

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019



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**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
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YEAR ENDED SEPTEMBER 30, 2019**

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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, 2019, 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, 2019, 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, 2019, 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 14, 2020, 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 14, 2020

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

| ASSETS | General | Court | Public Records Modernization Trust | Court Services | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------------|--------------------------|---|--------------------------|-----------------------------------|--------------------------------|
| Cash and Cash Equivalents | \$ 75,304 | \$ 269,274 | \$ 82,168 | \$ 247,550 | \$ 54,559 | \$ 728,855 |
| Investments | - | - | 156,842 | - | 52,281 | 209,123 |
| Accounts Receivable | - | - | 283 | - | 94 | 377 |
| Due from Other Governmental Units | 50,663 | 39,716 | - | 2,566 | - | 92,945 |
| Prepaid Items | 81,943 | - | - | - | - | 81,943 |
| Total Assets | <u>\$ 207,910</u> | <u>\$ 308,990</u> | <u>\$ 239,293</u> | <u>\$ 250,116</u> | <u>\$ 106,934</u> | <u>\$ 1,113,243</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Vouchers Payable | \$ 128,701 | \$ 498 | \$ 33,400 | \$ 5,029 | \$ 467 | \$ 168,095 |
| Due to Other Governmental Units | 20 | - | - | 213,582 | - | 213,602 |
| Due to Others | - | 303,100 | - | - | - | 303,100 |
| Due to Constitutional Officers | 19,073 | - | - | - | - | 19,073 |
| Accrued Payroll and Related Liabilities | 60,116 | 5,392 | - | 31,505 | 3,875 | 100,888 |
| Total Liabilities | <u>207,910</u> | <u>308,990</u> | <u>33,400</u> | <u>250,116</u> | <u>4,342</u> | <u>804,758</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | 81,943 | - | - | - | - | 81,943 |
| Restricted | - | - | 205,893 | - | 102,592 | 308,485 |
| Unassigned | (81,943) | - | - | - | - | (81,943) |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>205,893</u> | <u>-</u> | <u>102,592</u> | <u>308,485</u> |
| Total Liabilities and Fund Balances | <u>\$ 207,910</u> | <u>\$ 308,990</u> | <u>\$ 239,293</u> | <u>\$ 250,116</u> | <u>\$ 106,934</u> | <u>\$ 1,113,243</u> |

See accompanying Notes to Financial Statements.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019**

| | General | Court | Public Records Modernization Trust | Court Services | Nonmajor Governmental Funds | Total Governmental Funds |
|---|------------------|----------------|---|-------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Intergovernmental: | | | | | | |
| Appropriation from Board of County Commissioners | \$ 3,993,028 | \$ - | \$ - | \$ - | \$ - | \$ 3,993,028 |
| Miscellaneous Revenues: | | | | | | |
| Recording Fees | - | - | 52,302 | - | 148,628 | 200,930 |
| Intergovernmental | - | 300,937 | - | 216,090 | - | 517,027 |
| Court Related Service Charge | - | - | - | 1,102,820 | 17,702 | 1,120,522 |
| Fines and Forfeitures | - | - | - | 541,877 | - | 541,877 |
| Interest Earnings | - | 2,353 | 4,274 | 3,328 | 2,279 | 12,234 |
| Other Miscellaneous Revenues | 47,299 | - | 2,725 | - | 7,400 | 57,424 |
| Total Revenues | <u>4,040,327</u> | <u>303,290</u> | <u>59,301</u> | <u>1,864,115</u> | <u>176,009</u> | <u>6,443,042</u> |
| EXPENDITURES | | | | | | |
| General Government: | | | | | | |
| Personal Services | 2,726,959 | - | - | - | - | 2,726,959 |
| Operating Expenditures | 844,724 | 21,033 | 2,725 | - | - | 868,482 |
| Capital Outlay | 105,379 | - | 33,400 | - | - | 138,779 |
| Total General Government | <u>3,677,062</u> | <u>21,033</u> | <u>36,125</u> | <u>-</u> | <u>-</u> | <u>3,734,220</u> |
| Court Related: | | | | | | |
| Personal Services | 287,104 | 266,889 | - | 1,669,109 | 191,154 | 2,414,256 |
| Operating Expenditures | 5,841 | 15,368 | - | 97,266 | 35,893 | 154,368 |
| Capital Outlay | 51,317 | - | - | - | - | 51,317 |
| Total Court Related | <u>344,262</u> | <u>282,257</u> | <u>-</u> | <u>1,766,375</u> | <u>227,047</u> | <u>2,619,941</u> |
| Total Expenditures | <u>4,021,324</u> | <u>303,290</u> | <u>36,125</u> | <u>1,766,375</u> | <u>227,047</u> | <u>6,354,161</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 19,003 | - | 23,176 | 97,740 | (51,038) | 88,881 |
| OTHER FINANCING USES | | | | | | |
| Unexpended Budget Balance Reverting to Board of County Commissioners | (19,003) | - | - | - | - | (19,003) |
| Distribution of Excess Fees to State of Florida | - | - | - | (97,740) | - | (97,740) |
| Total Other Financing Uses | <u>(19,003)</u> | <u>-</u> | <u>-</u> | <u>(97,740)</u> | <u>-</u> | <u>(116,743)</u> |
| NET CHANGE IN FUND BALANCE | - | - | 23,176 | - | (51,038) | (27,862) |
| Fund Balance - October 1, 2018 | - | - | 182,717 | - | 153,630 | 336,347 |
| FUND BALANCE - SEPTEMBER 30, 2019 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 205,893</u> | <u>\$ -</u> | <u>\$ 102,592</u> | <u>\$ 308,485</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, 2019**

| | Budget | | Actual | Variance - Favorable (Unfavorable) |
|---|--------------|--------------|--------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Appropriation from Board of County Commissioners | \$ 3,993,028 | \$ 3,993,028 | \$ 3,993,028 | \$ - |
| Miscellaneous Revenues: | | | | |
| Other Miscellaneous Revenues | - | 47,299 | 47,299 | - |
| Total Revenues | 3,993,028 | 4,040,327 | 4,040,327 | - |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Personal Services | 2,802,675 | 2,726,959 | 2,726,959 | - |
| Operating Expenditures | 846,966 | 863,727 | 844,724 | 19,003 |
| Capital Outlay | - | 105,379 | 105,379 | - |
| Total General Government | 3,649,641 | 3,696,065 | 3,677,062 | 19,003 |
| Court Related: | | | | |
| Personal Services | 278,855 | 287,104 | 287,104 | - |
| Operating Expenditures | 12,875 | 5,841 | 5,841 | - |
| Capital Outlay | 51,657 | 51,317 | 51,317 | - |
| Total Court Related | 343,387 | 344,262 | 344,262 | - |
| Total Expenditures | 3,993,028 | 4,040,327 | 4,021,324 | 19,003 |
| EXCESS OF REVENUES OVER EXPENDITURES | - | - | 19,003 | 19,003 |
| OTHER FINANCING USES | | | | |
| Unexpended Budget Balance Reverting to Board of County Commissioners | - | - | (19,003) | (19,003) |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| Fund Balance - October 1, 2018 | - | - | - | - |
| FUND BALANCE - SEPTEMBER 30, 2019 | \$ - | \$ - | \$ - | \$ - |

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, 2019**

| | Budget | | Actual | Variance - Favorable (Unfavorable) |
|--|------------------|------------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Miscellaneous Revenues: | | | | |
| Intergovernmental | \$ 236,032 | \$ 236,032 | \$ 216,090 | \$ (19,942) |
| Court Related Service Charge | 1,061,235 | 1,061,235 | 1,102,820 | 41,585 |
| Fines and Forfeitures | 489,980 | 489,980 | 541,877 | 51,897 |
| Interest Earnings | 600 | 600 | 3,328 | 2,728 |
| Total Revenues | 1,787,847 | 1,787,847 | 1,864,115 | 76,268 |
| EXPENDITURES | | | | |
| Court Related: | | | | |
| Personal Services | 1,684,308 | 1,670,196 | 1,669,109 | 1,087 |
| Operating Expenditures | 103,539 | 117,651 | 97,266 | 20,385 |
| Total Expenditures | 1,787,847 | 1,787,847 | 1,766,375 | 21,472 |
| EXCESS OF REVENUES OVER EXPENDITURES | - | - | 97,740 | 97,740 |
| OTHER FINANCING USES | | | | |
| Distribution of Excess Fees to State of Florida | - | - | (97,740) | (97,740) |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| Fund Balance - October 1, 2018 | - | - | - | - |
| FUND BALANCE - SEPTEMBER 30, 2019 | \$ - | \$ - | \$ - | \$ - |

See accompanying Notes to Financial Statements.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2019**

| | Internal Service Fund <u>Compensated Absences</u> |
|--------------------------------------|---|
| ASSETS | |
| Cash and Cash Equivalents | \$ 165,661 |
| Investments | 156,842 |
| Accounts Receivable | 281 |
| Total Assets | <u>322,784</u> |
| LIABILITIES | |
| Due to BOCC | 309 |
| Accrued Compensated Absences Payable | <u>322,475</u> |
| Total Liabilities | <u>322,784</u> |
| NET POSITION | |
| Unrestricted | <u><u>\$ -</u></u> |

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, 2019**

| | Internal Service Fund |
|--|--------------------------|
| | Compensated Absences |
| OPERATING REVENUES | |
| Charges for Services | \$ 425,152 |
| OPERATING EXPENSES | |
| Compensated Absences Expense | 427,782 |
| OPERATING LOSS | (2,630) |
| NONOPERATING REVENUES | |
| Net Change in Fair Value of Investments | 2,630 |
| CHANGE IN NET POSITION | - |
| Net Position - October 1, 2018 | - |
| NET POSITION - SEPTEMBER 30, 2019 | \$ - |

See accompanying Notes to Financial Statements.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2019**

| | Internal Service Fund <u>Compensated Absences</u> |
|--|---|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| Charges for Services | \$ 425,152 |
| Cash Paid to Employees for Services | (430,254) |
| Net Cash Used by Operating Activities | <u>(5,102)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Collection of Advance to Other Funds | 216,095 |
| Payment to Other Constitutional Officers | (19) |
| Net Cash Provided by Noncapital Financing Activities | <u>216,076</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of Investments | (80,370) |
| Investment Income | 2,490 |
| Net Cash Used by Investing Activities | <u>(77,880)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 133,094 |
| Cash and Cash Equivalents - October 1, 2018 | <u>32,567</u> |
| CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2019 | <u><u>\$ 165,661</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating Loss | \$ (2,630) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Changes in Assets and Liabilities: | |
| Decrease in Compensated Absences | (2,472) |
| Net Cash Used by Operating Activities | <u><u>\$ (5,102)</u></u> |

See accompanying Notes to Financial Statements.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
SEPTEMBER 30, 2019**

| | <u>Agency Funds</u> |
|-----------------------------------|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,571,609 |
| Investments | 134,037 |
| Due from Others | 3,050 |
| Due from Other Governmental Units | 1,662 |
| Total Assets | <u>\$ 1,710,358</u> |
| LIABILITIES | |
| Due to Others | \$ 349,361 |
| Due to Other Governmental Units | 398,859 |
| Due to Constitutional Officers | 81,397 |
| Deposits | 880,741 |
| Total Liabilities | <u>\$ 1,710,358</u> |

See accompanying Notes to Financial Statements.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Highlands County is a noncharter County established on April 3, 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, 2019**

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 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

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.

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.

Homeowner's Foreclosure Education Fund – The Homeowner's Foreclosure Education Fund is a special revenue fund used to account for funds for the purpose of educating the public as to the rights of homeowners regarding foreclosure proceedings.

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, 2019**

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, 2019**

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. Annual appropriated budgets for the General Fund and Court Services Fund are adopted on a basis consistent with GAAP.

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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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. All appropriations lapse at the close of the fiscal year.

Annual appropriated budgets for the General Fund and Court Services Fund are adopted on a basis consistent with GAAP. The Court Fund, Public Records Modernization Trust Fund, Court Related Technology Modernization Trust Fund, Teen Court Fund, and Homeowner's Foreclosure Education 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, 2019**

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, Teen Court Fund, and Homeowner’s Foreclosure Education 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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefit Obligations

In accordance with Section 112.0801, Florida Statutes, the Clerk participates with the County in offering retiring employees the opportunity to continue in the County's health insurance plan. The participating retirees pay 100% of the premium cost applicable to an active employee. The liability and expense for other postemployment benefits, calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, are reported in the financial statements of the County.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

At September 30, 2019, the bank balance of the Clerk's deposits consisted of the following:

| | |
|-------------------------|---------------------|
| Deposits | \$ 1,689,790 |
| Certificates of Deposit | 500,002 |
| Total | <u>\$ 2,189,792</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, and 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.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, 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 36.7% of Florida PRIME's portfolio at September 30, 2019.

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, 2019 was 37 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, 2019 was 85 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, 2019, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, 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 | \$ 1,884,232 |
| Petty Cash and Change in Funds | 6,900 |
| Florida PRIME | 1,074,995 |
| Total | \$ 2,966,127 |
| Balance Sheet - Governmental Funds: | |
| Cash and Cash Equivalents | \$ 728,855 |
| Investments | 209,123 |
| Statement of Net Position - Proprietary Fund: | |
| Cash and Cash Equivalents | 165,661 |
| Investments | 156,842 |
| Statement of Fiduciary Net Position - Agency Fund: | |
| Cash and Cash Equivalents | 1,571,609 |
| Investments | 134,037 |
| Total Cash, Cash Equivalents, and Investments | \$ 2,966,127 |

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019:

| | |
|---|-------------------|
| Accrued Compensated Absences - September 30, 2018 | \$ 324,947 |
| Leave Earned by Employees | 427,782 |
| Payments to Employees | (430,254) |
| Accrued Compensated Absences - September 30, 2019 | <u>\$ 322,475</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).

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, 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
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, 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
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, 2018, and 2017 were \$460,231, \$426,056, and \$396,956, 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 TRANSACTIONS

Transactions with the Board and the Constitutional Officers of Highlands County, Florida, for the year ended September 30, 2019 were as follows:

Budget Appropriation

The General Fund of the Clerk received payments from the Board in the amount of \$3,993,028 for the year ended September 30, 2019. The amounts payable to the Board at September 30, 2019 for excess fees and other items were \$19,073.

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. There were no amounts payable to the Board at September 30, 2019 for excess fees.

Various Services

The Board provides various services to the Clerk. The charges for these services for the fiscal year ended September 30, 2019 amounted to \$610,680.

The Clerk provides information technology support, communication and freight services, and other miscellaneous services to the Board. The Clerk received \$1,187,411 for these services for the fiscal year ended September 30, 2019.

The Clerk provides miscellaneous services to the Sheriff. The Clerk received \$23,067 for these services for the fiscal year ended September 30, 2019.

The Clerk provides communication and freight services and other miscellaneous services to the Supervisor of Elections. The Clerk received \$114,466 for these services for the fiscal year ended September 30, 2019.

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

Various Services (Continued)

The Clerk provides information technology support and miscellaneous services to the Tax Collector. The Clerk received \$34,811 for these services for the fiscal year ended September 30, 2019.

The Clerk provides miscellaneous services to the Property Appraiser. The Clerk received \$21,855 for these services for the fiscal year ended September 30, 2019.

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 acquisition 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
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 2019:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|---------------------|---------------------|---------------------|
| Capital Assets, Not Being Depreciated/Amortized: | | | | |
| Software Conversion in Process | \$ 27,783 | \$ 100,200 | \$ (24,211) | \$ 103,772 |
| IT Equipment in Development | 176,697 | 1,053,462 | (123,390) | 1,106,769 |
| Total Capital Assets Not Being Depreciated/Amortized | 204,480 | 1,153,662 | (147,601) | 1,210,541 |
| Capital Assets, Being Depreciated/Amortized: | | | | |
| Equipment | 2,480,146 | 233,622 | (131,215) | 2,582,553 |
| Computer Software | 1,200,419 | 140,771 | - | 1,341,190 |
| Total Capital Assets Being Depreciated/Amortized | 3,680,565 | 374,393 | (131,215) | 3,923,743 |
| Less: Accumulated Depreciation/Amortization: | | | | |
| Equipment | (1,708,817) | (249,342) | 117,616 | (1,840,543) |
| Computer Software | (875,810) | (123,561) | - | (999,371) |
| Total Accumulated Depreciation/Amortization | (2,584,627) | (372,903) | 117,616 | (2,839,914) |
| Total Capital Assets, Being Depreciated/Amortized, Net | 1,095,938 | 1,490 | (13,599) | 1,083,829 |
| Total Capital Assets, Net | <u>\$ 1,300,418</u> | <u>\$ 1,155,152</u> | <u>\$ (161,200)</u> | <u>\$ 2,294,370</u> |

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

| | Court Related Technology Modernization Trust | Teen Court | Homeowner's Foreclosure Education | Total Nonmajor Governmental Funds |
|--|---|-----------------|---|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 52,841 | \$ 1,690 | \$ 28 | \$ 54,559 |
| Investments | 52,281 | - | - | 52,281 |
| Accounts Receivable | 94 | - | - | 94 |
| Total Assets | \$ 105,216 | \$ 1,690 | \$ 28 | \$ 106,934 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Vouchers Payable | \$ 324 | \$ 143 | \$ - | \$ 467 |
| Accrued Payroll and Related Liabilities | 3,596 | 279 | - | 3,875 |
| Total Liabilities | 3,920 | 422 | - | 4,342 |
| FUND BALANCES | | | | |
| Restricted | 101,296 | 1,268 | 28 | 102,592 |
| Total Liabilities and Fund Balances | \$ 105,216 | \$ 1,690 | \$ 28 | \$ 106,934 |

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019**

| | Court Related Technology Modernization Trust | Teen Court | Homeowner's Foreclosure Education | Total Nonmajor Governmental Funds |
|---|---|-----------------|---|--|
| REVENUES | | | | |
| Miscellaneous Revenues: | | | | |
| Recording Fees | \$ 148,628 | \$ - | \$ - | \$ 148,628 |
| Court Related Service Charge | - | 17,674 | 28 | 17,702 |
| Interest Earnings | 2,266 | 13 | - | 2,279 |
| Other Miscellaneous Revenues | 7,400 | - | - | 7,400 |
| Total Revenues | <u>158,294</u> | <u>17,687</u> | <u>28</u> | <u>176,009</u> |
| EXPENDITURES | | | | |
| Court Related: | | | | |
| Personal Services | 177,563 | 13,591 | - | 191,154 |
| Operating Expenditures | 32,238 | 3,655 | - | 35,893 |
| Total Expenditures | <u>209,801</u> | <u>17,246</u> | <u>-</u> | <u>227,047</u> |
| NET CHANGE IN FUND BALANCE | (51,507) | 441 | 28 | (51,038) |
| Fund Balance - October 1, 2018 | <u>152,803</u> | <u>827</u> | <u>-</u> | <u>153,630</u> |
| FUND BALANCES - SEPTEMBER 30, 2019 | <u>\$ 101,296</u> | <u>\$ 1,268</u> | <u>\$ 28</u> | <u>\$ 102,592</u> |

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
AGENCY FUND DESCRIPTIONS
YEAR ENDED SEPTEMBER 30, 2019**

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 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, 2019**

| | Agency Funds | | Total |
|-----------------------------------|-------------------|---------------------|---------------------|
| | Child Support | Suspense | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,110 | \$ 1,570,499 | \$ 1,571,609 |
| Investments | - | 134,037 | 134,037 |
| Due from Others | 2,730 | 320 | 3,050 |
| Due from Other Governmental Units | - | 1,662 | 1,662 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 3,840</u> | <u>\$ 1,706,518</u> | <u>\$ 1,710,358</u> |
| LIABILITIES | | | |
| Due to Others | \$ 3,411 | \$ 345,950 | \$ 349,361 |
| Due to Other Governmental Units | 429 | 398,430 | 398,859 |
| Due to Constitutional Officers | - | 81,397 | 81,397 |
| Deposits | - | 880,741 | 880,741 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 3,840</u> | <u>\$ 1,706,518</u> | <u>\$ 1,710,358</u> |

**CLERK OF COURTS
HIGHLANDS COUNTY, FLORIDA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2019**

| | Balance October 1, 2018 | Additions | Deductions | Balance September 30, 2019 |
|-----------------------------------|-------------------------------|----------------------|----------------------|----------------------------------|
| CHILD SUPPORT FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 3,712 | \$ 188,603 | \$ 191,205 | \$ 1,110 |
| Due from Others | - | 2,830 | 100 | 2,730 |
| Total Assets | <u>\$ 3,712</u> | <u>\$ 191,433</u> | <u>\$ 191,305</u> | <u>\$ 3,840</u> |
| LIABILITIES | | | | |
| Due to Others | \$ 3,311 | \$ 174,039 | \$ 173,939 | \$ 3,411 |
| Due to Other Governmental Units | 401 | 17,935 | 17,907 | 429 |
| Total Liabilities | <u>\$ 3,712</u> | <u>\$ 191,974</u> | <u>\$ 191,846</u> | <u>\$ 3,840</u> |
| SUSPENSE | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,696,043 | \$ 14,551,430 | \$ 14,676,974 | \$ 1,570,499 |
| Investments | - | 134,037 | - | 134,037 |
| Due from Others | 52 | 955 | 687 | 320 |
| Due from Other Governmental Units | 27,406 | 9,707 | 35,451 | 1,662 |
| Total Assets | <u>\$ 1,723,501</u> | <u>\$ 14,696,129</u> | <u>\$ 14,713,112</u> | <u>\$ 1,706,518</u> |
| LIABILITIES | | | | |
| Due to Others | \$ 341,170 | \$ 752,492 | \$ 747,712 | \$ 345,950 |
| Due to Other Governmental Units | 559,884 | 8,661,395 | 8,822,849 | 398,430 |
| Due to Constitutional Officers | 96,236 | 988,786 | 1,003,625 | 81,397 |
| Deposits | 726,211 | 3,646,093 | 3,491,563 | 880,741 |
| Total Liabilities | <u>\$ 1,723,501</u> | <u>\$ 14,048,766</u> | <u>\$ 14,065,749</u> | <u>\$ 1,706,518</u> |
| TOTAL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,699,755 | \$ 14,740,033 | \$ 14,868,179 | \$ 1,571,609 |
| Investments | - | 134,037 | - | 134,037 |
| Due from Others | 52 | 3,785 | 787 | 3,050 |
| Due from Other Governmental Units | 27,406 | 9,707 | 35,451 | 1,662 |
| Total Assets | <u>\$ 1,727,213</u> | <u>\$ 14,887,562</u> | <u>\$ 14,904,417</u> | <u>\$ 1,710,358</u> |
| LIABILITIES | | | | |
| Due to Others | \$ 344,481 | \$ 926,531 | \$ 921,651 | \$ 349,361 |
| Due to Other Governmental Units | 560,285 | 8,679,330 | 8,840,756 | 398,859 |
| Due to Constitutional Officers | 96,236 | 988,786 | 1,003,625 | 81,397 |
| Deposits | 726,211 | 3,646,093 | 3,491,563 | 880,741 |
| Total Liabilities | <u>\$ 1,727,213</u> | <u>\$ 14,240,740</u> | <u>\$ 14,257,595</u> | <u>\$ 1,710,358</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, 2019, 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 14, 2020.

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 results 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Sebring, Florida
January 14, 2020



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, 2019 and have issued our report thereon dated January 14, 2020.

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 14, 2020, 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 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. In connection with our audit, we did not have any such recommendations.

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 14, 2020



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, 2019. 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, 2019.

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

CliftonLarsonAllen LLP

Sebring, Florida
January 14, 2020