

Tax Collector
Walton County, Florida

Special-Purpose Financial Statements

For The Year Ended September 30, 2015

**Walton County, Florida
Tax Collector
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September 30, 2015**

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INDEPENDENT AUDITORS' REPORT

Honorable Rhonda Skipper
Tax Collector
Walton County, Florida

Report on Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of the General Fund and fiduciary fund type of the Walton County, Florida Tax Collector (the Tax Collector), as of and for the year ended September 30, 2015, and the related notes to the special-purpose financial statements, which collectively comprise the Tax Collector's special-purpose financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and fiduciary fund type of the Walton County, Florida Tax Collector, as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the special-purpose financial statements, the special-purpose financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying special-purpose financial statements are intended to present the financial position and changes in financial position of the General Fund and fiduciary fund types, only for that portion of the General Fund and fiduciary fund types of Walton County, Florida that is attributable to the Tax Collector. They do not purport to, and do not, present fairly the financial position of Walton County, Florida as of September 30, 2015, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the special-purpose financial statements that collectively comprise the Tax Collector's financial statements. The combining and individual fund statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements and we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report 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, rules, regulations, contracts, and grant agreements and other matters included under the heading Independent Auditors' Report 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 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* in considering the Tax Collector's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

June 21, 2016

Walton County, Florida
Tax Collector
Special-Purpose Balance Sheet – Governmental Funds
September 30, 2015

		General Fund
<hr/>		
Assets		
Cash and cash equivalents	\$	852,288
Due from individuals		60,225
<hr/>		
Total assets	\$	912,513
<hr/>		
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$	24,395
Wages and benefits payable		135,909
Due to Board of County Commissioners		684,537
Due to other governments		67,672
<hr/>		
Total liabilities		912,513
Fund balance		-
<hr/>		
Total liabilities and fund balance	\$	912,513
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See accompanying notes to special-purpose financial statements.

Walton County, Florida
Tax Collector

**Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
For the Year Ended September 30, 2015**

	General Fund
Revenues	
Charges for services	\$ 3,318,500
Expenditures	
General government	
Personnel services	2,037,255
Operating	342,659
Capital outlay	192,491
Debt service	
Principal	10,961
Interest	1,549
Total expenditures	2,584,915
Excess Revenues Over Expenditures	733,585
Other Financing Sources (Uses)	
Proceeds from issuance of capital leases	18,625
Return of excess fees to other taxing authorities	(67,672)
Reversion to Board of County Commissioners	(684,538)
Total other financing sources (uses)	(733,585)
Net change in fund balance	-
Fund Balance - beginning	-
Fund Balance - ending	\$ -

See accompanying notes to special-purpose financial statements.

Walton County, Florida
Tax Collector

**Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual - General Fund
September 30, 2015**

	Budgeted Amounts		Budgetary Basis Actual	Variance with Final Budget- Positive (Negative)
	Original	Final Budget		
	Budget			
Revenues				
Charges for services	\$ 2,668,673	\$ 2,759,655	3,318,500	\$ 558,845
Expenditures				
General government				
Personnel services	2,139,759	2,117,759	2,037,255	80,504
Operating	374,914	465,896	342,659	123,237
Capital outlay	154,000	176,000	173,866	2,134
Debt service				
Principal	-	-	10,961	(10,961)
Interest	-	-	1,549	(1,549)
Total expenditures	2,668,673	2,759,655	2,566,290	193,365
Excess Revenues Over Expenditures	-	-	752,210	752,210
Other Financing Sources (Uses)				
Return of excess fees to other taxing authorities	-	-	(67,672)	(67,672)
Reversion to Board of County Commissioners	-	-	(684,538)	(684,538)
Total other financing sources (uses)			(752,210)	(752,210)
Net change in fund balance	-	-	-	-
Fund Balance - beginning	-	-	-	-
Fund Balance - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes to special-purpose financial statements.

Walton County, Florida
Tax Collector
Special-Purpose Statement of Fiduciary Net Position
September 30, 2015

		Agency Funds
Assets		
Cash	\$	839,772
Liabilities		
Due to other governments	\$	323,562
Deposits		516,210
Total liabilities	\$	839,772

See accompanying notes to special-purpose financial statements.

Walton County, Florida
Tax Collector

Notes to Special Purpose Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The special-purpose financial statements of the Walton County, Florida Tax Collector (the “Tax Collector”) have been prepared in accordance with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB), accounting principles generally accepted in the United States of America (GAAP), and accounting practices prescribed by Chapter 10.550, Rules of the Auditor General, State of Florida. The more significant of these governmental accounting policies applicable to the Tax Collector are described below.

Reporting Entity

The Tax Collector is an elected official established pursuant to Article VIII Section 1(d) of the constitution of the State of Florida. The Tax Collector is to serve the geographic boundary established in Florida Statutes chapter 7.66. The Tax Collector's special-purpose financial statements do not purport to reflect the financial position or the results of operations of Walton County, Florida (the “County”) taken as a whole. Pursuant to *GASB Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600*, the Tax Collector’s special-purpose financial statements are combined with those of the Board of County Commissioners (the “Board”) and other elected constitutional officers into the reporting entity of the County.

Although the Tax Collector’s office is operationally autonomous from the Board, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Tax Collector’s special-purpose financial statements are combined with those of the Board and other elected officials into the reporting entity of the County.

Basis of Presentation

As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the *fund level* financial statements as defined in *GASB Codification of Governmental Accounting and Financial Reporting Section 200.102*, and do not include presentations of government-wide financial statements of the Tax Collector.

In preparing these special-purpose financial statements the following is reported as a major governmental fund:

General Fund – The General Fund is used to account for all revenue and expenditures applicable to the general operations of the Tax Collector that are not required either legally or by generally accepted accounting principles to be accounted for in another fund.

The Tax Collector also reported the following fiduciary fund type:

Agency Funds – Agency funds are custodial in nature and account for assets held in a trust capacity or as an agent for individuals, other governmental units, and/or other funds. Agency funds only report assets and liabilities and do not measure results of operations.

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Tax Collector

Notes to Special Purpose Financial Statements

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. The major modifications to the accrual basis are: (a) revenues are recorded in the accounting period in which they become available and measurable (available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days for property taxes and ninety days for all other revenue) and (b) expenditures are recorded in the accounting period in which the liability is incurred, if measurable, except for accumulated sick and vacation compensation which is expensed when paid.

The fiduciary fund (agency fund) statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted

In Fiscal Year 2015, the Tax Collector adopted three (3) new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the

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Notes to Special Purpose Financial Statements

requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts or equivalent arrangements, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the Tax Collector's special-purpose financial statements, which continue to report expenditures in the amount of the actuarially determined contributions, as required by State law. The calculation of pension contributions is unaffected by the change. The adoption of Statement No. 68 is recorded and shown on the Walton County, Florida Board of County Commissioner's government-wide financial statements.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. There was no impact on the Tax Collector's financial statements as a result of the implementation of Statement No. 69.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Adoption of this Statement had no effect on the Tax Collector's financial statements as its measurement date for revenue of pensions is the same as the respective fiscal year-end.

Accounting Standards Issued But Not Yet Effective

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires the Tax Collector to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach.

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Notes to Special Purpose Financial Statements

Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The Tax Collector has not completed the process of evaluating the impact of Statement No. 73 on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. The provisions of Statement No. 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of Statement No. 73 for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The Tax Collector has not completed the process of evaluating the impact of Statement No. 73 on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The scope of this statement includes defined benefit and defined contribution OPEB plans administered through trusts that meet specified criteria. This statement establishes financial reporting standards for state and local governmental other postemployment benefit ("OPEB") plans. The Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The Tax Collector has not completed the process of evaluating the impact of Statement No. 74 on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employees. This Statement also establishes standards for recognizing and measuring liabilities,

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Notes to Special Purpose Financial Statements

deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information are also addressed by the statement. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Tax Collector has not completed the process of evaluating the impact of Statement No. 75 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. It also amends Statement No. 62, *Codification of accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 64, 74, and 82. The provisions of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015. Earlier application is permitted. The Tax Collector has not completed the process of evaluating the impact of Statement No. 76 on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this statement defines a tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of GASB Statement No. 77 are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Tax Collector has not completed the process of evaluating the impact of Statement No. 77 on its financial statements.

Budgetary Requirements

Florida Statutes, Chapter 195.087 details the preparation, adoption, and administration of the Tax Collector's annual budget. On or before August 1 of each year, the Tax Collector submits an annual budget to the Department of Revenue (the "Department"). If the Department finds the budget inadequate or excessive, it shall return such budget to the Tax Collector, together with its ruling thereon. The Tax Collector shall revise the budget as required and resubmit it to the Department. After final approval by the Department, there shall be no reduction or increase by the Tax Collector or Board without the approval of the Department. Budgetary control is maintained at the major object expenditure level. Expenditures may not legally exceed appropriations at the department level, and appropriations lapse at year-end. Budgetary changes within major object expenditure categories are made at the discretion of the Tax Collector. The budgeted revenues and expenditures in the accompanying special-purpose financial statements reflect all amendments approved by the Board and the Department.

Walton County, Florida
Tax Collector
Notes to Special Purpose Financial Statements

The Tax Collector’s budget is prepared under a budgetary basis of accounting that differs from generally accepted accounting principles (GAAP). The differences are due to capital lease proceeds and related expenditures. The actual results of operations in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund are presented on a budgetary basis for budgetary accounting purposes. Adjustments to convert the results of operation of the general fund at the end of the year from the budgetary basis of accounting to the GAAP basis of accounting are as follows

	Expenditures	Other Financing Sources (Uses)
Budget Basis	\$ 2,566,290	\$ (752,210)
Non-budgeted expenditures and other sources:		
Capital outlay	18,625	-
Capital lease proceeds	-	18,625
	\$ 2,584,915	\$ (733,585)

Capital lease proceeds and related expenditures were not budgeted.

Inventories and Prepaid Items

The purchase method is used to account for inventory and payments to vendors for costs applicable to future periods (prepaid). Under the purchase method, expenditures are recognized when the available financial resource is expended. Inventory is not deemed significant and therefore no amount has been reported.

Capital Assets

Capital assets are recorded as expenditures in the general fund at the time an asset is acquired. Capital assets are capitalized at cost when purchased and fair market value if donated. Title in all capital assets owned by the County is retained by the Board and the Tax Collector’s capital assets are reported on the county-wide financial statements. See Note 3 for detailed capital asset activity.

The Tax Collector maintains custodial responsibility for capital assets used in her office.

The County maintains a \$5,000 threshold for capitalization of equipment and other improvements. Additionally, the Tax Collector maintains an inventory of all tangible personal property with a donated value or cost of \$1,000 or more and a projected useful life of one year or more as required by Florida Statute 274 and Florida Administrative Code Sections 69(i)-73.002 and 69(i)-73.006.

Depreciation has been provided using the straight-line method with an estimated useful life of three to five years for all tangible personal property. The Tax Collector did not report any land, buildings, or improvements.

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Tax Collector

Notes to Special Purpose Financial Statements

Capital Leases

The Tax Collector entered into various lease agreements as a lessee for financing the acquisition of copiers and mailing systems. The lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded in the county-wide financial statements at the present value of future minimum lease payments as of the lease inception date. The related assets are reported as capital assets in the county-wide financial statements. See Note 4 for detailed capital lease activity.

Compensated Absences

The Tax Collector's policy limits the accumulation of annual leave to 240 hours as of the first day of each calendar year. There is no limitation on the amount of sick leave accumulation. However, upon separation from employment, all accumulated sick leave up to 240 hours, regardless of length of employment, and all accumulated annual leave up to 240 hours, pending one full year of employment, will be paid provided one of the following conditions are met:

- Resignation of position, with notice and in good standing
- Elimination of position due to staff cutbacks and layoffs
- Retirement
- Death

Expenditures for compensated absences in governmental funds are those paid during the current fiscal year and the amount unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources.

Accrued compensated absences that will not be liquidated with expendable available financial resources of the Tax Collector are the obligation of the County and are reported at the county-wide level. The amount of Tax Collector's accrued compensated absences to be reported at the county-wide level is \$255,431.

Governmental Fund Balances

Fund balances are classified either as nonspendable or as spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. There were no nonspendable fund balances at the Tax Collector as of September 30, 2015.

Spendable fund balances are classified based on a hierarchy of the Tax Collector's ability to control the spending of these fund balances, and at September 30, 2015 the Tax Collector had no spendable fund balances.

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Notes to Special Purpose Financial Statements

Restricted fund balances are fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws of regulations or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are fund balances constrained for specific purposes imposed by the Tax Collector's formal action of highest level of decision making authority.

Assigned fund balances are fund balances intended to be used for specific purposes, but which are neither restricted nor committed.

Unassigned fund balances represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. As of September 30, 2015, the Tax Collector had no unassigned fund balances because all excess revenues within the General Fund are required to be remitted to the appropriate taxing agencies.

When expenditures are incurred for purposes for which restricted or unrestricted fund balance classifications could be used, it is the Tax Collector's policy to use restricted funds first, then unrestricted.

Management Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand as well as demand deposits. At September 30, 2015, all cash and cash equivalents were on hand or being held in demand deposit bank accounts.

Custodial Risk

The Tax Collector does not have a written investment policy but historically has limited available investments to cash and cash equivalents. At year end, all cash held in demand deposits was fully insured by the Federal Depository Insurance Corporation and the multiple financial institutions collateral pool required by Section 280, Florida Statutes.

Walton County, Florida
Tax Collector
Notes to Special Purpose Financial Statements

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

	Balance 9/30/14	Additions	Deletions	Balance 9/30/15
Governmental Activities				
Capital assets depreciated:				
Machinery and equipment	\$ 406,948	\$ 184,559	\$ -	\$ 591,507
Less: accumulated depreciation				
Machinery and equipment	(358,502)	(41,996)	-	(400,498)
Total governmental activities capital assets, net	\$ 48,446	\$ 142,563	\$ -	\$ 191,009

Title in all capital assets owned by the County is retained by the Board and the above noted capital asset information and activity is reported on the county-wide financial statements.

Depreciation expense to be reported by the County was charged to the functions of the government as follows:

Governmental Activities	
General government	\$ 41,996

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	Balance 9/30/14	Additions	Deletions	Balance 9/30/15	Due in One year
Capital leases	\$ 25,203	\$ 18,624	\$ 10,961	\$ 32,866	\$ 8,276
Compensated absences	251,267	93,767	89,604	255,430	25,543
Total	\$ 276,470	\$ 112,391	\$ 100,565	\$ 288,296	\$ 33,819

Capital leases and related assets, as well as compensated absences are reported on the county-wide financial statements.

Capital Leases

The Tax Collector has entered into lease agreements as lessee for financing the acquisition of two copier machines and two mailing systems. The lease agreements qualify as capital leases for accounting purposes (term of lease is greater than 75% of the life of the asset) and; therefore, have been recorded at the present value of the future minimum lease payments as of the inception date on the county-wide financial statements.

Walton County, Florida
Tax Collector
Notes to Special Purpose Financial Statements

The following is an analysis of the property under capital lease at September 30, 2015:

	Capital Assets
Machinery and equipment	\$ 93,279
Less: accumulated depreciation	(61,351)
Net leased property	\$ 31,928

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 are as follows:

For the fiscal year ended September 30,

2016	\$ 9,720
2017	9,168
2018	9,168
2019	7,098
2020	1,049
Total minimum lease payments	36,203
Less: amount representing interest	3,337
Present value of future minimum lease payments	\$ 32,866

NOTE 5 - EXCESS REVENUE

Pursuant to Section 218.36(2), Florida Statutes, whenever a tax collector has excess revenues over expenditures as determined as of the fiscal year end, "...he or she shall distribute the excess to each governmental unit in the same proportion as the fees paid by the governmental unit bear to the total fee income of his or her office." Excess revenues over expenditures were returned to the various taxing authorities before October 31, 2015 as required by Florida Statutes and are accrued and reported as other financing uses at September 30, 2015. For fiscal year 2015, \$752,210 of excess fees was remitted to various taxing authorities.

NOTE 6 - RETIREMENT PLAN

The Tax Collector and all full-time employees are participants in the Florida Retirement System (the "System"), a defined benefit, cost sharing, multiple-employer public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement. The plan covers full-time employees of various governmental units within the State of Florida. Accordingly, the actuarial information and related disclosures attributable to the Tax Collector's employees are not determinable.

Walton County, Florida
Tax Collector

Notes to Special Purpose Financial Statements

The System's funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due (see rates below). Level percentage of payroll employer contribution rates, established by State law, is determined using the entry-age actuarial funding method. If an unfunded actuarial liability reemerges, future plan benefit changes, assumption changes, and methodology changes are amortized within 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

The System provides for those employees hired prior to July 1, 2011 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. For those employees hired on or after July 1, 2011, the System provides for vesting of benefits after eight years of creditable service. Normal retirement benefits are available to these employees who retire at or after age 65 with eight years of service with a 5% reduction of benefits for each year. 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.

Participating employer contributions are based upon State-wide rates established by the State of Florida. These rates applied to employee salaries at year end are as follows: regular employees – 7.26%, DROP Program – 12.88%, senior management – 21.43%, and elected officials – 42.27%. The rate applied to employee salaries for employer contributions was 3% for all classifications, with the exception for the DROP Program.

Total payroll for the Tax Collector's employees covered by the System was \$1,410,112 for the year ended September 30, 2015. The Tax Collector's total payroll was \$1,476,131 for the same period. The Tax Collector's contributions to the plan for the years ended September 30, 2015, 20142014, and 20132013 were \$201,503, \$180,460, and \$101,472, respectively. These contributions were paid by the due date for the contribution.

The Tax Collector has no responsibility to the System other than to make the periodic payments 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 Florida Division of Retirement, P O Box 9000, Tallahassee, FL 32315-9000 or at the Division's website at dms.myflorida.com.

NOTE 7 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION

In addition to the retirement plan in Note 6, the County, in accordance with Section 112.0801, Florida Statutes, provides post-retirement health care benefits to all retired employees who participated in the group health plan while employed. Employees of the Tax Collector are covered under the County's plan. The County is required to measure and recognize the annual cost of the

Walton County, Florida
Tax Collector
Notes to Special Purpose Financial Statements

future benefits and calculate the annual employer funding requirements and, to the extent funding is not made by the County to recognize another post-employment benefit (OPEB) liability on the balance sheet of the County. These amounts, if any, are recorded in the County's government-wide financial statements.

NOTE 8 – CONTINGENT LIABILITIES

The Tax Collector is involved in several litigations and claims arising in the normal course of operations. Potential recoveries or liabilities in excess of insurance coverage, if any, are not determinable. No accruals for loss contingency have been made in the financial statements.

NOTE 9 - SUBSEQUENT EVENTS

The Tax Collector has evaluated subsequent events through the date of issuance of these special-purpose financials statements, and has determined that no events occurring subsequent to year end warranted disclosure.

Fiduciary Funds

License – To account for collection and subsequent remittance of licenses and permits.

Tag – To account for collection of motor vehicle registration receipts and subsequent disbursement.

Tax – To account for the collection and disbursement of local property taxes.

Walton County, Florida
Tax Collector
Combining Special-Purpose Statement of Fiduciary Net Position
Agency Funds
September 30, 2015

	License		Tag		Tax		Total
Assets							
Cash	\$ 3,759	\$	204,818	\$	631,195	\$	839,772
Liabilities							
Due to other governments	\$ 3,759	\$	204,818	\$	114,984	\$	323,561
Deposits	-		-		516,211		516,211
Total liabilities	\$ 3,759	\$	204,818	\$	631,195	\$	839,772

Walton County, Florida
Tax Collector
Combining Special-Purpose Statement of
Changes in Assets and Liabilities
Agency Funds
For the Year Ended September 30, 2015

	Balance 10/1/14	Additions	Deductions	Balance 9/30/15
License				
Assets				
Cash	\$ 1,536	\$ 158,385	\$ 156,162	\$ 3,759
Liabilities				
Due to other governments	\$ 1,536	\$ 158,456	\$ 156,233	\$ 3,759
Tag				
Assets				
Cash	\$ 183,218	\$ 8,544,858	\$ 8,523,258	\$ 204,818
Liabilities				
Due to other governments	\$ 183,218	\$ 8,767,279	\$ 8,745,679	\$ 204,818
Tax				
Assets				
Cash	\$ 1,094,563	\$ 138,351,017	\$ 138,814,385	\$ 631,195
Liabilities				
Due to other governments	\$ 394,250	\$ 138,900,390	\$ 139,179,656	\$ 114,984
Deposits	700,313	5,513,059	5,697,161	516,211
Total liabilities	\$ 1,094,563	\$ 144,413,449	\$ 144,876,817	\$ 631,195
Total All Agency Funds				
Assets				
Cash	\$ 1,279,317	\$ 147,054,260	\$ 147,493,805	\$ 839,772
Liabilities				
Due to other governments	\$ 579,004	\$ 147,826,125	\$ 148,081,568	\$ 323,561
Deposits	700,313	5,513,059	5,697,161	516,211
Total liabilities	\$ 1,279,317	\$ 153,339,184	\$ 153,778,729	\$ 839,772

INDEPENDENT AUDITORS' REPORT 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*

Honorable Rhonda Skipper
Tax Collector
Walton County, Florida

We have audited, in accordance with the 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, the special-purpose financial statements of the Walton County, Florida Tax Collector (the "Tax Collector"), as of and for the year ended September 30, 2015, and the related notes to the special-purpose financial statements, which collectively comprise the Tax Collector's special-purpose financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the tax Collector's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying management letter as finding 2015-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector's special-purpose financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Certified Public Accountants

June 21, 2016

**INDEPENDENT AUDITOR'S REPORT ON AN EXAMINATION
CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL
STANDARDS, SECTION 601, REGARDING COMPLIANCE REQUIREMENTS
IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Rhonda Skipper
Tax Collector
Walton County, Florida

We have examined the Walton County, Florida Tax Collector's (the "Tax Collector") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the Tax Collector's compliance with those requirements. Our responsibility is to express an opinion on the Tax Collector's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included examining, on a test basis, evidence about the Tax Collector's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Tax Collector's compliance with specified requirements.

In our opinion, the Tax Collector complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

June 21, 2016

MANAGEMENT LETTER

Honorable Rhonda Skipper
Tax Collector
Walton County, Florida

Report on the Special-Purpose Financial Statements

We have audited the special-purpose financial statements of the Walton County, Florida Tax Collector (the Tax Collector), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 21, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Special-Purpose Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 21, 2016 should be considered in conjunction with this management letter.

Prior Audit Findings

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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. See finding 2015-01 below for our findings and recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. See finding 2015-01 below.

2015-01: Road & Bridge Tax Distributions to the City of Defuniak Springs, Florida

Florida Statute Section 197.383 Distribution of Taxes states “The Tax Collector shall distribute taxes collected for each taxing authority at least four times during the first 2 months after the tax roll comes into his or her possession for collection ...”

Florida Statute §336.59 Levy of tax for road and bridge purposes; portion to municipalities section (2) states “One-half the amount realized from such special tax on the property in incorporated cities and towns shall be turned over to such cities ...”

Finding – During fiscal year 2015 the Tax Collector made distributions to the City of Defuniak Springs, Florida of approximately \$26,034 of the County’s fiscal year 2015 “Road & Bridge” ad valorem tax collections. Though Florida Statute §336.59 section 2 authorizing the remittances to the City was appealed in 1984 the distributions continued through fiscal year 2015. Public records indicated that the County had been distributing a portion of the Road and Bridge tax to the City since 1916.

Following the above noted distributions, the Tax Collector notified the Board of County Commissioners (“the Board”) of the distributions and inquired as to the authorization for the distributions. The Board concluded the distributions were not appropriated and should not have been made.

There have been no subsequent distributions of Road and Bridge taxes to the City or action by the Board or Tax Collector to recover the above noted distributions.

Recommendation – Controls should be implemented documenting the source, authorization, and legal authority for all ad valorem tax collections and distributions. These controls should incorporate a second documented review and approval performed by a senior level manager.

The Tax Collector provided documentation for FY 2013 and 2014, of the tax roll recap and distribution reports provided to the Board in June of 2013 and 2014. However, the 2015 recap and distribution report was not submitted to the Board. We recommend the recap and distribution report be provided annually to each taxing authority along with a signed acknowledgment of receipt, and review by the various taxing agencies.

View of Responsible Officials and Planned Corrective Action –

We are in receipt of the 2015 Audited Special-Purpose Financial Statements for our office. After much discussion related to Finding 2015-01 in the Management Letter, we find it necessary to object to the finding against the Walton County Tax Collector (“Tax Collector”).

While we agree with your recommendation for the implementation of controls documenting the source, authorization, and legal authority for all ad valorem tax collections and distributions, we contend that the finding and recommendation set forth in the Management Letter should not be attributed to the Tax Collector, but rather to the Board of County Commissioners (“Board”). The Tax Collector has no authority to enact or discontinue taxation or the associated distributions. It is the responsibility of the taxing authority, in this case the Board, to effectively and promptly notify the Tax Collector that this distribution was no longer desired.

The Tax Collector has provided the Board and the Clerk of Court for Walton County, Florida (“Clerk”) the annual ad valorem tax collections and distributions reports consistently since 2005. While said report was not sent in 2015, there was sufficient information provided to both the Board and the Clerk to make them aware that the long-standing distribution in question was being made. To date, the Board has taken no official action to question the legality or appropriateness of the distributions. It is important to note, the distributions date back to the early 1900s.

The Tax Collector will continue to provide the annual recap and distribution report to the Board and the Clerk, per the recommendation. However, it is our position that the Board, not the Tax Collector, should implement the controls discussed in the Management Letter.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Tax Collector and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

June 21, 2016