

SPECIAL-PURPOSE FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

Hillsborough County, Florida
Tax Collector
Year Ended September 30, 2007

Hillsborough County, Florida
Tax Collector

Special-Purpose Financial Statements and
Required Supplementary Information

Year Ended September 30, 2007

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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 the general 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, 2007, 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, 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, 2007, 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.

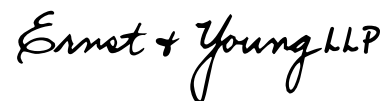
In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information of Hillsborough County, Florida Tax Collector as of September 30, 2007, and the respective 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 November 27, 2007, 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 schedule on page 16 is not a required part of the special-purpose financial statements but is supplementary information required by the GASB. 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; management; the Board of County Commissioners; 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.



November 27, 2007

Special-Purpose Financial Statements

Hillsborough County, Florida
Tax Collector

Special-Purpose Balance Sheet – General Fund

September 30, 2007

Assets

Cash and cash equivalents	\$ 30,880,218
Accounts receivable	18,866
Prepaid expenditures	23,188
Due from Board of County Commissioners	27,112
Due from other governmental agencies	41,682
Total assets	<u>\$ 30,991,066</u>

Liabilities and fund balance

Liabilities:

Accounts payable	\$ 330,903
Wages and benefits payable	294,512
Deferred revenue	499,900
Due to Board of County Commissioners	27,915,409
Due to other governmental agencies	1,950,342
Total liabilities	<u>30,991,066</u>

Fund balance	–
Total liabilities and fund balance	<u>\$ 30,991,066</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, 2007

Revenues:	
Charges for services:	
Board of County Commissioners	\$ 28,024,400
Other governmental agencies	4,326,932
Taxpayers	10,755,009
Interest income	1,100,746
Miscellaneous	309,138
Total revenues	<u>44,516,225</u>
Expenditures:	
General government:	
Personal services	17,634,086
Operating expenditures	4,461,406
Capital outlay	1,167,541
Distribution of excess revenues to other governmental agencies	<u>1,950,342</u>
Total expenditures	<u>25,213,375</u>
Excess of revenues over expenditures	19,302,850
Other financing uses:	
Transfers out	<u>(19,302,850)</u>
Total other financing uses	<u>(19,302,850)</u>
Net change in fund balance	–
Fund balance, beginning of year	–
Fund balance, end of year	<u><u>\$ –</u></u>

See accompanying notes.

Hillsborough County, Florida
Tax Collector

Special-Purpose Balance Sheet –
Agency Funds

September 30, 2007

Assets

Cash and cash equivalents	\$ 11,272,091
Accounts receivable	38,604
Due from other governmental agencies	282
Total assets	<u>\$ 11,310,977</u>

Liabilities

Accounts payable	\$ 1,681,996
Deposits	279,597
Due to other governmental agencies	9,349,384
Total liabilities	<u>\$ 11,310,977</u>

See accompanying notes.

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements

September 30, 2007

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 Section 10.577(3), *Rules of the Auditor General for Local Governmental Entity Audits*.

Section 10.556(5), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the Hillsborough County, Florida Tax Collector financial statements 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 Hillsborough County, Florida Tax Collector as of September 30, 2007, and the changes in 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.

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.

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- *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.

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.

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- *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.

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 the basic financial statements. Vacation leave is

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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, 2007, 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.

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.

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires public sector employers to expense the cost of post-employment benefits over the active service lives of their employees rather than using a “pay-as-you-go” basis. Expensing the cost of a future benefit over the active work-lives of employees is a fiscally sound approach because employees actually earn the future benefits over their working careers. Postemployment benefits include pensions and retiree healthcare benefits. Pension costs are already expensed over the active service life of employees, but retiree health benefits are not. The Tax Collector provides the following health-related benefits to retirees and certain other employees: (a) The Tax Collector is required by Florida Statute 112.0801 to allow retirees and certain other former employees to buy healthcare coverage at the same “group insurance rates” that current employees are charged; and (b) The Tax Collector offers a small health insurance stipend that retirees under age 65 can use to partially offset the cost of health insurance. Allowing retirees to buy health insurance at group rates is a valuable benefit and represents an “implicit subsidy” because retirees can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket. It is important to recognize retiree health benefits as they are earned by employees, rather than burdening future taxpayers with these costs.

To prepare for implementation of GASB Statement No. 45 for September 30, 2008, the Tax Collector hired Aon Consulting (actuary), to provide actuarial estimates of the Tax Collector’s Other Postemployment Benefits (OPEB) liabilities. The actuary estimated the Tax Collector’s actuarial accrued liability for OPEB, which approximates the present value of all future expected postemployment medical premiums and administrative costs which are attributable to the past service of those retired and active employees, at \$1.5 million as of September 30, 2008. The calculation of these actuarial estimates is based on a number of assumptions, including interest rates on investments, average retirement age, life expectancy, healthcare costs per employee and insurance premiums, many of which factors are subject to future economic and demographic variations. The actuary used the “entry age” method of calculation and an investment rate of return of 3.5%. The actuary also estimated 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

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

unfunded actuarial accrued liability (past benefits earned, but not previously funded). The Tax Collector's estimated ARC requiring disclosure for fiscal year 2008 is approximately \$127,325. 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, 2008 is approximately \$86,054 and is expected to be charged as operating expenditures and set aside in the County's Self-Insurance Internal Service Fund during the fiscal year ending September 30, 2008.

2. Cash, Cash Equivalents, and Investments

At September 30, 2007, cash totaling \$9,609,686 included cash on hand and cash deposited in banks. Bank balances at September 30, 2007, were \$8,312,569. Bank balances are fully insured in accordance with Section 280, *Florida Statutes*, which establishes the multiple financial institution collateral pool. The Tax Collector maintains a bank account in which there is a minimum balance requirement of \$5 million.

Investments of \$32,542,623 represent an investment in the State Board of Administration Local Government Surplus Funds Investment Pool Trust Fund (SBA Pool) that is carried at amortized cost. The fair value of the position in the SBA Pool is the same as the value of the SBA Pool shares. The Surplus Funds Investment Pool met the criteria to be a "2a7-like" pool, as defined in GASB 31, and is permitted to report investments at amortized cost. A 2a7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the regulations set forth in the SEC's Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, this pool operates essentially as a money market fund and is not categorized as to custodial risk according to the criteria set forth in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

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, 2007, 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 Local Government Surplus Trust Fund 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, 2007, 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, 2007, is as follows:

Beginning balance	\$ 2,041,512
Additions	1,093,554
Deletions	<u>1,162,041</u>
Ending balance	<u>\$ 1,973,025</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 948,000 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.

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

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

6. Retirement Plan (continued)

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, 2006 through June 30, 2007, and July 1, 2007 through September 30, 2007, respectively;

Senior Class, 13.12% and 13.12% from October 1, 2006 through June 30, 2007, and July 1, 2007 through September 30, 2007, respectively;

Regular, 16.53% and 16.53% from October 1, 2006 through June 30, 2007, and July 1, 2007 through September 30, 2007, respectively;

Drop, 10.91% and 10.91% from October 1, 2006 through June 30, 2007, and July 1, 2007 through September 30, 2007, respectively;

During the fiscal year ended September 30, 2007, the Tax Collector contributed to the System an amount equal to 10.27% of total covered payroll. The Tax Collector's contributions made during the years ended September 30, 2007, 2006, and 2005, were \$1,275,707, \$1,046,975, and \$895,258, respectively, and are equal to the actuarially determined contribution requirements for each year.

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

7. 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 operating lease agreements at four collection offices. If the options to renew are not exercised, there is potential for termination costs totaling \$314,877 for 2008, and \$246,640 for 2009. At September 30, 2007, one of these four operating leases has reached the end of the five-year term. This lease was renewed and is included in the schedule of future minimum lease payments below.

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

Rental expenditures under operating leases for the year ended September 30, 2007, amounted to \$763,883. The future minimum lease payments for the Tax Collector under operating leases as of September 30, 2007, are as follows:

2008	\$ 619,029
2009	430,357
2010	192,323
2011	100,169
2012	100,697
	<u>\$ 1,442,575</u>

8. 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.

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

9. 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, 2007, the Tax Collector paid \$244,223 to the Board for insurance coverage.

10. Subsequent Events

On November 29, 2007, the trustees of the State Board of Administration (SBA) suspended deposits and withdrawals from the Florida Local Government Investment Pool (Investment Pool). This action was taken to stop withdrawals that caused the Investment 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 continue to be received by the Investment Pool. On December 4, 2007, the SBA split the Investment Pool into two funds: 86% was placed in Fund A to hold high-quality money-market appropriate securities and 14% was placed in Fund B to hold higher-risk securities in default, having payment extensions or experiencing significant credit risk. In addition, the Investment Pool's entire November interest and loan loss reserve will be placed in Fund B to offset some of the lost value. The goal of Fund B is to maximize the collection of Fund B's principal and interest and to allow all or as much principal as possible to be returned to participants. The Tax Collector believes that its principal balance in Fund A will be maintained without loss by the SBA, but the maintenance of the principal balance in Fund B is uncertain at

Hillsborough County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements (continued)

10. Subsequent Events (continued)

this time. The SBA appointed BlackRock Inc. to be the interim investment manager of the investment pool until an outside money management firm is hired. To assist with the cash flow needs of participating local governments, the SBA authorized withdrawals of the greater of \$2 million or 15% of the entity's holdings. Increased withdrawals are likely to be permitted in the future as Investment Pool conditions improve.

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Board of County Commissioners	\$ 26,839,000	\$ 26,839,000	\$ 28,024,400	\$ 1,185,400
Other governmental agencies	4,126,000	4,126,000	4,326,932	200,932
Taxpayers	9,255,360	9,255,360	10,755,009	1,499,649
Interest income	610,000	610,000	1,100,746	490,746
Miscellaneous	165,000	165,000	309,138	144,138
Total revenues	<u>40,995,360</u>	<u>40,995,360</u>	<u>44,516,225</u>	<u>3,520,865</u>
Expenditures:				
General government:				
Personal services	18,190,719	18,190,719	17,634,086	556,633
Operating expenditures	4,535,235	4,881,419	4,461,406	420,013
Capital outlay	712,350	1,261,421	1,167,541	93,880
Total expenditures	<u>23,438,304</u>	<u>24,333,559</u>	<u>23,263,033</u>	<u>1,070,526</u>
Excess of revenues over expenditures	17,557,056	16,661,801	21,253,192	4,591,391
Other financing uses:				
Transfer out:				
Distribution of excess revenues:				
Board of County Commissioners	(15,854,257)	(15,045,830)	(19,302,850)	(4,257,020)
Other governmental agencies	(1,702,799)	(1,615,971)	(1,950,342)	(334,371)
Total other financing uses	<u>(17,557,056)</u>	<u>(16,661,801)</u>	<u>(21,253,192)</u>	<u>(4,591,391)</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, 2007

	Tax and License Fund	Motor Vehicle Fund	Total All Agency Funds
Assets			
Cash and cash equivalents	\$ 9,558,672	\$ 1,713,419	\$ 11,272,091
Accounts receivable	899	37,705	38,604
Due from other governmental agencies	126	156	282
Total assets	<u>\$ 9,559,697</u>	<u>\$ 1,751,280</u>	<u>\$ 11,310,977</u>
Liabilities			
Accounts payable	\$ 1,652,076	\$ 29,920	\$ 1,681,996
Deposits	–	279,597	279,597
Due to other governmental agencies	7,907,621	1,441,763	9,349,384
Total liabilities	<u>\$ 9,559,697</u>	<u>\$ 1,751,280</u>	<u>\$ 11,310,977</u>

Hillsborough County, Florida
Tax Collector

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

Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
Tax and License Fund				
Assets:				
Cash and cash equivalents	\$ 7,159,118	\$ 2,772,590,352	\$ 2,770,190,798	\$ 9,558,672
Accounts receivable	13,990	3,226,908	3,239,999	899
Due from other governments	–	5,292	5,166	126
Total assets	<u>\$ 7,173,108</u>	<u>\$ 2,775,822,552</u>	<u>\$ 2,773,435,963</u>	<u>\$ 9,559,697</u>
Liabilities:				
Accounts payable	\$ 839,138	\$ 63,703,007	\$ 62,890,069	\$ 1,652,076
Due to other governmental agencies	6,333,970	2,481,683,618	2,480,109,967	7,907,621
Total liabilities	<u>\$ 7,173,108</u>	<u>\$ 2,545,386,625</u>	<u>\$ 2,543,000,036</u>	<u>\$ 9,559,697</u>
Motor Vehicle Fund				
Assets:				
Cash and cash equivalents	\$ 1,432,498	\$ 90,883,161	\$ 90,602,240	\$ 1,713,419
Accounts receivable	46,404	243,754	252,453	37,705
Due from other governments	261	704	809	156
Total assets	<u>\$ 1,479,163</u>	<u>\$ 91,127,619</u>	<u>\$ 90,855,502</u>	<u>\$ 1,751,280</u>
Liabilities:				
Accounts payable	\$ 49,218	\$ 2,799,827	\$ 2,819,125	\$ 29,920
Deposits	177,556	3,558,789	3,456,748	279,597
Due to other governmental agencies	1,252,389	89,843,745	89,654,371	1,441,763
Total liabilities	<u>\$ 1,479,163</u>	<u>\$ 96,202,361</u>	<u>\$ 95,930,244</u>	<u>\$ 1,751,280</u>

Continued on next page.

Hillsborough County, Florida
Tax Collector

Combining Statement of Changes in
Assets and Liabilities – All Agency Fund (continued)

Year Ended September 30, 2007

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
Total – All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 8,591,616	\$ 2,863,473,513	\$ 2,860,793,038	\$ 11,272,091
Accounts receivable	60,394	3,470,662	3,492,452	38,604
Due from other governmental agencies	261	5,996	5,975	282
Total assets	<u>\$ 8,652,271</u>	<u>\$ 2,866,950,171</u>	<u>\$ 2,864,291,465</u>	<u>\$ 11,310,977</u>
Liabilities:				
Accounts payable	\$ 888,356	\$ 66,502,834	\$ 65,709,194	\$ 1,681,996
Deposits	177,556	3,558,789	3,456,748	279,597
Due to other governmental agencies	7,586,359	2,571,527,363	2,569,764,338	9,349,384
Total liabilities	<u>\$ 8,652,271</u>	<u>\$ 2,641,588,986</u>	<u>\$ 2,638,930,280</u>	<u>\$ 11,310,977</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 Belden
Tax Collector
Hillsborough County, Florida

We have audited the special-purpose financial statements of Hillsborough County, Florida Tax Collector (the Tax Collector) as of and for the year ended September 30, 2007, and have issued our report thereon dated November 27, 2007, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's special-purpose financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

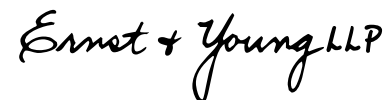
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the special-purpose financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.



November 27, 2007

Management Letter on Internal Control and State Reporting Requirements

The Honorable Doug Belden
Tax Collector
Hillsborough County, Florida

In planning and performing our audit of the general 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, 2007, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on internal control.

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, management, the Board of County Commissioners, 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.



November 27, 2007