

SPECIAL-PURPOSE FINANCIAL STATEMENTS

Lake County, Florida, Tax Collector
Year Ended September 30, 2005

Lake County, Florida,
Tax Collector

Special-Purpose Financial Statements

Year Ended September 30, 2005

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Report of Independent Certified Public Accountants

The Honorable Bob McKee
Tax Collector
Lake County, Florida

We have audited the special-purpose financial statements of the general fund and aggregate agency fund information of the Lake County, Florida, Tax Collector (the Tax Collector) as of and for the year ended September 30, 2005, as listed in the table of contents. 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 special-purpose 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, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the Rules of the Auditor General, State of Florida, and are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Additionally, the special-purpose statements present only the Tax Collector and are not intended to present fairly the financial position and changes in financial position of Lake County, Florida, 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 the general fund and aggregate agency fund information of the Lake County, Florida, Tax Collector as of September 30, 2005, the changes in financial position and the budgetary comparison of its general fund 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 1, 2005, 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, 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.

This report is intended solely for the information and use of the Tax Collector 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 1, 2005

Special-Purpose Financial Statements

Lake County, Florida,
Tax Collector

Special-Purpose Balance Sheet – General Fund

September 30, 2005

Assets

Cash and investments	\$ 3,162,486
Due from other governments	20,125
Inventory	19,887
Total assets	<u>\$ 3,202,498</u>

Liabilities and fund balance

Liabilities:

Accounts payable	\$ 39,620
Due to other county units	2,904,509
Due to other governments	238,482
Total liabilities	<u>3,182,611</u>

Fund balance:

Reserved for inventory	19,887
Total liabilities and fund balance	<u>\$ 3,202,498</u>

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

Lake County, Florida,
Tax Collector

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

Year Ended September 30, 2005

Revenues:	
Charges for services	\$ 2,182,642
Interest income	44,889
Miscellaneous	391,080
Total revenues	<u>2,618,611</u>
Expenditures:	
Current:	
Personal services	2,770,019
Operating	716,929
Total expenditures	<u>3,486,948</u>
Excess of revenues under expenditures	(868,337)
Other financing sources (uses):	
Transfers in	3,772,846
Transfers out	(2,904,509)
Total other financing sources (uses)	<u>868,337</u>
Net change in fund balance	<u>–</u>
Fund balance, beginning of year	15,144
Increase in reserve for inventories	4,743
Fund balance, end of year	<u><u>\$ 19,887</u></u>

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

Lake County, Florida,
Tax Collector

Special-Purpose Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – General Fund

Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,270,140	\$ 2,270,140	\$ 2,182,642	\$ (87,498)
Interest income	9,500	9,500	44,889	35,389
Miscellaneous	385,000	385,000	391,080	6,080
Total revenues	2,664,640	2,664,640	2,618,611	(46,029)
Expenditures:				
Current:				
Personal services	2,970,490	2,922,990	2,770,019	152,971
Operating	675,541	723,041	716,929	6,112
Total expenditures	3,646,031	3,646,031	3,486,948	159,083
Excess of revenues under expenditures	(981,391)	(981,391)	(868,337)	113,054
Other financing sources (uses):				
Transfers in	3,496,000	3,496,000	3,772,846	276,846
Transfers out	(2,514,609)	(2,514,609)	(2,904,509)	(389,900)
Total other financing sources (uses)	981,391	981,391	868,337	(113,054)
Net change in fund balance	–	–	–	–
Fund balance, beginning of year	–	–	15,144	15,144
Increase in reserve for inventories	–	–	4,743	4,743
Fund balance, end of year	\$ –	\$ –	\$ 19,887	\$ 19,887

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

Lake County, Florida,
Tax Collector

Special-Purpose Fund Statement of Fiduciary Assets
and Liabilities – Agency Funds

September 30, 2005

Assets

Cash and investments	\$ 2,978,108
Total assets	<u>\$ 2,978,108</u>

Liabilities

Accounts payable	\$ 404,276
Due to other county units	342,358
Due to other governments	643,466
Taxes collected in advance	<u>1,588,008</u>
Total liabilities	<u>\$ 2,978,108</u>

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

Lake County, Florida,
Tax Collector

Notes to Special-Purpose Financial Statements

September 30, 2005

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 Lake 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. 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 Lake County, Florida, Comprehensive Annual Financial Report.

Basis of Presentation – These special-purpose financial statements are fund financial statements that have been prepared in conformity with the reporting guidelines established by GASB and accounting practices prescribed by the Auditor General, State of Florida. The basic financial statements for the County as a whole, which include the funds of the Tax Collector, were prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Tax Collector uses the following funds:

- *The General Fund*, a 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, (2) to account for the collection and distribution of local property tax monies, and (3) to account for funds generated from the sale of miscellaneous licenses from the state of Florida, including occupational licenses, hunting and fishing licenses, boat title and registration collections, and the collection of tourist development taxes.

Lake County, Florida,
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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 also 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 60 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.

Agency funds are accounted for under the economic measurements focus and, accordingly, the accrual basis of accounting is used for recognizing assets and liabilities.

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 special-purpose financial statements reflect all approved amendments.

Florida Statutes, Section 195.087, governs the preparation, adoption and administration of the Tax Collector's annual budget. This budget is submitted to the Ad Valorem Tax Division of the State of Florida Department of Revenue for approval. A copy of the budget is concurrently furnished to the Board of County Commissioners (Board). The budget is adopted on a basis consistent with accounting principles generally accepted in the United States.

Budget amendments are defined as line-item changes which either increase or decrease the total budget. Budget amendments must be approved by the Florida Department of Revenue. Budget transfers between appropriation categories (personal services, operating, capital outlay, and debt

Lake County, Florida,
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

service) must be approved in writing by the Florida Department of Revenue. Transfers between expenditure items within the same appropriation category do not need written approval from the Florida Department of Revenue. Appropriations lapse at year-end.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Inventories – Inventories consist of supplies and are stated at the lower of cost (determined on a first-in, first-out basis) or market. This inventory is accounted for under the purchases method, whereby the cost is recorded as an expenditure when purchased. Accordingly, the fund balance is reserved for the amount of inventory existing at year-end.

Investments – The Tax Collector follows the policy of investing surplus funds as authorized by Section 219.075, Florida Statutes.

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.

Compensated Absences – The Tax Collector's policy is to grant all permanent full-time employees annual and sick leave based on length of employment. Annual leave can be accumulated; however, it is limited to 300 hours for employees with more than ten years of service and 180 hours for employees with ten years or less of service. Upon termination of employment, the employee can receive a cash benefit, based upon the employee's current wage rate and the annual leave not taken. Sick leave is accumulated at the rate of 7.5 hours for each full calendar month of continuous employment. The carry-over limitation per fiscal year is 487.5 hour or 65 days. The sick leave limitation can be exceeded by 90 hours; however, at the end of

Lake County, Florida,
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

the fiscal year employees over the limit will receive 7.5 hours of personal leave in exchange for 45 hours of excess of sick leave, not to exceed 15 hours of personal leave. Employees who receive personal leave as a result of excess sick leave must use all of it in the next year in order not to forfeit those hours. No sick leave benefits are granted upon termination of employment.

The Tax Collector records accumulated leave and the related fringe benefits at each year-end based on each employee's accumulated unused hours and rate of pay. The accumulated unused portion at September 30 is recorded in the statement of net assets as part of the basic financial statements of the County.

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 and other taxing districts, and the transfer and distribution of total excess fees to be remitted to the Board are reported as an other financing use.

2. Cash and Investments

Bank balances as of September 30, 2005, are fully insured in accordance with Chapter 280, Florida Statutes, which establishes the multiple financial institution collateral pool. In addition to deposits amounting to \$ 2,942,139, the Tax Collector had \$ 5,255 in cash on hand and \$ 177,308 in an overnight repurchase agreement at September 30, 2005.

3. Accounts Payable

Accounts payable in the General Fund are due to various vendors. Accounts payable in the agency funds are primarily tax certificates due to individuals.

Lake County, Florida,
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

4. 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, 2005, is as follows:

Beginning balance	\$ 140,511
Additions	135,381
Payments	<u>(117,516)</u>
Ending balance	<u><u>\$ 158,376</u></u>

5. 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 874,000 full-time employees of various governmental units within the State of Florida. The System offers a choice between a defined benefit plan (Pension Plan) and a defined contribution plan (Investment Plan).

The Pension Plan provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at 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 on 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.

The Investment Plan provides for vesting after one year of creditable service. Under this plan, the employer makes contributions to a participant's account and the participant directs where the contributions are invested among the plan's investment funds. Upon termination, vested participants receive amounts accumulated in their investment accounts.

Lake County, Florida,
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

5. Retirement Plan (continued)

Participating employer contributions are based on statewide rates established by the state of Florida. These rates are applied to employee salaries as follows: regular employees, 7.39% and 7.83%; senior management, 9.37% and 10.45%; elected officials, 15.23% from October 1, 2004, to June 30, 2005, and from July 1, 2005 to September 30, 2005, respectively. The Tax Collector's contributions made during the years ended September 30, 2005, 2004, and 2003 were \$173,886, \$160,919, and \$127,707, respectively, and are equal to the actuarially determined contribution requirements for each year. There are no employee contributions to the plan.

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 Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

6. Risk Management

The Tax Collector is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All insurance coverage is held by commercial carriers, and no settlements in excess of claims have been incurred in the past three fiscal years.

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 Special-Purpose Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Honorable Bob McKee
Tax Collector
Lake County, Florida

We have audited the special-purpose financial statements of the general fund and aggregate agency fund information of the Lake County, Florida, Tax Collector (the Tax Collector) as of and for the year ended September 30, 2005, and have issued our report thereon dated December 1, 2005, in order to show compliance with the requirements of the Rules of the Auditor General, State of Florida. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Tax Collector 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 1, 2005

Management Letter

The Honorable Bob McKee
Tax Collector
Lake County, Florida

We have audited the accompanying special-purpose financial statements of the Tax Collector of Lake County, Florida (the Tax Collector) as of and for the year ended September 30, 2005, and have issued our report thereon dated December 1, 2005.

We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*, dated December 1, 2005.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

We noted no internal control or compliance matters that required disclosure during the current or prior year's audit. The following is a required disclosure:

We noted no instances of noncompliance with Section 218.415, Florida Statutes, related to the investment of public funds.

This report is intended solely for the information and use of the Tax Collector, Lake County, Florida, management 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.

We wish to thank the Tax Collector and his staff for the courtesy and cooperation shown during the audit. We look forward to a continued, good relationship.



December 1, 2005