026</u>	<u>\$ 2,717,993,433</u>	<u>\$ 2,710,875,149</u>	<u>\$ 19,542,310</u>
Liabilities:				
Accounts payable	\$ 1,480,129	\$ 97,859,217	\$ 97,023,048	\$ 2,316,298
Deposits	133,709	2,196,932	2,201,410	129,231
Due to other governmental agencies	10,810,188	2,172,397,197	2,166,110,604	17,096,781
Total liabilities	<u>\$ 12,424,026</u>	<u>\$ 2,272,453,346</u>	<u>\$ 2,265,335,062</u>	<u>\$ 19,542,310</u>

**SUPPLEMENTARY INDEPENDENT  
AUDITORS' 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 Belden  
Tax Collector of Hillsborough County, Florida:

We have audited the special-purpose financial statements of the major fund and the aggregate remaining fund information of the Hillsborough County, Florida Tax Collector (the "Tax Collector") as of and for the year ended September 30, 2011, and have issued our report thereon dated December 14, 2011 for the purpose of compliance with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*. 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.

**Internal Control Over Financial Reporting**

Management of the Tax Collector is responsible for establishing and maintaining effective 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 opinion 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 the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting 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 the 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 is required to be reported under *Government Auditing Standards*.

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

*Cherry, Behawt & Holland, L.L.P.*

Tampa, Florida  
December 14, 2011



## **Independent Certified Public Accountants Management Letter**

To the Honorable Doug Belden  
Tax Collector of Hillsborough County, Florida:

We have audited the special-purpose financial statements of the Hillsborough County, Florida Tax Collector (the "Tax Collector"), as of and for the year ended September 30, 2011, and have issued our report thereon dated December 14, 2011.

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 have issued our Report of Independent Certified Public Accountants on Compliance and Other Matters based on an Audit of Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated December 14, 2011, 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-Local Governmental Entity Audits*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports.

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial audit report.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit of the special-purpose financial statements of the Tax Collector, nothing came to our attention that would cause us to believe that the Tax Collector was in noncompliance with Section 218.415 regarding the investment of public funds.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the special-purpose financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or 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 special-purpose financial statements. The Tax Collector is a separately elected county official established pursuant to the Constitution of the State of Florida. There are no component units related to the Tax Collector.

Pursuant to Chapter 119, *Florida Statutes*, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Tax Collector's management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Behant & Holland, L.L.P.*

Tampa, Florida  
December 14, 2011