

Tax Collector
Walton County, Florida

Special-Purpose Financial Statements

For The Year Ended September 30, 2017

Walton County, Florida
Tax Collector
Table of Contents
September 30, 2017

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	258 – 260
SPECIAL-PURPOSE FINANCIAL STATEMENTS	
Special-Purpose Balance Sheet – Governmental Funds	261
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	262
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	263
Special-Purpose Statement of Fiduciary Net Position	264
Notes to Special-Purpose Financial Statements	265 – 277
COMBINING AND INDIVIDUAL FUND STATEMENTS	
Description of Fiduciary Funds	278
Combining Special-Purpose Statement of Fiduciary Net Position - Agency Funds	279
Combining Special-Purpose Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	280
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	281 – 282
Independent Accountants' Report on Compliance with Local Government Investment Policies	283
MANAGEMENT LETTER	284 – 285

INDEPENDENT AUDITORS' REPORT

Honorable Rhonda Skipper
Tax Collector
Walton County, Florida

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, 2017, 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from 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 auditors' 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.

Opinions

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, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 (“Rules”). 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, 2017, 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

Other 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.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

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.

Enterprise, Alabama

March 7, 2018

Walton County, Florida
Tax Collector
Special-Purpose Balance Sheet – Governmental Funds
September 30, 2017

	General Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 1,466,511
Due from individuals	92,810
<hr/>	
Total assets	\$ 1,559,321
<hr/>	
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 4,833
Wages and benefits payable	112,294
Due to Board of County Commissioners	1,315,243
Due to other governments	126,951
<hr/>	
Total liabilities	1,559,321
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 1,559,321
<hr/>	

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, 2017**

	General Fund
Revenues	
Charges for services	\$ 4,100,314
Expenditures	
General government	
Personnel services	2,202,850
Operating	407,716
Capital outlay	37,971
Debt service	
Principal	8,538
Interest	1,045
Total expenditures	2,658,120
Excess Revenues Over Expenditures	1,442,194
Other Financing Sources (Uses)	
Return of excess fees to other taxing authorities	(126,951)
Reversion to Board of County Commissioners	(1,315,243)
Total other financing sources (uses)	(1,442,194)
Net change in fund balance	-
Fund Balance - beginning	-
Fund Balance - ending	\$ -

See accompanying notes to special-purpose financial statements.

Walton County, Florida
Tax Collector
General Fund

Special-Purpose Statement of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for services	\$ 2,688,167	\$ 2,804,442	\$ 4,100,314	\$ 1,295,872
Expenditures				
General government				
Personnel services	2,264,158	2,340,933	2,202,850	138,083
Operating	420,009	425,509	407,716	17,793
Capital outlay	4,000	38,000	37,971	29
Debt service				
Principal	-	-	8,538	(8,538)
Interest	-	-	1,045	(1,045)
Total expenditures	2,688,167	2,804,442	2,658,120	146,322
Excess Revenues Over Expenditures	-	-	1,442,194	1,442,194
Other Financing Sources (Uses)				
Return of excess fees to other taxing authorities	-	-	(126,951)	(126,951)
Reversion to Board of County Commissioners	-	-	(1,315,243)	(1,315,243)
Total other financing sources (uses)			(1,442,194)	(1,442,194)
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, 2017

	Agency Funds
<hr/>	
Assets	
Cash	\$ 949,786
<hr/>	
Liabilities	
Due to other governments	\$ 284,910
Deposits	664,876
<hr/>	
Total liabilities	\$ 949,786
<hr/>	

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 and serves 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 GAAP 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.

Walton County, Florida
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

In fiscal year 2017, the Tax Collector adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”).
- GASB Statement No. 77, *Tax Abatement Disclosures* (“GASB 77”).
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (“GASB 78”).
- GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14* (“GASB 80”).

GASB 74 establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local governmental other postemployment benefit (“OPEB”) plans. GASB 74 replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurement by Agent Employers*

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

and Agent Multiple-Employer Plans. The adoption of GASB 74 had no impact on the Tax Collector’s governmental fund financial statements.

GASB 77 defines a tax abatement and contains required disclosures about a reporting government’s own tax abatement agreements and those agreements that are entered into by other governments and that reduce the reporting government’s tax revenues. There was no impact on the Tax Collector’s financial statements as a result of the implementation of GASB 77.

GASB 78 amends the scope and applicability of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*—and amendment of GASB Statement No. 27 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local government pension plan, (b) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). GASB 78 also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. There was no material impact on the Tax Collector’s financial statements as a result of the implementation of GASB 78.

GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments by providing an additional criterion. A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member as identified in the component unit’s articles of incorporation or bylaws. There was no impact on the Tax Collector’s financial statements as a result of the implementation of GASB 80.

Accounting Standards Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Tax Collector upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
75	<i>Account and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	2018
81	<i>Irrevocable Split-Interest Agreements</i>	2018
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
85	<i>Omnibus 2017</i>	2018
86	<i>Certain Debt Extinguishment Issues</i>	2018
87	<i>Leases</i>	2021

Walton County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements

GASB Statement No. 75 ("GASB 75") establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to the employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans the 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 disclosure and required supplementary information are addressed. GASB 75 is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81 ("GASB 81") requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. The requirements of GASB 81 are effective for periods beginning after December 15, 2016.

GASB Statement No. 83 ("GASB 83") addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. GASB 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. GASB 83 requires that recognition occurs when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. GASB 83 requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. GASB 83 requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. GASB 83 requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are

Walton County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements

expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset. A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of GASB 83. In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. GASB 83 requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. GASB 83 also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. GASB 83 requires similar disclosures for a government's minority shares of AROs. The requirements for GASB 83 are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 ("GASB 84") establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. GASB 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018.

Walton County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements

GASB Statement No. 85 (“GASB 85”) addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of GASB 85 are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 (“GASB 86”) improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of GASB 86 are effective for reporting periods beginning after June 15, 2017.

The objective of GASB Statement No. 87 (“GASB 87”) is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after December 15, 2019.

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

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 if donated, acquisition value at date of the donation. 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.

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:

Walton County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements

- 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 \$283,206.

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 either not in spendable form or they are legally or contractually required to be maintained intact. There were no nonspendable fund balances at the Tax Collector as of September 30, 2017.

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, 2017 the Tax Collector had no spendable fund balances.

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, 2017, 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.

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

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, 2017, 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 or the multiple financial institutions collateral pool required by Section 280, Florida Statutes.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

	Balance 10/1/16	Additions	Deletions	Balance 9/30/17
Governmental Activities				
Capital assets depreciated:				
Machinery and equipment	\$ 542,889	\$ 27,732	\$ -	\$ 570,621
Less: accumulated depreciation	(423,335)	(66,946)	-	(490,281)
Total governmental activities capital assets, net	\$ 119,554	\$ (39,214)	\$ -	\$ 80,340

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.

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

NOTE 3 - CAPITAL ASSETS (Continued)

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

Governmental Activities

General government	\$ 66,946
--------------------	-----------

NOTE 4 - LONG-TERM DEBT

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

	Balance 9/30/16	Additions	Deletions	Balance 9/30/17	Due in One year
Capital leases	\$ 24,590	\$ -	\$ 8,122	\$ 16,468	\$ 8,538
Compensated absences	258,316	347,134	322,244	283,206	28,321
Total	\$ 282,906	\$ 347,134	\$ 330,366	\$ 299,674	\$ 36,859

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.

The following is an analysis of the property under capital lease at September 30, 2017:

	Capital Assets
Machinery and equipment	\$ 40,653
Less: accumulated depreciation	(24,986)
Net leased property	\$ 15,667

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

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 are as follows:

*For the fiscal year
ended September 30,*

2018	\$	9,168
2019		7,099
2020		1,050
2021		-
2022		-
Total minimum lease payments		17,317
Less: amount representing interest		849
Present value of future minimum lease payments		\$ 16,468

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, 2017 as required by Florida Statutes and are accrued and reported as other financing uses at September 30, 2017. For fiscal year 2017, \$1,442,194 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.

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.

Walton County, Florida
Tax Collector

Notes to Special-Purpose Financial Statements

NOTE 6 - RETIREMENT PLAN(Continued)

The System provides for those employees hired prior to July 1, 2012 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, 2012, the System provides for vesting of benefits after eight years of credible 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 – 7.92%, DROP Program – 13.26%, senior management – 22.71%, and elected officials – 45.50%. 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 \$1,499,519 for the year ended September 30, 2017. The Tax Collector's total payroll was \$1,609,317 for the same period. The Tax Collector's contributions to the plan for the years ended September 30, 2017, 2016, and 2015 were \$198,301, \$182,808, and \$201,503, 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 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.

Walton County, Florida
Tax Collector
Notes to Special-Purpose 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, 2017

	License		Tag		Tax		Total
Assets							
Cash	\$ 2,971		\$ 234,833		\$ 711,982		\$ 949,786
Liabilities							
Due to other governments	\$ 2,971		\$ 234,833		\$ 47,106		\$ 284,910
Deposits	-		-		664,876		664,876
Total liabilities	\$ 2,971		\$ 234,833		\$ 711,982		\$ 949,786

Walton County, Florida
Tax Collector
Combining Special-Purpose Statement of
Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended September 30, 2017

	Balance 10/1/16	Additions	Deductions	Balance 9/30/17
License				
Assets				
Cash	\$ 3,606	\$ 138,982	\$ 139,617	\$ 2,971
Liabilities				
Due to other governments	\$ 3,606	\$ 344,774	\$ 345,409	\$ 2,971
Tag				
Assets				
Cash	\$ 201,033	\$ 9,964,824	\$ 9,931,024	\$ 234,833
Liabilities				
Due to other governments	\$ 201,033	\$ 10,284,287	\$ 10,250,487	\$ 234,833
Tax				
Assets				
Cash	\$ 667,051	\$ 166,130,951	\$ 166,086,020	\$ 711,982
Liabilities				
Due to other governments	\$ 153,775	\$ 165,973,119	\$ 166,079,788	\$ 47,106
Deposits	513,276	13,899,939	13,748,339	664,876
Total liabilities	\$ 667,051	\$ 179,873,058	\$ 179,828,127	\$ 711,982
Total All Agency Funds				
Assets				
Cash	\$ 871,690	\$ 176,234,757	\$ 176,156,661	\$ 949,786
Liabilities				
Due to other governments	\$ 358,414	\$ 176,602,180	\$ 176,675,684	\$ 284,910
Deposits	513,276	13,899,939	13,748,339	664,876
Total liabilities	\$ 871,690	\$ 190,502,119	\$ 190,424,023	\$ 949,786

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, 2017, 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 March 7, 2018.

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.

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

Enterprise, Alabama

March 7, 2018

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH LOCAL GOVERNMENT INVESTMENT POLICIES**

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, 2017. Management of the Tax Collector is responsible for the Tax Collector's compliance with the specific 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Tax Collector complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Tax Collector complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

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.

Enterprise, Alabama

March 7, 2018

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, 2017, and have issued our report thereon dated March 7, 2018.

Auditors’ 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

We have issued our Independent Auditors’ 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 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 7, 2018, 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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such 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. In connection with our audit, we did not have any such findings.

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.

Enterprise, Alabama

March 7, 2018

