

SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Robert McClure
Tax Collector
Santa Rosa County, Florida

We have audited the accompanying financial statements of the general fund and the tax fund of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Tax Collector's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the fund level financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Tax Collector, nor are they intended to be a complete presentation of the financial position and changes in financial position of Santa Rosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and tax fund of the Tax Collector as of September 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2005, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

O'Sullivan Creel, LLP

November 14, 2005

Santa Rosa County, Florida Tax Collector
BALANCE SHEET - GENERAL FUND
September 30, 2005

ASSETS

Cash	\$ 633,980
Total assets	<u>\$ 633,980</u>

LIABILITIES

Due to other governmental units	\$ 633,980
Total liabilities	<u>633,980</u>

FUND BALANCE

Fund balance	<u> --</u>
Total liabilities and fund balance	<u>\$ 633,980</u>

**Santa Rosa County, Florida Tax Collector
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
GENERAL FUND
For the year ended September 30, 2005**

REVENUES

Charges for services	\$ 2,715,427
Miscellaneous	21,835
Total revenues	<u>2,737,262</u>

EXPENDITURES

Current:	
General government:	
Personal services	1,598,941
Operating	461,967
Capital outlay	48,629
Total expenditures	<u>2,109,537</u>

Excess (deficiency) of revenues over expenditures	627,725
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OTHER FINANCING SOURCES (USES)

Excess fees	<u>(627,725)</u>
Total other financing sources (uses)	<u>(627,725)</u>

Net change in fund balance	--
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FUND BALANCE, BEGINNING OF YEAR	<u>--</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ --</u></u>
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Santa Rosa County, Florida Tax Collector
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS -
TAX FUND
For the year ended September 30, 2005

ASSETS

Cash	\$ 2,586,935
Miscellaneous receivables	<u>39,603</u>
Total assets	2,626,538

LIABILITIES

Deposits	76,451
Due to other governmental units	2,500,830
Miscellaneous	<u>49,257</u>
Total liabilities	2,626,538

NET ASSETS

Net Assets	<u><u>\$ --</u></u>
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**Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2005**

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows.

1. Reporting Entity

The Office of the Tax Collector of Santa Rosa County, Florida (the Tax Collector), as established by Article VIII, Section 1(d), of the Constitution of the State of Florida, is an elected official of Santa Rosa County, Florida (the County). Although the Tax Collector is operationally autonomous from the Santa Rosa County Board of County Commissioners, it does not hold sufficient corporate powers to be considered a legally separate entity for financial reporting purposes. Therefore, the Tax Collector is considered part of Santa Rosa County, Florida's primary government for external financial reporting purposes.

These *special purpose financial statements* of the Tax Collector are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida taken as a whole. 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 34, and do not include presentations of government-wide financial statements of the Tax Collector.

2. Fund Accounting

The accounting system of the Tax Collector is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The funds utilized by the Tax Collector are as follows:

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination).

**Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2005**

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

General Fund - the general fund of the Tax Collector is used to account for all financial resources which are generated from operations of the office and any other resources not required to be accounted for in another fund.

Fiduciary Funds

The Tax Collector's sole fiduciary fund is an agency fund (the Tax Fund). Agency funds are used to account for assets held in a custodial capacity for others. Assets equal liabilities in agency funds and results of operations are not measured. The Tax Fund is used to account for receipts of various types of taxes, licenses, and fees collected on behalf of state, county, and municipal governmental agencies.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. The revenues are recognized when they become both measurable and available as net current assets. The Tax Collector considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred. Agency funds use the accrual basis of accounting.

4. Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased.

5. Accounting for Capital Assets

Capital assets (vehicles, equipment, and other tangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures at the time of purchase. These assets are capitalized at cost and accounted for in the Board of County Commissioners' government-wide financial statements.

**Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2005**

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

6. Budgets and Budgetary Accounting

The Tax Collector establishes an annual budget pursuant to Section 195.087, Florida Statutes. The budget is submitted to the Florida Department of Revenue for approval. A copy is provided to the Board of County Commissioners and is incorporated into the overall county budget. The Tax Collector's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the fund level.

7. Compensated Absences

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Santa Rosa County government-wide financial statements. For the governmental fund statements, expenditures are recognized when payments are made to employees.

8. Excess Revenue

In accordance with Section 218.36, Florida Statutes, excess revenue is remitted proportionately to the various taxing districts at fiscal year-end.

NOTE B - CASH AND INVESTMENTS

The Tax Collector's deposits at year-end are reported at cost and were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

Florida Statutes authorize the Tax Collector to invest in obligations of the U.S. Treasury and interest bearing time deposits or savings accounts in banks participating in the multiple financial institution collateral pool.

**Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2005**

NOTE C - LONG-TERM DEBT -- COMPENSATED ABSENCES

Disclosures required by Chapter 10.557(3) (i), Rules of the Auditor General State of Florida related to long-term debt are as follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>
Compensated absences	\$ <u>171,793</u>	\$ <u>124,207</u>	\$ <u>127,148</u>	\$ <u>168,852</u>

Compensated absences are paid by the General Fund.

NOTE D - INTERFUND BALANCES

Interfund balances primarily relate to the payment of commissions (generally based upon statutory rates) earned by the Tax Collector for processing and handling various transactions occurring in the Tax Fund. These interfund balances are typically liquidated on a monthly basis.

NOTE E - RETIREMENT PLAN

Participation - Employees of the Tax Collector’s office participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon rates established by the State of Florida. During 2005, the Tax Collector contributed an average of 7.50% of each qualified regular employee’s gross salary, 15.23% of the elected official’s salary, 9.64% of each senior manager’s salary, and 9.17% of each DROP participant’s salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$111,458, \$100,304, and \$78,131 for the years ended September 30, 2005, 2004, and 2003, respectively.

Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2005

NOTE E - RETIREMENT PLAN -- (Continued)

Benefit Provisions - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Financial Report of the Plan - The Florida Retirement System issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

NOTE F - OPERATING LEASES

The Tax Collector has an operating lease agreement for the rental of the Gulf Breeze branch office. The Pace branch office lease expired during the year ended September 30, 2003 and the facility is rented on a month-to-month basis. The Gulf Breeze lease expires in February 2006, and future minimum lease payments under this non-cancelable operating lease are \$8,141.

Rental expense for the offices for the year-ended September 30, 2005 was \$20,486.

Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2005

NOTE G - RISK MANAGEMENT

The Tax Collector is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board of County Commissioners has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the County is self-insured with respect to the following exposures:

- Workers Compensation
- Auto Physical Damage
- Auto Liability
- Construction and Road Equipment

The County is covered by outside insurance for the following exposures:

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

Conventional insurance remains in effect for buildings and their contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage. The Tax Collector participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

REQUIRED SUPPLEMENTARY INFORMATION

**Santa Rosa County, Florida Tax Collector
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL ·
GENERAL FUND
For the year ended September 30, 2005**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services	\$ 2,666,000	\$ 2,666,000	\$ 2,715,427	\$ 49,427
Miscellaneous	12,000	12,000	21,835	9,835
Total revenues	<u>2,678,000</u>	<u>2,678,000</u>	<u>2,737,262</u>	<u>59,262</u>
EXPENDITURES				
Current:				
General government:				
Personal services	1,614,302	1,598,946	1,598,941	5
Operating	408,890	461,974	461,967	7
Capital outlay	42,250	48,629	48,629	--
Total expenditures	<u>2,065,442</u>	<u>2,109,549</u>	<u>2,109,537</u>	<u>12</u>
Excess (deficiency) of revenues over expenditures	612,558	568,451	627,725	59,274
OTHER FINANCING SOURCES (USES)				
Excess fees	<u>(612,558)</u>	<u>(568,451)</u>	<u>(627,725)</u>	<u>(59,274)</u>
Total other financing sources (uses)	<u>(612,558)</u>	<u>(568,451)</u>	<u>(627,725)</u>	<u>(59,274)</u>
Net change in fund balance	--	--	--	--
FUND BALANCE, BEGINNING OF YEAR	--	--	--	--
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Honorable Robert McClure
Tax Collector
Santa Rosa County, Florida

We have audited the financial statements of the general fund and the tax fund of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2005, and have issued our report thereon dated November 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tax Collector's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

In November, 2005, we were advised that the Tax Collector and State Attorney's office had initiated an investigation regarding suspected theft of an undetermined amount of money from the Tax Collector's office by a supervisory level employee. The investigation has not been completed. Until the investigation is completed and more information is known, we are unable to conclude upon any findings or recommendations that might pertain to the year ended September 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

However, we noted other matters involving the internal control over financial reporting and compliance that we have reported to management of the Tax Collector in a separate letter dated November 14, 2005, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Tax Collector, management and appropriate governmental agencies and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

November 14, 2005



MANAGEMENT LETTER

Honorable Robert McClure
Tax Collector
Santa Rosa County, Florida

We have audited the financial statements of the general fund and the fiduciary fund information of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2005, and have issued our report thereon dated November 14, 2005.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated November 14, 2005. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554 (1) (h) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The recommendation made in the preceding annual financial audit report has been implemented.

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 2.) we determined that the Tax Collector is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

The Rules of the Auditor General (Section 10.554 (1) (h) 3.) require that we comment as to whether or not there were any recommendations made to improve the Tax Collector's financial management, accounting procedures, and internal controls. We are submitting for consideration the recommendations described in Attachment A, as required by the Rules of the Auditor General (Section 10.554(1) (h) 3.).

The Rules of the Auditor General (Sections 10.554 (1) (h) 4.) require disclosure in the management letter of matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations, and contractual provisions that have occurred or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions, including but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. We are submitting for consideration the recommendations described in Attachment A, as required by the Rules of the Auditor General (Section 10.554(1) (h) 4.).

This management letter is intended solely for the information and use of the Tax Collector, management and appropriate governmental agencies and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

November 14, 2005

Santa Rosa County, Florida Tax Collector
CURRENT YEAR RECOMMENDATIONS AND RESPONSES (Attachment A)
For the year ended September 30, 2005

2005-1 CREDIT CARD PAYMENT SYSTEM

Finding - The Tax Collector utilizes a credit card payment system wherein all payments are channeled through a service provider. We noted there is no procedure in place to require regular reconciliation of the actual payments received from the service provider to internal revenue reports.

Recommendation - We recommend the Tax Collector institute procedures requiring regular reconciliation of internal revenue reports to amounts actually received from the credit card provider. This will help insure the Tax Collector's office receives all payments due and that a timely investigation can be instituted for any variances in amounts recorded as revenue and amounts remitted by the service provider.

Response of Management - In order to insure the Tax Collector's office receives all payments due from the credit card service provider, a monthly reconciliation will be performed between the internal revenue reports and amounts deposited to the Tax Collector's bank account by the credit card service provider. Any variances will be investigated in a timely manner.

2005-2 TAX COLLECTOR COMMISSION CALCULATION

Finding - Under Florida Statute 192.091 tax collectors shall be entitled to receive, upon the amount of county real property taxes collected and remitted, percentage commissions based upon a sliding scale for collections on the first \$50 million of assessed value with commissions of 2 percent on the balance. Due to incorrect programming of the tax collection software and the inability of the software to adjust the calculations, commissions earned were overstated by approximately \$32,000 resulting in an understatement of tax distributions to the Board of County Commissioners. The amounts due the Board were ultimately received as a part of the excess fees calculation at year-end. Although the correct amounts were returned to the Board in total, the miscalculation delays the payment in the amount of the variance by approximately eleven months.

Recommendation - We recommend the Tax Collector verify the tax collection software is properly calculating commissions by performing a manual recalculation. If the computer calculation is incorrect, the Tax Collector should override the computer calculation and retain commissions earned on the first \$50 million of assessed value in accordance with Florida Statute 192.091.

Santa Rosa County, Florida Tax Collector
CURRENT YEAR RECOMMENDATIONS AND RESPONSES (Attachment A)
For the year ended September 30, 2005

Response of Management - The Tax Collector will verify that the tax collection software is properly calculating commissions by performing a manual recalculation. If the computer calculation is incorrect, the Tax Collector will override the computer calculation and retain commissions earned on the first \$50 million of assessed value in accordance with Florida Statute 192.091.

2005-3 TIMELY PAYMENTS OF EXCESS FEES

Finding - Florida Statute 218.36 requires each county officer to pay into the county general fund, by October 31 of each year, all money in excess of the sum to which he or she is entitled under the provisions of chapter 145. Payment for the year ended September 30, 2005 was made several days after October 31, 2005.

Recommendation - We recommend the Tax Collector pay excess fees by October 31 of each year.

Response of Management - The Tax Collector will remit excess fees to the county general fund by October 31 of each year.