

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL REPORTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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HIGHLANDS COUNTY, FLORIDA  
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HIGHLANDS COUNTY, FLORIDA  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Robert W. Germaine  
Clerk of Courts  
Highlands County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Clerk of Courts of Highlands County, Florida (the Clerk) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Clerk's basic 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

The Honorable Robert W. Germaine  
Clerk of Courts  
Highlands County, Florida

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Clerk as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and budgetary comparisons for the General Fund and Court Services 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 financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the state of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and the aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Highlands County, Florida that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of Highlands 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 this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clerk's basic financial statements. The combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining 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 statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Robert W. Germaine  
Clerk of Courts  
Highlands County, Florida

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of the Clerk'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 solely 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 effectiveness of the Clerk's 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 Clerk's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Sebring, Florida  
January 12, 2018

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	General	Court	Public Records Modernization Trust	Court Related Technology Modernization Trust	Court Services	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ -	\$ 62,149	\$ 39,999	\$ 7,434	\$ 8,465	\$ 2,563	\$ 120,610
Investments	-	-	152,117	126,764	76,058	-	354,939
Accounts Receivable	-	-	100	75	-	-	175
Due from Other Funds	-	114,885	55,527	-	-	-	170,412
Due from Constitutional Officers	168,243	-	-	-	-	-	168,243
Due from Other Governmental Units	-	60,176	-	-	24,402	-	84,578
Prepaid Items	560,475	2,134	-	16,494	3,953	-	583,056
<b>Total Assets</b>	<b>\$ 728,718</b>	<b>\$ 239,344</b>	<b>\$ 247,743</b>	<b>\$ 150,767</b>	<b>\$ 112,878</b>	<b>\$ 2,563</b>	<b>\$ 1,482,013</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Vouchers Payable	\$ 51,872	\$ 1,465	\$ 9,100	\$ 72	\$ 12,127	\$ 51	\$ 74,687
Due to Other Funds	571,578	-	-	-	-	-	571,578
Due to Other Governmental Units	5,495	-	-	-	75,421	-	80,916
Due to Others	-	119,750	-	-	-	-	119,750
Due to Constitutional Officers	50,483	114,884	-	-	-	-	165,367
Accrued Payroll and Related Liabilities	49,290	3,245	-	1,932	25,330	255	80,052
Unearned Revenue	-	-	-	-	4,749	-	4,749
<b>Total Liabilities</b>	<b>728,718</b>	<b>239,344</b>	<b>9,100</b>	<b>2,004</b>	<b>117,627</b>	<b>306</b>	<b>1,097,099</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue:							
Intergovernmental	-	-	-	-	23,518	-	23,518
<b>FUND BALANCES</b>							
Nonspendable	560,475	2,134	-	16,494	3,953	-	583,056
Restricted	-	-	238,643	132,269	-	2,257	373,169
Assigned	-	-	-	-	-	-	-
Unassigned	(560,475)	(2,134)	-	-	(32,220)	-	(594,829)
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>238,643</b>	<b>148,763</b>	<b>(28,267)</b>	<b>2,257</b>	<b>361,396</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 728,718</b>	<b>\$ 239,344</b>	<b>\$ 247,743</b>	<b>\$ 150,767</b>	<b>\$ 112,878</b>	<b>\$ 2,563</b>	<b>\$ 1,482,013</b>

See accompanying Notes to Financial Statements.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2017**

	General	Court	Public Records Modernization Trust	Court Related Technology Modernization Trust	Court Services	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
<b>Intergovernmental:</b>							
Appropriation from Board of County Commissioners	\$ 3,629,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,629,673
<b>Miscellaneous Revenues:</b>							
Recording Fees	-	-	47,807	137,022	-	-	184,829
Intergovernmental	-	324,840	-	-	391,356	-	716,196
Court Related Service Charge	-	-	-	-	987,293	13,752	1,001,045
Fines and Forfeitures	-	-	-	-	345,053	47,722	392,775
Interest Earnings	-	398	2,361	1,026	1,330	16	5,131
Other Miscellaneous Revenues	-	-	4,100	7,575	-	-	11,675
Total Revenues	<u>3,629,673</u>	<u>325,238</u>	<u>54,268</u>	<u>145,623</u>	<u>1,725,032</u>	<u>61,490</u>	<u>5,941,324</u>
<b>EXPENDITURES</b>							
<b>General Government:</b>							
Personal Services	2,561,861	-	-	-	-	-	2,561,861
Operating Expenditures	658,064	-	15,026	-	-	-	673,090
Capital Outlay	30,922	-	57,225	-	-	-	88,147
Total General Government	<u>3,250,847</u>	<u>-</u>	<u>72,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,323,098</u>
<b>Court Related:</b>							
Personal Services	266,241	186,410	-	134,900	1,583,733	18,800	2,190,084
Operating Expenditures	17,573	23,944	-	-	78,345	81,613	201,475
Capital Outlay	44,821	-	-	-	-	-	44,821
Total Court Related	<u>328,635</u>	<u>210,354</u>	<u>-</u>	<u>134,900</u>	<u>1,662,078</u>	<u>100,413</u>	<u>2,436,380</u>
Total Expenditures	<u>3,579,482</u>	<u>210,354</u>	<u>72,251</u>	<u>134,900</u>	<u>1,662,078</u>	<u>100,413</u>	<u>5,759,478</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>							
	50,191	114,884	(17,983)	10,723	62,954	(38,923)	181,846
<b>OTHER FINANCING USES</b>							
Unexpended Budget Balance Reverting to Board of County Commissioners	(50,191)	(114,884)	-	-	-	-	(165,075)
Distribution of Excess Fees to State of Florida	-	-	-	-	(18,015)	-	(18,015)
Total Other Financing Uses	<u>(50,191)</u>	<u>(114,884)</u>	<u>-</u>	<u>-</u>	<u>(18,015)</u>	<u>-</u>	<u>(183,090)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(17,983)	10,723	44,939	(38,923)	(1,244)
Fund Balance - October 1, 2016	-	-	256,626	138,040	(73,206)	41,180	362,640
<b>FUND BALANCE - SEPTEMBER 30, 2017</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,643</u>	<u>\$ 148,763</u>	<u>\$ (28,267)</u>	<u>\$ 2,257</u>	<u>\$ 361,396</u>

See accompanying Notes to Financial Statements.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2017**

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
Appropriation from Board of County Commissioners	\$ 3,639,673	\$ 3,639,673	\$ 3,629,673	\$ (10,000)
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Personal Services	2,511,827	2,561,861	2,561,861	-
Operating Expenditures	800,945	718,255	658,064	60,191
Capital Outlay	-	30,922	30,922	-
Total General Government	<u>3,312,772</u>	<u>3,311,038</u>	<u>3,250,847</u>	<u>60,191</u>
<b>Court Related:</b>				
Personal Services	267,485	266,241	266,241	-
Operating Expenditures	14,075	17,573	17,573	-
Capital Outlay	45,341	44,821	44,821	-
Total Court Related	<u>326,901</u>	<u>328,635</u>	<u>328,635</u>	<u>-</u>
Total Expenditures	<u>3,639,673</u>	<u>3,639,673</u>	<u>3,579,482</u>	<u>60,191</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	50,191	50,191
<b>OTHER FINANCING USES</b>				
Unexpended Budget Balance Reverting to Board of County Commissioners	-	-	<u>(50,191)</u>	<u>(50,191)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - October 1, 2016	-	-	-	-
<b>FUND BALANCE - SEPTEMBER 30, 2017</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
COURT SERVICES FUND  
YEAR ENDED SEPTEMBER 30, 2017**

	Budget		Actual	Variance -
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
<b>Miscellaneous Revenues:</b>				
Intergovernmental	\$ 212,588	\$ 212,588	\$ 391,356	\$ 178,768
Court Related Service Charge	1,008,600	1,008,600	987,293	(21,307)
Fines and Forfeitures	430,600	430,600	345,053	(85,547)
Interest Earnings	700	700	1,330	630
Total Revenues	1,652,488	1,652,488	1,725,032	72,544
<b>EXPENDITURES</b>				
<b>Court Related:</b>				
Personal Services	1,614,672	1,621,036	1,583,733	37,303
Operating Expenditures	164,316	78,345	78,345	-
Total Expenditures	1,778,988	1,699,381	1,662,078	37,303
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(126,500)	(46,893)	62,954	109,847
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	126,500	46,893	-	(46,893)
Distribution of Excess Fees to State of Florida	-	-	(18,015)	(18,015)
Total Other Financing Sources (Uses)	126,500	46,893	(18,015)	(64,908)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	44,939	44,939
Fund Balance - October 1, 2016	-	-	(73,206)	(73,206)
<b>FUND BALANCE - SEPTEMBER 30, 2017</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,267)</u>	<u>\$ (28,267)</u>

See accompanying Notes to Financial Statements.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2017**

	Internal Service Fund
	Compensated Absences
<b>ASSETS</b>	
Due from Other Funds	\$ 344,224
<b>LIABILITIES</b>	
Due to BOCC	300
Accrued Compensated Absences Payable	343,924
Total Liabilities	344,224
<b>NET POSITION</b>	
Unrestricted	\$ -

See accompanying Notes to Financial Statements.

**CLERK OF COURTS**  
**HIGHLANDS COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2017**

	<u>Internal Service Fund</u> <u>Compensated Absences</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 382,869
<b>OPERATING EXPENSES</b>	
Compensated Absences Expense	<u>384,212</u>
<b>OPERATING LOSS</b>	(1,343)
<b>NONOPERATING REVENUES</b>	
Net Change in Fair Value of Investments	<u>1,343</u>
<b>CHANGE IN NET POSITION</b>	-
Net Position - October 1, 2016	<u>-</u>
<b>NET POSITION - SEPTEMBER 30, 2017</b>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2017**

	Internal Service Fund
	Compensated Absences
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Charges for Services	\$ 382,869
Cash Paid to Employees for Services	(344,826)
Net Cash Provided by Operating Activities	38,043
<b>CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES</b>	
Advance to Other Funds	(192,108)
Transfer from Other Constitutional Officers	234
Net Cash Used by Noncapital Financing Activities	(191,874)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(1,514)
Sale of Investments	38,706
Investment Income	1,343
Net Cash Provided by Investing Activities	38,535
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(115,296)
Cash and Cash Equivalents - October 1, 2016	115,296
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2017</b>	\$ -
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (1,343)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Compensated Absences	39,386
Net Cash Provided by Operating Activities	\$ 38,043

See accompanying Notes to Financial Statements.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
SEPTEMBER 30, 2017**

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,084,709
Due from Other Funds	56,942
Due from Others	4
Due from Other Governmental Units	8,559
Total Assets	\$ 1,150,214
<b>LIABILITIES</b>	
Due to Others	\$ 496,811
Due to Other Governmental Units	221,559
Due to Constitutional Officers	56,941
Deposits	374,903
Total Liabilities	\$ 1,150,214

See accompanying Notes to Financial Statements.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Highlands County is a noncharter County established on April 23, 1921, under the laws of the state of Florida, Chapter 8513. The Clerk of Courts (Clerk) is one of six constitutional officers elected to serve within the County and receives a significant portion of its revenue from the Board of County Commissioners, Highlands County, Florida. The Clerk's financial statements include only the funds of the Clerk's office. There are no separate legal entities (component units) for which the Clerk is to be financially accountable.

The Clerk is elected every four years to serve as Clerk of the Circuit Court as well as the County Courts. In addition, the Clerk is the ex-officio Clerk to the Board of County Commissioners of Highlands County (Board). As Clerk to the Board, the Clerk is the auditor, recorder, and custodian of all County funds.

The Clerk is a budget officer in that noncourt functions of the Clerk are funded by revenues that are received from the Board in the form of an appropriation. The Clerk is required to submit to the Board excess revenues over expenditures as of September 30 of each year for the noncourt related budget.

Court related fees collected by the Clerk in carrying out his duties are used to fund the court functions of the Clerk of Courts. Excess fees are remitted per Sections 28.36 and 28.37, Florida Statutes.

The accompanying summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the financial statements. The following is a summary of the more significant policies:

**Basis of Presentation**

These financial statements have been prepared for the purpose of complying with Section 218.39(2), Florida Statutes, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, which allow the Clerk to only present fund financial statements. These financial statements present only the portion of the funds of Highlands County, Florida that are attributable to the Clerk. They are not intended to present fairly the financial position and results of operations of Highlands County, Florida in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Fund Accounting**

The accounts of the Clerk are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

The purpose of the Clerk's various funds is as follows:

**Major Governmental Funds**

**General Fund** – The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Clerk of the Courts that are not required either legally or by GAAP to be accounted for in another fund.

**Court Fund** – The Court Fund is a special revenue fund used to account for the Child Support Enforcement grant activity, which is restricted by the grantor, and bond estreature activity.

**Public Records Modernization Trust Fund** – The Public Records Modernization Trust Fund is a special revenue fund used to account for the additional service charges on recorded instruments used exclusively for modernizing the official recordkeeping systems in the Clerk's office per Section 28.24(12)(d), Florida Statutes.

**Court Related Technology Modernization Trust Fund** – The Court Related Technology Modernization Trust Fund is a special revenue fund used to account for the recording fees used exclusively to fund court related technology information needs for the Clerk of Courts per Section 28.24(12)(e), Florida Statutes.

**Court Services Fund** – The Court Services Fund is a special revenue fund used to account for court-related filing fees, service charges, fines, court costs, appropriations and expenses of the Clerk as mandated by Section 28.35, Florida Statutes.

**Nonmajor Governmental Funds**

**Teen Court Fund** – The Teen Court Fund is a special revenue fund used to account for assessment of mandatory court costs for the operation and administration of the Highlands County Court Program per Section 938.19, Florida Statutes.

**Court Operations Modernization Trust Fund** – The Court Operations Modernization Trust Fund is a special revenue fund used to account for retainage of 10% of all court-related fines collected by the Clerk to be used exclusively for additional Clerk court-related operational needs and program enhancements per Section 28.37(5), Florida Statutes.

**Proprietary Fund**

**Internal Service Fund** – The Internal Service Fund is used to account for the accumulation of funded compensated absences.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Fiduciary Funds**

**Agency Funds** – Agency Funds are used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Capital Assets**

All capital assets purchased, which include equipment and intangible software, are recorded as expenditures in the governmental funds at the time of purchase. The Board holds legal title for the capital assets used in the operation of the Clerk and is accountable for them under Florida Law. The Clerk notifies the Board of capital assets purchased and the original cost is recorded in the capital asset records of Highlands County as a whole. The Clerk may not dispose of any capital assets in his custody. The Clerk is to notify the Board of any unused or obsolete assets and it is the Board's responsibility to dispose of these assets in accordance with the various Florida Statutes.

**Measurement Focus**

**Governmental Funds** – Governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported unassigned fund balances (net current assets) are considered a measure of "available, spendable or appropriable resources." Governmental Funds operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Proprietary Fund** – The Internal Service Fund is accounted for on a cost of services measurement focus which is referred to as a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included in the statement of net position. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net position.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenue is recognized when it becomes measurable and available as net current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Clerk considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

The accrual basis of accounting is utilized by the fiduciary funds and proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Budgets and Budgetary Data**

The following are the procedures followed in establishing the budget for the Clerk's office.

The Clerk is required to prepare two budgets. One budget relates to the Clerk's court related functions and is filed with the Clerks of Court Operations Corporation (CCOC). The other budget relates to the requirement of the Clerk as Clerk to the Board and is filed with the Board.

**Clerk to the Board Budget**

1. On or before June 1 of each year, the Clerk submits to the Board a tentative budget for the ensuing fiscal year.
2. Within 15 days after certification of the ad valorem tax roll by the Property Appraiser, the County Budget Officer submits to the Board a proposed county-wide operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
3. By board resolution, a tentative budget is submitted to the public. Public hearings are held to obtain taxpayers' comments.
4. Within 20 days after adoption of the tentative budget, a final budget is submitted for review and adoption at a final public hearing.
5. Prior to, or on, September 30, the County's operating budget is legally enacted through passage of a resolution.
6. The Clerk receives his budgeted revenues from the Board in monthly installments beginning in October.
7. Section 129.07, Florida Statutes, provides that only expenditures in excess of total fund budgets are unlawful. However, because the Clerk acts on all budget changes between departments, this becomes the level of control.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
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SEPTEMBER 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Data (Continued)**

**Clerk to the Board Budget (Continued)**

8. Formal budgetary integration is employed as a management control device during the year for all Governmental Funds.
9. Annual appropriated budgets for the General Fund and Court Services Fund are adopted on a basis consistent with GAAP.
10. All appropriations lapse at the close of the fiscal year.
11. The Court Fund, Public Records Modernization Trust Fund, Court Related Technology Modernization Trust Fund, Court Operations Modernization Trust Fund and Teen Court Fund are not legally required to have budgets.

**Cash and Cash Equivalents**

Cash and cash equivalents are cash on hand as well as demand deposits and investments with original maturities of three months or less from the date of acquisition.

**Investments**

The Clerk invests surplus public funds in accordance with Section 218.415, Florida Statutes. Investments in the current year are held in certificates of deposits.

**Compensated Absences**

Employees of the Clerk earn paid-time-off in varying amounts. Upon retirement, death, resignation, or separation in good standing, employees are eligible to receive payment, at their current rates of pay, up to 100% of accumulated paid-time-off based on years of service. However, employees having less than one year of service will not be paid for any accumulated paid time off. Employees of the Clerk are limited to no more than 400 hours of paid-time-off carryover at year-end.

In governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. Paid-time-off for the Clerk's employees have been fully funded and are recorded as expenditures in the governmental funds.

**Fund Balance**

The classifications of fund balances are described as follows:

**Nonspendable Fund Balance** – Amounts that cannot be spent because they are either not in spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

**Restricted Fund Balance** – Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The Clerk is reporting restricted fund balances in the Public Records Modernization Trust Fund, Court Related Technology Modernization Trust Fund, and Teen Court Fund.

**Committed Fund Balance** – Amounts that can be spent only for specific purposes determined by a formal action of the Clerk’s highest level of decision-making authority.

**Assigned Fund Balance** – Amounts the Clerk intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

**Unassigned Fund Balance** – Amounts that are available for any purpose; these amounts can be reported only in the Clerk’s General Fund. Unassigned fund balance may also include a negative balance for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

When both restricted and unrestricted resources are available for use, it is the Clerk’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. The Board adopted a fund balance policy for the county as a whole. The Clerk does not have a separate fund balance policy.

**Unexpended Budget Balance Reverting to Board of County Commissioners**

Section 218.36(2), Florida Statutes, requires that any excess of revenues over expenditures in the General Fund held by the Clerk at the end of each fiscal year for noncourt functions shall be remitted to the Board. Therefore, the excess of revenues over expenditures in the General Fund and Court Fund at the end of each fiscal year is reflected as unexpended budget balance reverting to the Board on the statement of revenues, expenditures and changes in fund balance, and the related liability is included in due to constitutional officers.

**Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
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SEPTEMBER 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Post Employment Benefit Obligations**

Other postemployment benefit obligations are reported in conformity with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. The Clerk's employees are included as part of the Other Postemployment Health Benefits Plan (OPEB plan) administered by the Board and the Constitutional Officers of the County. The OPEB plan currently covers certain eligible retirees of the Board and the Constitutional Officers of the County. Retirees participating in the group insurance plans offered by the County are required to contribute 100% of the active premiums. Accounting for OPEB under GASB No. 45 results in the County reporting a significant actuarially-based liability for benefits.

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

At September 30, 2017, the Clerk's deposits consisted of the following:

Deposits	\$ 486,593
Certificates of Deposit	354,939
Total	<u>\$ 841,532</u>

The entire amount of the demand deposits is deposited in a state of Florida qualified depository and, therefore, is fully collateralized.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Clerk's monies must be deposited in banks designated as qualified public depositories by the Chief Financial Officer, Florida Department of Financial Services. Therefore, the Clerk's total deposits are insured by the Federal Depository Insurance Corporation and collateralized by the Bureau of Collateral Management, Division of Treasury, Florida Department of Financial Services. The law requires the Chief Financial Officer to ensure that funds are entirely collateralized throughout the fiscal year.

Collateral is provided for demand deposits through the Florida Security for Public Deposits Act. This law establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under this law, the qualified public depository must pledge at least 25% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance.

Additional collateral, up to a maximum of 150%, may be required if deemed necessary under the conditions set forth in this law. Eligible collateral consists of obligations of the United States and its agencies and obligations of states and their local political subdivisions and unaffiliated corporations.

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HIGHLANDS COUNTY, FLORIDA  
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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

Obligations pledged to secure deposits must be delivered to the Department of Financial Services or, with the approval of the Chief Financial Officer, to a bank, savings association or trust company provided a power of attorney is delivered to the Chief Financial Officer. On a monthly basis, the Chief Financial Officer determines that the collateral has a market value adequate to cover the deposits under the provisions of this law.

The Clerk invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration, under the regulatory oversight of the state of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2017, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three-month LIBOR rates. These investments represented 31.1% of Florida PRIME's portfolio at September 30, 2017.

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, as a cash equivalent.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Clerk's investment policy limits the maximum duration of the overall portfolio to one year.

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2017 was 51 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2017 was 80 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Clerk's investment policy limits investments to specified credit ratings for authorized investments. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's.

On September 30, 2017, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

**CLERK OF COURTS  
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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**Credit Risk (Continued)**

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48-hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

A reconciliation to amounts shown on the balance sheet, statement of net position, and statement of fiduciary net position is as follows:

Deposits and Certificates of Deposit	\$ 841,532
Petty Cash and Change in Funds	7,300
Florida PRIME	711,426
Total	<u>\$ 1,560,258</u>
Balance Sheet:	
Cash and Cash Equivalents	\$ 120,610
Investments	354,939
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	1,084,709
Total Cash, Cash Equivalents, and Investments	<u>\$ 1,560,258</u>

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
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**NOTE 3 PERSONNEL COMMITMENTS**

Employees of the Clerk earn paid-time-off in varying amounts. In the event of retirement or termination of employment, an employee is paid for a portion of paid-time-off credits unused.

The following shows the change in compensated absences for the fiscal year ended September 30, 2017:

Accrued Compensated Absences - September 30, 2016	\$ 304,538
Leave Earned by Employees	384,212
Payments to Employees	<u>(344,826)</u>
Accrued Compensated Absences - September 30, 2017	<u><u>\$ 343,924</u></u>

**NOTE 4 PENSION PLANS**

**Background**

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Clerk are eligible to enroll as members of the state-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**Florida Retirement System Pension Plan**

**Plan Description**

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to four years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**CLERK OF COURTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**Benefits Provided**

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Detailed information about the County's proportionate share of FRS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

**Retiree Health Insurance Subsidy Program**

**Plan Description**

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided**

For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Detailed information about the County's proportionate share of HIS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

**CLERK OF COURTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**FRS Investment Plan**

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the state of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Clerk employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Clerk.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

**CLERK OF COURTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**Contributions**

Participating employer contributions are based upon statewide rates established by the state of Florida. The Clerk's contributions made to the plans during the years ended September 30, 2017, 2016, and 2015 were \$396,956, \$412,144, and \$421,528, respectively, equal to the actuarially determined contribution requirements for each year.

Additional information about pension plans can be found in the County's comprehensive annual financial report.

**NOTE 5 RELATED PARTY TRANSACTION**

Transactions with the Board and the Constitutional Officers of Highlands County, Florida, for the year ended September 30, 2017 were as follows:

**Budget Appropriation**

The General Fund of the Clerk received payments from the Board in the amount of \$3,629,673 for the year ended September 30, 2017. The amounts payable to the Board at September 30, 2017 for excess fees and other items were \$50,483.

**Court Fund**

The Board provides certain indirect costs for Child Support Enforcement Grant activities. The excess of revenues over expenditures is remitted to the Board at fiscal year-end. Those amounts payable to the Board at September 30, 2017 for excess fees were \$114,884.

**Various Services**

The Board provides various services to the Clerk. The charges for these services for the fiscal year ended September 30, 2017 amounted to \$509,979.

The Clerk provides information technology support, communication and freight services, and other miscellaneous services to the Board. The Clerk received \$990,484 for these services for the fiscal year ended September 30, 2017.

The Clerk provides miscellaneous services to the Sheriff's office. The Clerk received \$20,087 for these services for the fiscal year ended September 30, 2017.

The Clerk provides communication and freight services and other miscellaneous services to the Supervisor of Elections. The Clerk received \$21,228 for these services for the fiscal year ended September 30, 2017.

**CLERK OF COURTS  
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**NOTE 5 RELATED PARTY TRANSACTION (CONTINUED)**

**Various Services (Continued)**

The Clerk provides information technology support and miscellaneous services to the Tax Collector. The Clerk received \$88,865 for these services for the fiscal year ended September 30, 2017.

The Clerk provides miscellaneous services to the Property Appraiser's office. The Clerk received \$2,558 for these services for the fiscal year ended September 30, 2017.

**NOTE 6 RISK MANAGEMENT**

The Clerk 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 County is a member of Preferred Governmental Insurance Trust (PGIT), a governmental insurance carrier. PGIT administers insurance activities relating to property, general liability, public official's and employment practices liability, automobile, crime, and worker compensation. The County is liable for deductibles on certain coverage. Transactions related to activities involving PGIT are presented in the statements of Highlands County as a whole.

**NOTE 7 CAPITAL ASSETS**

The Clerk's capital assets include furniture, equipment, computer equipment, vehicles, and software. The Clerk, pursuant to Florida Statutes, records no capital assets for which the Clerk is custodian. The threshold for capitalizing all capital assets, except software, is \$5,000. The threshold for capitalizing software is \$15,000 for internally generated software and \$25,000 for purchased software. Capital assets are recorded at cost, or estimated historical cost. Contributed assets are recorded at estimated fair value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

<u>Assets</u>	<u>Years</u>
Operating Machinery and Equipment	4-20
Software - Internally Generated	3-10
Software - Purchased/Leased	3-10

Detailed information concerning capital assets is recorded and reported in the government-wide financial statements of the County.

**CLERK OF COURTS  
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**NOTE 7 CAPITAL ASSETS (CONTINUED)**

The following is a summary of the changes in capital assets for which the Clerk is custodian during fiscal year 2017:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, Not Being Depreciated/Amortized:				
Software Conversion in Process	\$ -	\$ 49,875	\$ -	\$ 49,875
Capital Assets, Being Depreciated/Amortized:				
Equipment	2,894,428	444,560	(332,792)	3,006,196
Computer Software	885,863	222,299	-	1,108,162
Total Capital Assets Being Depreciated/Amortized	3,780,291	666,859	(332,792)	4,114,358
Less: Accumulated Depreciation/Amortization:				
Equipment	(2,264,820)	(196,812)	332,792	(2,128,840)
Computer Software	(738,638)	(55,151)	-	(793,789)
Total Accumulated Depreciation/Amortization	(3,003,458)	(251,963)	332,792	(2,922,629)
Total Capital Assets, Being Depreciated/Amortized, Net	776,833	414,896	-	1,191,729
Total Capital Assets, Net	<u>\$ 776,833</u>	<u>\$ 464,771</u>	<u>\$ -</u>	<u>\$ 1,241,604</u>

**NOTE 8 INTERFUND ACTIVITY**

The balance of Interfund receivables and payables were as follows at September 30, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Due to/from Other Funds</b>		
Major Funds:		
General Fund	\$ -	\$ 571,578
Court Fund	114,885	-
Nonmajor Funds:		
Public Records Modernization Trust Fund	55,527	-
Proprietary Fund	344,224	-
Fiduciary Funds	56,942	-
Total	<u>\$ 571,578</u>	<u>\$ 571,578</u>

Amounts due to and from other funds arise from timing differences as a result of transactions and cash transfers for operating purposes.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<u>Court Operations Modernization Trust</u>	<u>Teen Court</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 2,563	\$ 2,563
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Vouchers Payable	\$ -	\$ 51	\$ 51
Accrued Payroll and Related Liabilities	-	255	255
Total Liabilities	-	306	306
<b>FUND BALANCES</b>			
Restricted	-	2,257	2,257
Total Liabilities and Fund Balances	\$ -	\$ 2,563	\$ 2,563

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2017**

	Court Operations Modernization Trust	Teen Court	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Miscellaneous Revenues:			
Court Related Service Charge	\$ -	\$ 13,752	\$ 13,752
Fines and Forfeitures	47,722	-	47,722
Interest Earnings	-	16	16
Total Revenues	47,722	13,768	61,490
<b>EXPENDITURES</b>			
Court Related:			
Personal Services	-	18,800	18,800
Operating Expenditures	79,607	2,006	81,613
Total Expenditures	79,607	20,806	100,413
<b>NET CHANGE IN FUND BALANCE</b>	(31,885)	(7,038)	(38,923)
Fund Balance - October 1, 2016	31,885	9,295	41,180
<b>FUND BALANCES - SEPTEMBER 30, 2017</b>	\$ -	\$ 2,257	\$ 2,257

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
AGENCY FUND DESCRIPTIONS  
YEAR ENDED SEPTEMBER 30, 2017**

The Clerk maintains the following Agency Funds:

**Child Support** – To account for child support and/or alimony payments collected by the Clerk and remitted to the appropriate recipients.

**Suspense** – Used by the Clerk to account for documentary stamp fees and recording fees, jury and witness payments and fines, and forfeitures collected through the court system and remitted to other governmental agencies.

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
ALL AGENCY FUNDS  
SEPTEMBER 30, 2017**

	Agency Funds		Total
	Child Support	Suspense	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,191	\$ 1,075,518	\$ 1,084,709
Due from Other Funds	-	56,942	56,942
Due from Others	-	4	4
Due from Other Governmental Units	-	8,559	8,559
	<u>9,191</u>	<u>1,141,023</u>	<u>1,150,214</u>
Total Assets	<u>\$ 9,191</u>	<u>\$ 1,141,023</u>	<u>\$ 1,150,214</u>
<b>LIABILITIES</b>			
Due to Others	\$ 8,756	\$ 488,055	\$ 496,811
Due to Other Governmental Units	435	221,124	221,559
Due to Constitutional Officers	-	56,941	56,941
Deposits	-	374,903	374,903
	<u>9,191</u>	<u>1,141,023</u>	<u>1,150,214</u>
Total Liabilities	<u>\$ 9,191</u>	<u>\$ 1,141,023</u>	<u>\$ 1,150,214</u>

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2017**

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
<b>CHILD SUPPORT FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,537	\$ 196,767	\$ 197,113	\$ 9,191
<b>LIABILITIES</b>				
Due to Others	\$ 8,872	\$ 178,301	\$ 178,417	\$ 8,756
Due to Other Governmental Units	665	21,421	21,651	435
Total Liabilities	<u>\$ 9,537</u>	<u>\$ 199,722</u>	<u>\$ 200,068</u>	<u>\$ 9,191</u>
<b>SUSPENSE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,831,375	\$ 12,979,962	\$ 13,735,819	\$ 1,075,518
Due from Other Funds	-	56,942	-	56,942
Due from Others	13	397	406	4
Due from Other Governmental Units	1,085	19,698	12,224	8,559
Total Assets	<u>\$ 1,832,473</u>	<u>\$ 13,056,999</u>	<u>\$ 13,748,449</u>	<u>\$ 1,141,023</u>
<b>LIABILITIES</b>				
Due to Others	\$ 297,624	\$ 7,794,193	\$ 7,603,762	\$ 488,055
Due to Other Governmental Units	179,837	7,237,461	7,196,174	221,124
Due to Constitutional Officers	61,918	934,062	939,039	56,941
Deposits	1,293,094	3,720,265	4,638,456	374,903
Total Liabilities	<u>\$ 1,832,473</u>	<u>\$ 19,685,981</u>	<u>\$ 20,377,431</u>	<u>\$ 1,141,023</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,840,912	\$ 13,176,729	\$ 13,932,932	\$ 1,084,709
Due from Other Funds	-	56,942	-	56,942
Due from Others	13	397	406	4
Due from Other Governmental Units	1,085	19,698	12,224	8,559
Total Assets	<u>\$ 1,842,010</u>	<u>\$ 13,253,766</u>	<u>\$ 13,945,562</u>	<u>\$ 1,150,214</u>
<b>LIABILITIES</b>				
Due to Others	\$ 306,496	\$ 7,972,494	\$ 7,782,179	\$ 496,811
Due to Other Governmental Units	180,502	7,258,882	7,217,825	221,559
Due to Constitutional Officers	61,918	934,062	939,039	56,941
Deposits	1,293,094	3,720,265	4,638,456	374,903
Total Liabilities	<u>\$ 1,842,010</u>	<u>\$ 19,885,703</u>	<u>\$ 20,577,499</u>	<u>\$ 1,150,214</u>

**INDEPENDENT AUDITORS' 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**

The Honorable Robert W. Germaine  
Clerk of Courts  
Highlands 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 financial statements of each major fund and the aggregate remaining fund information of the Clerk of Courts of Highlands County, Florida (the Clerk), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Clerk's basic financial statements, and have issued our report thereon dated January 12, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Clerk'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk'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.

The Honorable Robert W. Germaine  
Clerk of Courts  
Highlands County, Florida

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Clerk’s 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 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 result of that testing, and not to provide an opinion on the effectiveness of the Clerk’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 Clerk’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 12, 2018

## MANAGEMENT LETTER

The Honorable Robert W. Germaine  
Clerk of Courts  
Highlands County, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Clerk of Courts of Highlands County, Florida (the Clerk), as of and for the fiscal year ended September 30, 2017 and have issued our report thereon dated January 12, 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 Reporting Requirements***

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 12, 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. There were no recommendations made in the preceding annual financial audit report.

### ***Official Title and Legal Authority***

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 in the notes to the financial statements.

The Honorable Robert W. Germaine  
Clerk of Courts  
Highlands County, Florida

***Financial Management***

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See item 2017-001 in the accompanying schedule of findings and responses.

***Additional Matters***

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 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 note 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 Clerk and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 12, 2018

**CLERK OF COURTS  
HIGHLANDS COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2017**

**2017-001 – Interfund Loans**

**Condition:** Restricted monies were used to make interfund loans.

**Criteria or Specific Requirement:** Management should consider grants, laws, and regulations restricting the use of cash held by the Clerk’s office before loaning cash to other funds.

**Effect:** Restricted resources used to make interfund loans are not available for their restricted purposes.

**Cause:** During 2017, the Clerk disbursed more money than was available in cash in the General Fund, primarily for the purchase of software and IT maintenance contracts. The General fund borrowed from other funds to cover the cash outlay.

**Recommendation:** The Clerk should consider restrictions on the use of resources before making financial management decisions that involve the use of resources from other funds.

**Views of Responsible Officials:** Management concurs with the finding and has adopted procedures to align with the provided recommendation. This negative cash event, effectively an interfund loan, was the direct result of another county agency withholding payment for a past due receivable. Invoiced in August but paid post-fiscal year end, timely payment of this General Fund receivable would have alleviated the need for an interfund loan.

The need for interfund loans can also arise when purchasing multi-year contracts for multiple county agencies. It should be noted that negotiated savings of approximately \$122,932, or 25.7%, were made possible by approximately \$354,224 spent on multi-year contracts impacting this fiscal year.

Adopted procedural guidelines include:

- executive-level escalation of unpaid receivables, and
- abstinence from expenditures—multi-year contracts—that necessitate interfund loans.

## INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Robert W. Germaine, Clerk of Courts  
and the Florida Auditor General  
Highlands County, Florida

We have examined the Clerk of Courts of Highlands County, Florida's (the Clerk) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds; Section 61.181, Florida Statutes, regarding clerk of the courts alimony and child support payments, and Sections 28.35 and 28.36, Florida Statutes, regarding clerks of court performance standards and budgets, during the year ended September 30, 2017. Management of the Clerk is responsible for the Clerk's compliance with the specified requirements. Our responsibility is to express an opinion on the Clerk's compliance with the specified requirements 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 Clerk complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Clerk 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 Clerk's compliance with specified requirements.

In our opinion, the Clerk complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds; Section 61.181, Florida Statutes, regarding clerks of the courts alimony and child support payments; and Sections 28.35 and 28.36, Florida Statutes, regarding clerks of the courts performance standards and budgets during the year ended September 30, 2017.

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



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 12, 2018