

Wakulla County Board of County Commissioners and Clerk of the Courts & Comptroller Internal Audit Report Connection Fees and Non-Ad Valorem Tax Assessments

March 2025

Internal Audit (IA) completed an audit of the connection fee and non-ad valorem tax process. This audit focused on process flows between various departments and constitutional offices rather than any specific department. Connection fees, commonly referred to as access fees, are paid when a parcel or home is to be connected to Wakulla County's (County) sewer system. Non-ad valorem tax assessments include payments for fire services, solid waste collection, and special assessments that are for the benefit of a specific area and/or service.

To audit the connection fees, IA calculated the fees for homes connected to the sewer system as part of the expansion project. These homes were located in the Wakulla Gardens and Magnolia Gardens subdivisions. Additionally, samples were selected from Certificate of Occupancies (COs) issued by the Building Department (Building) between 2022 and 2024. There were 30 samples selected to be evaluated on connection status and sewer related payments. They included 20 COs that specified they were on sewer and 10 that specified they were on septic.

The non-ad valorem taxes that were part of this audit included the fire and solid waste payments for new construction and a special assessment for three subdivisions. The fire and solid waste assessments were evaluated using the 30 samples selected from the COs mentioned above. The special assessment was for broadband internet installation for Elm Ridge, Sweetwater Ridge, and The Parks. Sec. 15.027 of the County's code of ordinances covers voluntary assessments requirements. During the audit these three neighborhoods were evaluated for the process and payment of the assessment.

Observations

Connection Fees

During Phase 1 through Phase 3 of the sewer expansion in Magnolia Gardens and Wakulla Gardens a total of 960 homes were connected to the County's sewer system. The connection fee was \$3,850 for the first two phases and increased to \$4,050 prior to Phase 3. A total of \$3,783,200 in connection fees was waived. A breakdown of these amounts is shown in the chart below.

Phase	Subdivision	Homes Connected	Rate	Total Connection Fees
Phase 1	Magnolia Gardens	149	\$3,850	\$573,650
Phase 2	Magnolia Gardens	102	\$3,850	\$392,700
Phase 3	Magnolia Gardens	185	\$4,050	\$749,250
Phase 1	Wakulla Gardens	47	\$3,850	\$180,950
Phase 2	Wakulla Gardens	226	\$3,850	\$870,100
Phase 3	Wakulla Gardens	251	\$4,050	\$1,016,550
		960		\$3,783,200

Phase 4 of the project is currently in progress and the remaining phases are expected to begin in the spring of 2025. Notices have been sent to all of these homes and the required public meetings have been held. An estimated 529 homes will be included in the remaining phases, resulting in \$2,142,450 in waived connection fees. Residents of Magnolia Gardens and Wakulla Gardens do not pay anything out of pocket for the connection but are required to set-up a sewer account which includes paying a deposit and an account set-up fee. The deposit is currently \$110 and the set-up fee is \$25. After this they begin paying for sewer each month, which is \$40.02 for the first 2,000 gallons and \$6.01 per 1,000 gallons over 2,000. In April 2025, these rates will increase to \$41.02 and \$6.16, respectively.

Phase	Subdivision	Expected Number of Homes	Rate	Total Connection Fees
Phase 4	Magnolia Gardens	67	\$4,050	\$271,350
Phase 4	Wakulla Gardens	227	\$4,050	\$919,350
Phase 5	Wakulla Gardens	108	\$4,050	\$437,400
Phase 6	Wakulla Gardens	87	\$4,050	\$352,350
Phase 7	Wakulla Gardens	40	\$4,050	\$162,000
		529		\$2,142,450

According to Sec. 31.038 of the County's code of ordinances, the connection fee offsets the burden on the existing system by funding necessary improvements for new users. Per 31.038 all new connections require the payment of the fee which is set by the Board of County Commissioners (BOCC). The current fee for connection and all other sewer rates and fees were approved by the BOCC in Resolution 2021-78 on December 13, 2021 based on the Wastewater Revenue Sufficiency and Access Fee Study conducted in that same year.

The purpose of this study was to ensure connection revenue would be sufficient to cover the future expansion without putting the burden on existing customers, sewer revenue would meet the maintenance of continued service, and debt requirements related to the sewer system could be met. Sec 31.026 authorizes the BOCC to waive portions or all of the fees and charges it deems appropriate when expanding the sewer system.

However, the loan resolution, RUS Bulletin 1780-27 number 10, of the sewer bond that the County received through the United States Department of Agriculture (USDA) to fund the sewer expansion states that the County must ensure revenues are sufficient to meet debt service, operations, maintenance, and reserves. The resolution also explicitly states that no free service or use of the facility will be permitted.

The County had a grant from Northwest Florida Water Management District (NFWFMD) for Phases 1 and 2 that was supposed to cover the connection fee. In section 1.D. of the grant agreement NFWFMD agreed to provide funds for the "payment of County capacity and connection fees associated with the PROJECTS and the anticipated customer connections." When the County requested reimbursement for the connection fees NFWFMD denied the request. At that point the County waived the fees completely.

NWFWMD's decision to not reimburse the County created the issue causing the County to appear to be out of compliance with the USDA bond. A meeting took place between the County Administrator, County Director of Fiscal Operations, Clerk of the Court, Clerk Finance Director, Area Specialist for Rural Development-USDA, and Technical Assistance Provider from Southeast Rural Community Assistance Project (SRCAP) in 2021 to discuss the matter. The Clerk's Office expressed their concern on the matter but the representatives from USDA and SRCAP believed it was not intended to mean connection fees, only monthly sewer service revenue. They did not believe USDA needed to approve any connection fee waiver. The Clerk's Office agreed to complete the requested journal entry after that meeting.

However, there was no documentation in the journal entry to remove the connection fees from the accounting software (MIP) showing BOCC approval, as required by County ordinance. Additionally, a review of BOCC meeting agendas around the time of the waiver did not return any evidence that the request was formally presented to the BOCC requesting approval.

Sections 5.14 and 5.16 of the bond also require that the County "will not render, or cause to be rendered, any free services of any nature by its System or any part thereof, nor will any preferential rates be established for users of the same class...The Issuer shall compel the prompt payment of rates, fees and charges imposed for service rendered on every lot or parcel connected with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the Issuer having to do with sewer and water connections and charges." The sewer rate audit completed by IA in 2023 found that sewer collections by the City of Sopchoppy and Panacea Area Water Systems did not change in April 2022, as set by the County's Resolution 2021-78, which may violate this section. Additionally, at that time deposits and usage were not being collected from builders which resulted in free service for customers on Talquin water. These issues were resolved after the audit was complete.

The samples selected from the COs issued by Building were examined to confirm that each CO that was tied to a permit for sewer paid the connection fee. The samples that were tied to a permit for septic were examined to confirm that sewer was not available for the location. Florida law and County ordinance requires a connection to sewer if it is available. All 20 samples under the sewer category with Building had documentation of the connection fee being paid to the Revenue Collections Department (Revenue Collections). Each permit under the septic category did not have sewer available when the CO was issued. One of the 10 had sewer connected as part of the sewer expansion project later.

The sewer billing was reviewed for the sewer samples. Two of the 21 samples that were connected to sewer did not have a builder deposit or usage billed but both of these samples were from 2022, prior to the sewer rate audit report being issued. Two samples had usage tied to the meter prior to when billing began. These amounts combined for less than \$200 in revenue and appear to be related to the timing of the audit report as well. All recent samples were properly charged for the deposit, account set-up fee, and usage for both the builder and the owner that purchased the property. It appears that Revenue Collections has taken the corrective action that was part of the management response to

that audit.

Non-ad Valorem Taxes

All 30 samples were reviewed for the fire and solid waste assessments that are charged by Building when the CO is issued. Building uses a spreadsheet they indicated was created by the Clerk of the Court's Finance Department (Finance) to determine the amount to charge for each of these assessments based on the month the CO is issued. The County Director of Fiscal Operations updates the spreadsheet when the assessment amounts change. COs issued between January and September each year pay for the number of months remaining in that fiscal year plus the 12 months of the next fiscal year, which begins in October. This is done because only COs issued prior to the end of the calendar year are added to the tax roll for the next fiscal year.

The amount the samples should have paid was recalculated by IA based on the actual assessment amounts that were approved by the BOCC. The calculated assessments were compared to the actual charges. In years without assessment changes, the billed amounts matched. However, the years that had an increase in the assessment did not match. The assessment is approved by the BOCC at the end of each fiscal year and tax bills are mailed out by the Tax Collector (TC) to the properties that are on the tax roll provided by the Property Appraiser (PA).

The spreadsheet used by Building is based on the information available and the current rate when the COs are issued. If the assessments increase during the annual budget process, those properties that pay at the time of CO issuance ahead of the next fiscal year instead of through the tax roll are paying less than property owners on the tax roll. Properties issued COs between January 2022 and September 2022 paid \$3 less for fire and \$4 less for solid waste because they paid in advance of the assessment increase. This was 327 properties for fire or \$981 and 323 properties for solid waste or \$1,292. Because the increases were only slight the revenue not received was minimal. For the COs issued between January 2023 and September 2023 there was no change in the assessment amount for solid waste so the amount charged matched the tax roll. Fire increased by \$96 so the 355 properties totaled \$34,080 in revenue not received. It should be noted this is not an error or mistake on anyone's part, but the County is missing out on revenue because of how the process works.

The second part to the non-ad valorem taxes was special assessments. County code of ordinances outlines the process that needs to be followed. This process was documented by Revenue Collections. Details can also be found on the County's website of the public hearings and notices. All necessary steps were followed. Property owners were given an option to prepay the full amount or have the assessment split over five years on their tax bill. An issue was identified that a property owner who prepaid the special assessment in September 2022 also paid the first installment with their 2022 tax bill. A refund for the overpayment identified by this audit is currently being processed.

The special assessment process involves Revenue Collections, County Administration, the PA, the TC, and Finance. All of these departments and constitutional offices work together to ensure everything is taken care of properly. These assessments involve

approximately 200 properties. Finance is tracking the payments for finance reporting purposes. The TC tracks payments received and sells tax certificates for delinquent taxes as part of the normal process. However, there is currently no record being kept on the County side of the special assessments beyond the prepayment period.

Recommendations

Connection Fees

Based on the meeting in 2021, there is no recommendation for the USDA bond. Keeping track of the intended waived amount should be done to present to the BOCC for official approval based on County ordinance. If the BOCC approved the fee waiver that already occurred, the corresponding documentation should be added to the journal entry to ensure proper record-keeping and compliance with the ordinance.

Fire and Solid Waste

To ensure all property owners are paying their share of fire and solid waste as approved by the BOCC it is recommended that a department be designated to bill for any increases to these taxes when it makes financial sense to do so. If the cost of postage and labor exceeds the additional revenue generated from billing, the process may not be cost-effective for taxpayers. However, when the benefit is greater than the cost it is recommended that billing is done.

Special Assessments

Overall, this process seems to be working well. It is recommended that someone be clearly tasked on the County side with overseeing the total collections. When all funds are collected the remaining amount in each fund can be transferred out to the interest and fee portion that was part of the payment calculation. Finance should continue to track all special assessment payments to prevent errors, ensure timely fund transfers, and keep accurate records for financial reporting purposes. Reconciliation can be done between the County and Finance similarly to all other financial transactions as part of Finance's audit and accounting role.

Management Response

County management responded that they have been tracking all waived access fees and funding from Florida Department of Environmental Protection for the Waste Water Treatment Plant additional capacity construction. Documentation was provided showing justification for the waiving of the fees because the system will be better financially as a result. It was stated that staff have discussed the waiving of fees with commissioners during commission meetings but that moving forward they will be adding to each agenda item requesting approval of any septic to sewer grant agreements that fees will be waived if applicable.

The response from Finance is attached below.



Greg James, CFCC
Clerk of Courts & Comptroller
Wakulla County

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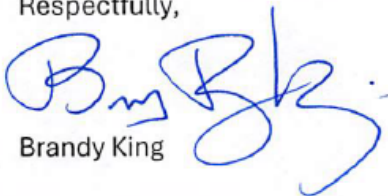
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To: Katrina Cromwell, Internal Auditor
From: Brandy King, Finance Director
CC: Greg James, Clerk of Courts & Comptroller
Date: April 14, 2025
Re: Connection Fees and Non-Ad Valorem Tax Assessments

In response to the Connection Fees and Non-Ad Valorem Tax Assessments Audit Review dated March 2025, Finance agrees with the observations of the Internal Auditor. Finance will continue to track all special assessment payments to prevent errors, ensure timely fund transfers, and keep accurate records for financial reporting purposes, and share that information with the County department that is designated to oversee the total collections.

Thank you for bringing my attention to these issues.

Respectfully,


Brandy King

End of Report