

Special-Purpose Financial Statements

Clerk of the Circuit Court and Comptroller  
Leon County, Florida

*Year Ended September 30, 2018  
with Independent Auditors' Report*

Thomas Howell Ferguson P.A.  
and  
Law, Redd, Crona & Munroe P.A.

## TABLE OF CONTENTS

<b>Report of Independent Auditors .....</b>	<b>1</b>
<b>Audited Special-Purpose Financial Statements</b>	
Balance Sheet - Governmental Funds.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	4
Statement of Net Position - Proprietary Fund.....	5
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund.....	6
Statement of Cash Flows - Proprietary Fund.....	7
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Article V Court Operating Fund.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Records Modernization Fund.....	11
Notes to Special-Purpose Financial Statements .....	12
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....</b>	<b>22</b>
<b>Independent Accountants' Report on Compliance with Florida Statutes Section 218.415, Sections 28.35 &amp; 28.36, and Section 61.181.....</b>	<b>24</b>
<b>Management Letter.....</b>	<b>25</b>

## Report of Independent Auditors

The Honorable Clerk of the Circuit Court and Comptroller  
Clerk of the Circuit Court Leon County, Florida

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

We have audited the accompanying special-purpose financial statements of the governmental funds, the proprietary fund, and the fiduciary funds of the Clerk of the Circuit Court of Leon County, Florida (the Clerk) as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Clerk's special-purpose financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 special-purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

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

## Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each of the governmental funds, the proprietary fund, and the agency funds of the Clerk of the Circuit Court and Comptroller of Leon County, Florida as of September 30, 2018, the results of each funds' changes in financial position and, where applicable, the cash flows thereof, and the respective budgetary comparison statements of the governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the special-purpose financial statements, the accompanying special-purpose financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying special-purpose financial statements are intended to present the financial position and changes in financial position of the governmental funds, the proprietary fund and the agency funds of the Clerk, only that portion that is attributable to the transactions of the Clerk. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019 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 the Clerk's internal control over financial reporting and compliance.



**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
May 24, 2019



**Law, Redd, Crona & Munroe, P.A.**  
Tallahassee, Florida

Clerk of the Circuit Court and Comptroller  
Leon County, Florida

Balance Sheet - Governmental Funds

September 30, 2018

	<b>General Fund</b>	<b>Article V Court Operating Fund</b>	<b>Records Modernization Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash	\$ 259,295	\$ 147,659	\$ 1,715,606	\$ 2,122,560
Investments	0	0	72,506	72,506
Receivables (net of allowances for uncollectibles):				
Accounts receivable	6,331	5,857	117	12,305
Due from other county units	23,331	0	0	23,331
Due from other governments	42,005	282,262	0	324,267
Prepays	38,066	6,247	27,966	72,279
Inventory	43,766	0	0	43,766
<b>Total assets</b>	<b>\$ 412,794</b>	<b>\$ 442,025</b>	<b>\$ 1,816,195</b>	<b>\$ 2,671,014</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable and other liabilities	\$ 67,277	\$ 5,412	\$ 0	\$ 72,689
Accrued liabilities	37,694	82,566	5,596	125,856
Due to other county units	185,476	0	0	185,476
Due to other governments	100,688	354,047	0	454,735
Deposits	21,659	0	0	21,659
<b>Total liabilities</b>	<b>412,794</b>	<b>442,025</b>	<b>5,596</b>	<b>860,415</b>
<b>Fund balance:</b>				
Nonspendable	81,832	6,247	27,966	116,045
Restricted	0	0	1,782,633	1,782,633
Unassigned	(81,832)	(6,247)	0	(88,079)
<b>Total fund balance</b>	<b>0</b>	<b>0</b>	<b>1,810,599</b>	<b>1,810,599</b>
<b>Total liabilities and fund balances</b>	<b>\$ 412,794</b>	<b>\$ 442,025</b>	<b>\$ 1,816,195</b>	<b>\$ 2,671,014</b>

*The accompanying notes are an integral part of these special-purpose financial statements.*

Clerk of the Circuit Court and Comptroller  
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds

Year Ended September 30, 2018

	<b>General Fund</b>	<b>Article V Court Operating Fund</b>	<b>Records Modernization Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Intergovernmental	\$ 4,148	\$ 742,569	\$ 0	\$ 746,717
Charges for services	1,238,814	4,842,635	459,014	6,540,463
Interest	0	0	1,262	1,262
Net decrease in fair value of investments	0	0	(1,328)	(1,328)
Miscellaneous	5,422	0	0	5,422
Total revenues	<u>1,248,384</u>	<u>5,585,204</u>	<u>458,948</u>	<u>7,292,536</u>
<b>Expenditures</b>				
Current:				
General government:				
Judicial	426,395	5,495,845	407,113	6,329,353
Financial and administrative	2,012,241	0	0	2,012,241
Other general government	469,070	0	197,083	666,153
Total expenditures	<u>2,907,706</u>	<u>5,495,845</u>	<u>604,196</u>	<u>9,007,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,659,322)</u>	<u>89,359</u>	<u>(145,248)</u>	<u>(1,715,211)</u>
Other financing sources (uses)				
including transfers:				
Operating transfers in	2,095,843	0	253,744	2,349,587
Operating transfers out	(436,521)	(89,359)	0	(525,880)
Total other financing sources (uses)	<u>1,659,322</u>	<u>(89,359)</u>	<u>253,744</u>	<u>1,823,707</u>
Net change in fund balances	0	0	108,496	108,496
Fund balance at beginning of year	0	0	1,702,103	1,702,103
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,810,599</u>	<u>\$ 1,810,599</u>

*The accompanying notes are an integral part of these special-purpose financial statements.*

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Statement of Net Position - Proprietary Fund  
September 30, 2018

	<b><u>Governmental Activities - Internal Service Fund</u></b>
<b>Assets</b>	
Current assets:	
Cash	\$ 516,244
Total assets	<u>\$ 516,244</u>
<b>Liabilities and net position</b>	
Current liabilities:	
Compensated absences	\$ 283,935
Total current liabilities	<u>283,935</u>
Noncurrent liabilities:	
Compensated absences	<u>232,309</u>
Total noncurrent liabilities	<u>232,309</u>
Total liabilities	<u>516,244</u>
<b>Net position</b>	
Unrestricted	<u>0</u>
Total net position	<u>0</u>
Total liabilities and net position	<u>\$ 516,244</u>

*The accompanying notes are an integral part of these special-purpose financial statements.*

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Position -  
Proprietary Fund  
Year Ended September 30, 2018

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 0
<b>Operating expenses</b>	
Personnel services	0
<b>Nonoperating revenues (expenses)</b>	0
Change in net position	0
<b>Net position, October 1</b>	0
<b>Net position, September 30</b>	\$ 0

*The accompanying notes are an integral part of these special-purpose financial statements.*



Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Statement of Cash Flows - Proprietary Fund  
Year Ended September 30, 2018

	<b><u>Governmental Activities - Internal Service Fund</u></b>
<b>Cash flows from operating activities</b>	
Internal activity - payments from other funds	\$ (36,226)
Net cash used in operating activities	<u>(36,226)</u>
<b>Cash flows from noncapital financing activities</b>	0
<b>Cash flows from capital and related financing activities</b>	0
<b>Cash flows from investing activities</b>	<u>0</u>
Net decrease in cash	(36,226)
Cash at beginning of year	<u>552,470</u>
Cash at end of year	<u><u>\$ 516,244</u></u>
<b>Reconciliation of operating income to net cash used for operating activities</b>	
Operating income:	\$ 0
Adjustment to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Compensated absences	<u>(36,226)</u>
Net cash used in operating activities	<u><u>\$ (36,226)</u></u>

*The accompanying notes are an integral part of these special-purpose financial statements.*

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
September 30, 2018

**Assets**

Cash	\$ 4,187,333
Accounts receivable	25,334
Total assets	<u>\$ 4,212,667</u>

**Liabilities**

Accounts payable and other liabilities	\$ 100,591
Due to other governments	982,198
Due to other county units	140,066
Deposits	2,989,812
Total liabilities	<u>\$ 4,212,667</u>

*The accompanying notes are an integral part of these special-purpose financial statements.*

Clerk of the Circuit Court and Comptroller  
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 3,500	\$ 3,500	\$ 4,148	\$ 648
Charges for services	1,291,100	1,291,100	1,238,814	(52,286)
Miscellaneous	1,050	1,050	5,422	4,372
Total revenues	<u>1,295,650</u>	<u>1,295,650</u>	<u>1,248,384</u>	<u>(47,266)</u>
<b>Expenditures</b>				
Current:				
General government:				
Judicial	426,798	438,798	426,395	12,403
Financial and administrative	2,394,184	2,219,935	2,012,241	207,694
Other general government	436,016	479,016	469,070	9,946
Total expenditures	<u>3,256,998</u>	<u>3,137,749</u>	<u>2,907,706</u>	<u>230,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,961,348)</u>	<u>(1,842,099)</u>	<u>(1,659,322)</u>	<u>182,777</u>
Other financing sources (uses) including transfers:				
Operating transfers in	2,095,843	2,095,843	2,095,843	0
Operating transfers out	(134,495)	(253,744)	(436,521)	(182,777)
Total other financing sources (uses)	<u>1,961,348</u>	<u>1,842,099</u>	<u>1,659,322</u>	<u>(182,777)</u>
Net change in fund balances	0	0	0	0
Fund balance at beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

*The accompanying notes are an integral part of these special-purpose financial statements.*

Clerk of the Circuit Court and Comptroller  
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Article V Court Operating Fund

Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 454,407	\$ 477,407	\$ 742,569	\$ 265,162
Charges for services	5,269,992	5,269,992	4,842,635	(427,357)
Total revenues	<u>5,724,399</u>	<u>5,747,399</u>	<u>5,585,204</u>	<u>(162,195)</u>
<b>Expenditures</b>				
Current:				
General government:				
Judicial	5,640,999	5,663,999	5,495,845	168,154
Total expenditures	<u>5,640,999</u>	<u>5,663,999</u>	<u>5,495,845</u>	<u>168,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,400</u>	<u>83,400</u>	<u>89,359</u>	<u>5,959</u>
Other financing sources (uses) including transfers:				
Operating transfers out	(83,400)	(83,400)	(89,359)	(5,959)
Total other financing sources (uses)	<u>(83,400)</u>	<u>(83,400)</u>	<u>(89,359)</u>	<u>(5,959)</u>
Net change in fund balances	0	0	0	0
Fund balance at beginning of year	0	0	0	0
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

*The accompanying notes are an integral part of these special-purpose financial statements.*

Clerk of the Circuit Court and Comptroller  
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Records Modernization Fund

Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 494,960	\$ 494,960	\$ 459,014	\$ (35,946)
Interest	1,000	1,000	1,262	262
Net increase (decrease) in fair value of investments	0	0	(1,328)	(1,328)
Total revenues	<u>495,960</u>	<u>495,960</u>	<u>458,948</u>	<u>(37,012)</u>
<b>Expenditures</b>				
Current:				
General government:				
Judicial	513,850	437,850	407,113	30,737
Other general government	116,605	370,349	197,083	173,266
Total expenditures	<u>630,455</u>	<u>808,199</u>	<u>604,196</u>	<u>204,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(134,495)</u>	<u>(312,239)</u>	<u>(145,248)</u>	<u>166,991</u>
Other financing sources (uses) including transfers:				
Operating transfers in	134,495	312,239	253,744	(58,495)
Total other financing sources (uses)	<u>134,495</u>	<u>312,239</u>	<u>253,744</u>	<u>(58,495)</u>
Net change in fund balances	0	0	108,496	108,496
Fund balance at beginning of year	1,702,103	1,702,103	1,702,103	0
Fund balance at end of year	<u>\$ 1,702,103</u>	<u>\$ 1,702,103</u>	<u>\$ 1,810,599</u>	<u>\$ 108,496</u>

*The accompanying notes are an integral part of these special-purpose financial statements.*

## **Note 1. Summary of Significant Accounting Policies**

### **Reporting Entity**

The Clerk of the Circuit Court and Comptroller (the Clerk) is an elected Constitutional Officer of Leon County, Florida, pursuant to Article VIII, Section (1) of the Constitution of the State of Florida. For financial statement and reporting purposes, the Clerk is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. Leon County (County) is a charter county which allows for the same powers and duties as provided by the Constitution of the State of Florida and *Florida Statutes*. However, in certain instances, the charter either alters or expands the powers of the elected officials via voter referendum. The Clerk is considered to be a part of the primary government of Leon County and is included in the Leon County government-wide financial statements. The financial statements contained herein represent the financial transactions of the Clerk only.

The Leon County Board of County Commissioners (the Board) funds a portion or, in certain instances, all of the operating budgets of the County's Constitutional Officers except for the Tax Collector and only the obligations specified under Chapter 29 in the *Florida Statutes* for the Clerk. The Tax Collector and the Clerk are considered fee officers. A portion of the Clerk's budget is funded by the Board for part of Finance and all obligations specified under Chapter 29 in the *Florida Statutes* for the Clerk. The payments by the Board to fund the operations of the Constitutional Officers are recorded as operating transfers out on the financial statements of the Board and as operating transfers in on the financial statements of the Constitutional Officers. Repayments to the Board are recorded as operating transfers out on the financial statements of the Constitutional Officers and as operating transfers in on the financial statements of the Board.

The accounting policies of the Clerk conform to accounting principles generally accepted in the United States of America, as applicable to governments.

### **Basis of Presentation**

The special-purpose financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the State of Florida, Office of the Auditor General.

### **Description of Funds**

The financial activities of the Clerk are recorded in separate funds which are categorized and described as follows:

#### *Governmental Fund Type*

- General Fund - The General Fund is the general operating fund of the Clerk. This fund is used to account for all financial transactions not required to be accounted for in another fund.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 1. Summary of Significant Accounting Policies (continued)**

**Description of Funds (continued)**

*Governmental Fund Type (continued)*

- Article V Court Operating Fund - This fund is used to account for specific governmental revenue sources that are legally restricted through Article V of the Florida Constitution to expenditures for court operations.
- Records Modernization Fund - This fund is used to account for specific governmental revenue sources that are legally restricted to expenditures for records modernization.

*Other Fund Type*

- Internal Service Fund - This fund is used to report funded and accrued compensated absences.
- Agency Funds - These funds are used to account for the assets held by the Clerk as an agent for individuals, private organizations, and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the fund financial statements and relates to the timing of the measurements made.

The accompanying special-purpose financial statements have been prepared using the modified accrual basis of accounting for all Governmental Funds and Fiduciary Funds (Agency Funds). Accordingly, revenues are recognized when measurable and available to pay liabilities of the current period and expenditures are generally recorded when the liability is incurred and/or will be paid from expendable available financial resources. The special-purpose statements of the Proprietary Fund (Internal Service Fund) are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Clerk considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. The following revenues are considered to be susceptible to accrual: charges for services and interest earned.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 1. Summary of Significant Accounting Policies (continued)**

**Budgets and Budgetary Accounting**

Budgets for the Court-related functions (the Courts) for each Clerk will be submitted by June 1 to be approved by the legislature. All court revenues are collected monthly and available for use by the Clerks in the month following collection. Beginning November 1st and by the 10th day of each month, the Clerks will submit that portion of all fines, fees, service charges, and costs collected in the previous month that exceeds one-twelfth of the Clerks' total budget. The remainder of the available revenues will be appropriated for the following month's court expenditures up to the budget cap authorized by the legislature. Any revenue deficits will be certified by the Florida Clerk of the Court Operations Corporation. Any unexpended appropriation for the court's budget will be paid to the State by January 25 of the following year.

Expenditures, other than those for certain agency funds, are controlled by appropriations in accordance with the budget requirements set forth in the *Florida Statutes*. Budgets are adopted for governmental and special revenue funds. Budgetary control is exercised at the fund level. Budgetary changes within the fund are made at the discretion of the Clerk. Appropriations lapse at the end of the fiscal year to the extent they have not been expended.

The budgeted revenues and expenditures in the accompanying budgetary comparison statements reflect all approved amendments.

*Florida Statutes*, Section 218.35 governs the preparation, adoption, and administration of the annual budget. The Clerk establishes an annual budget for her office which clearly reflects the revenues available to the office and the functions for which money is expended.

The Clerk prepares her budget in three parts:

1. The budget relating to the requirements of the Clerk as the Ex Officio Clerk to the Board, County Auditor, County Recorder, and Custodian or Treasurer of all County funds and other county-related duties, and for Chapter 29 obligations;
2. The budget relating to the Florida court system, which is filed with the Clerk of Courts Operations Corporation (CCOC). With the 2009 legislative changes, CCOC will submit a Legislative Budget Request for all clerks that will result in an appropriation by the legislature; and
3. The budget for all other operations.

The annual budgetary data reported for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States and represent the Clerk's adopted budget, the original appropriation ordinance, and budget amendments approved by the Clerk or as adopted by the Board.



Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 1. Summary of Significant Accounting Policies (continued)**

**Inventories**

Inventories consist of expendable office supplies. The office supplies are valued at the average unit cost and are accounted for under the consumption method whereby the cost is recorded as an expenditure at the time of issuance to the user department.

**Prepaid Expense**

The Clerk uses the consumption method of accounting, whereby the costs of expendable software licenses are expensed over the life of the agreements.

**Investments**

Investments are made in the Special Purpose Investment Account (SPIA) within the Florida Treasury Investment Pool (the Pool), administered by the Florida Department of Financial Services, as authorized by Section 17.61(1), *Florida Statutes*. The Clerk liquidates and reallocates investments throughout the year depending on whether the external pool authorized by *Florida Statutes* or the interest bearing accounts with approved public depositories provide the most favorable interest rates.

**Capital Assets**

Capital assets purchased in the governmental fund type are recorded as expenditures (capital outlay) at the time of purchase. Such assets are reported as capital assets in the Statement of Net Position in the county-wide financial statements of Leon County, Florida.

**Liability for Compensated Absences**

The Clerk accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The Clerk is not legally required to accumulate expendable available financial resources to liquidate this obligation. However, the funding for the Courts from the State of Florida has been decreasing since 2004. The possibility exists that future funding may be further reduced. To minimize the impact on future budgets, the Clerk has decided to fully fund the cost of the liability. Accordingly, an internal service fund has been established to record the liability for the compensated absences earned but not yet paid for in the General Fund, the Article V Court Operating Fund, and the Records Modernization Fund. The current and long-term portion of the liability for compensated absences is reported as an obligation of the general fund on the county-wide Statement of Net Position for Leon County, Florida.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 1. Summary of Significant Accounting Policies (continued)**

**Net Position and Fund Balances**

Net Position is the difference between fund assets and liabilities on the government-wide, proprietary, and fiduciary fund statements. Fund Balance is the difference between assets and liabilities on the governmental fund statements.

For financial reporting purposes, County policy defines the five fund balance classifications for governmental funds and the order that the resources are used.

*Nonspendable Fund Balance* - Balances are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted Fund Balance* - Balances are comprised of funds that have legally enforceable constraints placed on their use or those funds that have externally-imposed restrictions by resource providers or creditors, grantors, contributors, voters, or interlocal agreement, or enabling legislation.

*Committed Fund Balance* - Balances are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action such as ordinances, resolutions, or legislation of Leon County and that remain binding unless removed by a majority vote of the Board of County Commissioners.

*Assigned Fund Balance* - Balances are comprised of unrestricted funds informally constrained by a majority vote of the Board of County Commissioners, or by a designated county officer, in a manner that reflects the County's use of those resources such as appropriations of fund balance at year end or at the beginning of the new fiscal year.

*Unassigned Fund Balance* - Balances are comprised of the residual of the unrestricted funds in the General Fund and are not nonspendable, restricted, committed, or assigned. Other fund types can only report a negative unassigned residual amount.

The County's policy is that available resources will be spent in the following order: restricted, committed, assigned, and unassigned.

**Use of Estimates**

The preparation of the special-purpose financial statements is in conformity with accounting practices prescribed by the State of Florida, Office of the Auditor General, and requires management to make use of estimates that affect the reported amounts in the special-purpose financial statements. Actual results could differ from estimates.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 1. Summary of Significant Accounting Policies (continued)**

**Other Postemployment Benefits**

The Clerk through Leon County offers retiree medical and life insurance benefits for qualifying Clerk employees that have retired from a Florida Retirement System (FRS) retirement plan. The premium associated with these benefits is paid by the qualifying employee.

**Distribution of Excess Revenues**

Section 218.36, *Florida Statutes* requires that the Clerk distribute any excess of revenues over expenditures within the General Fund to the Board within 31 days following the end of the fiscal year. Accordingly, the amount of excess revenues distributed to the Board at the end of the year is presented in the accompanying Special-Purpose Financial Statements as “other financing uses.”

Based on the legal opinion provided by Clerks of Court Operations Corporation (CCOC) general counsel of the provisions of Section 28.37(3), F.S., which was adopted as policy by the CCOC Finance and Budget Committee, all excess court-related funds have been included in a fund liability, Due to Other Governments.

**Note 2. Cash and Investments**

**Cash**

Cash consists of demand deposits held at qualified public depositories. At September 30, 2018, the carrying amount of the Clerk’s deposits (including agency funds) was \$6,826,137 and bank balances were \$7,098,653. Deposits in excess of federal depository insurance are covered by deposits held in banks that are members of the State of Florida’s Collateral Pool.

**Investments**

*Credit Risk*

The Clerk’s investment practices are governed by Section 218.415(17), *Florida Statutes*. Investments authorized by Section 218.415(17), *Florida Statutes* include:

1. The Florida PRIME (formerly the Local Government Surplus Funds Trust Fund) administered by the State Board of Administration or any authorized intergovernmental investment pool.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 2. Cash and Investments (continued)**

**Investments (continued)**

3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

The Chief Financial Officer for the State of Florida (formerly the State Treasurer) has been investing state revenues, excess revenues of state universities and community colleges and certain other public agencies in a commingled investment portfolio for several years. Section 17.61(1), *Florida Statutes* permits organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool “Special Purpose Investment Account” (SPIA). Historically, the SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality.

To provide liquidity for operations during the fiscal year, the Clerk invested in the SPIA. The financial details and disclosures for SPIA are made in Note 2 of the State of Florida Comprehensive Annual Financial Report (CAFR). The fair value factor for SPIA at September 30, 2018, was 0.9796. SPIA funds are combined with State of Florida funds and are invested in a combination of short-term liquid instruments and intermediate term fixed income securities. SPIA is measured at net asset value per share. Investments measured at net asset value are not subject to fair value hierarchy level classification under GASB 72.

At September 30, 2018, the Clerk had \$72,506 invested in SPIA and reported at fair market value. The current rating for SPIA is A+f by Standard and Poors. A copy of SPIA's most recent financial statements can be found at [http://www.fltreasury.org/fs\\_01.html](http://www.fltreasury.org/fs_01.html).

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of investments. One method of managing interest rate risk is the duration method, which measures a debt investment’s exposure to fair value changes arising from changing interest rates. The longer the effective duration of the investment the greater the potential variability of the investment’s fair value as a result of future changes in interest rates.

The effective duration of the SPIA at September 30, 2018, is 2.97 years.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 3. Compensated Absences**

As discussed in Note 1, the liability associated with compensated absences is reported on the fund level in the internal service fund. A summary of the Clerk’s liability for compensated absences included at the county-wide financial statement level is as follows with \$283,935 as the current portion:

	<b>Balance October 1, 2017</b>	<b>Additions</b>	<b>(Retirements)</b>	<b>Balance September 30, 2018</b>
Liability for compensated absences	\$ 552,470	\$ 777,472	\$ (813,698)	\$ 516,244

**Note 4. Risk Management**

The Clerk participates in the Leon County Insurance Service Fund, which accounts for self-insurance activities relating to workers’ compensation. This fund is administered by a third party administrator. The Clerk makes payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2018, was \$23,196. Excess payments are recorded as a designation of retained earnings for catastrophic losses on the books of Leon County. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

**Note 5. Employees' Retirement Plan**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for all fiscal years beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As described in Note 1, the financial statements of the Clerk are fund statements considered to be special-purpose financial statements consistent with accounting practices by the Auditor General, State of Florida. Accordingly, the net pension liability is included in the Leon County, Florida Comprehensive Annual Financial Report (Leon County CAFR) rather than in these Special-Purpose Financial Statements.

All full-time employees of the Clerk, except those excluded pursuant to Section 121.4501, *Florida Statutes*, are eligible to participate in the Florida Retirement System (FRS). The FRS includes various plans and programs, including a defined benefit pension plan (Pension Plan), which is primarily a cost-sharing, multiple-employer defined benefit public-employee pension plan. Information as to benefits, contribution rates, and vesting requirements by membership category is provided in the Leon County CAFR. Contributions and benefits are established in Section 121.71, *Florida Statutes*.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 5. Employees' Retirement Plan (continued)**

Participating employer contributions are based upon actuarially determined blended rates established by the State Legislature that are expressed as percentages of annual covered payroll and are adequate to accumulate sufficient assets to pay benefits when due. Employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS.

The Clerk also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing, multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs. Additional information regarding benefits is provided in the Leon County CAFR.

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2018, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The total retirement contributions for the fiscal years ended September 30, 2018, 2017, and 2016 were \$585,333, \$585,473, and \$562,242, respectively, which is equal to the required contribution for each year.

The Pension Plan and the HIS Program are administered by the State of Florida, Department of Management Services, Division of Retirement. The Division of Retirement issues a publicly available FRS Annual Report that includes financial statements and required supplementary information for the Pension Plan and HIS Program. That report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

**Note 6. Other Postemployment Benefits**

*Plan Description*

The Clerk participates in an agent multiple-employer plan administered by Leon County, Florida under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The health insurance benefits portion of the Program is considered by the County's insurance provider to be community-rated and, therefore, no Other Postemployment Benefit (OPEB) obligation is calculated for healthcare. The Program may be amended by the Board of County Commissioners. A stand alone financial report is not issued for the Program. As described in Note 1, the Clerk is an elected Constitutional Officer of the County. The financial statements of the Clerk are fund statements considered to be special-purpose financial statements consistent with accounting practices by the Auditor General, State of Florida. Accordingly, the annual OPEB obligation of Constitutional Officers is recognized in the government-wide financial statements of the County rather than in these Special-Purpose Financial Statements.

Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Notes to Special-Purpose Financial Statements  
Year Ended September 30, 2018

**Note 7. Interfund transfers**

Interfund transfers at September 30, 2018 consist of \$253,744 transferred out of the General fund and into the Records Modernization fund.

**Note 8. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Clerk had no outstanding encumbrances at September 30, 2018.

**Note 9. Operating Leases**

The Clerk leases office equipment and building space under operating leases expiring in various years through 2023.

Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2018, for each of the next five years and in the aggregate are as follows:

<u>September 30,</u>	<u>Amount</u>
2019	\$ 65,261
2020	65,261
2021	64,947
2022	61,500
2023	<u>46,125</u>
Total	<u>\$ 303,094</u>

Rent expense paid during the fiscal year ended September 30, 2018 was \$85,820.

**Note 10. Related Party Transaction**

The Clerk has a written agreement to rent office space from the Leon County Tax Collector for its customer service location. Under this agreement the Clerk paid \$61,500 to the Leon County Tax Collector during the year ended September 30, 2018.

**Note 11. Subsequent Events**

The Clerk has evaluated subsequent events through May 24, 2019, the date the financial statements were available to be issued.

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Special-Purpose Financial  
Statements Performed in Accordance with *Government Auditing Standards*

*September 30, 2018*



## Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Clerk of the Circuit Court and Comptroller  
Leon County, Florida

We have audited, 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, the special-purpose financial statements of the Clerk of the Circuit Court and Comptroller of Leon County, Florida (Clerk) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Clerk's special-purpose financial statements, and have issued our report thereon dated May 24, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the special-purpose 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 opinion on the special-purpose 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 Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Page Two

### **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.

We have issued a management letter to the Clerk of the Circuit Court and Comptroller of Leon County, Florida dated May 24, 2019, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550.



**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
May 24, 2019



**Law, Redd, Crona & Munroe, P.A.**  
Tallahassee, Florida

Independent Accountants' Report on Compliance with  
Florida Statutes Section 218.415, Sections 28.35 & 28.36, and Section 61.181  
*September 30, 2018*

Independent Accountants' Report on Compliance with  
Florida Statutes Section 218.415, Sections 28.35 & 28.36, and Section 61.181

The Honorable Clerk of the Circuit Court and Comptroller  
Leon County, Florida

We have examined the Clerk of the Circuit Court and Comptroller of Leon County, Florida's (Clerk) compliance with the requirements of Florida Statutes Section 218.415, Sections 28.35 & 28.36, and Section 61.181, during the year ended September 30, 2018. Management is responsible for the Clerk's compliance with those 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 the aforementioned requirements for the year ended September 30, 2018.

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



**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
May 24, 2019



**Law, Redd, Crona & Munroe, P.A.**  
Tallahassee, Florida

Management Letter

*September 30, 2018*

## Management Letter

The Honorable Clerk of the Circuit Court and Comptroller  
Leon County, Florida

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

We have audited the special-purpose financial statements of the Clerk of the Circuit Court and Comptroller of Leon County, Florida (Clerk), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 24, 2019.

### **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 Compliance and Other Matters Based on an Audit of the Special-Purpose 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 May 24, 2019, 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 findings or recommendations that would require corrective actions 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. The name or official title and legal authority for the primary government of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Clerk has no component units.

## **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, the following recommendations were made.

### **2018-001 Clerk Payroll Processes**

*Information below is derived from the Leon County Clerk of Court and Comptroller Division of Internal Auditing, Audit No. 17-02 dated August 3, 2017.*

**Criteria:** *At the request of the Leon County Clerk of Circuit Court and Comptroller (Clerk), the Division of Internal Auditing (Division) conducted a review of the Clerk Payroll/overtime process. Several observations were noted by the Department including a lack of segregation of duties, and outdated policies and procedures.*

*The Committee for Sponsoring Organizations (COSO) defines controls activities as the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at various levels of an entity, at various stages within business processes, and over the technology environment. Principle 12 of the Internal Control - Integrated Framework states, the organization deploys control activities through policies that establish what is expected and in procedures that put policies into action. Effective policies and procedures address controls put in place to prevent and detect potential fraud and material misstatements.*

*According to the American Institute of Certified Public Accountants (AICPA), the principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department.*

**Condition:** Several observations were noted by the Division including a lack of segregation of duties and outdated policies and procedures.

The division noted that the policies and procedures have not been reviewed and revised by management to determine if control activities are in line with management's risk assessment. Additionally, *there is a lack of segregation of duties in the Clerk payroll process.*

**Cause:** *The Finance Division (Finance) has not performed a comprehensive review of policies and procedures since 2010. A comprehensive review is a part of the 2018 strategic plan.*

Due to turnover at the payroll positions, processes have been centralized to a limited number of individuals.

The Honorable Clerk of the Circuit Court and Comptroller  
Leon County, Florida  
Page Three

**Effect or Potential effect:** *As a result of outdated policies and procedures, there is a potential for fraud, inconsistent practices, increase in errors and internal control deficiencies, and noncompliance with applicable laws and regulations. Most importantly lack of periodic reviews of policies and procedures challenges the effectiveness and execution of the Clerk's mission, goals, and objectives. Without separation in key processes the risk of fraud or errors occurring without detection increases.*

**Recommendation:** Management should consider and understand the observations noted by the Division. Management should take actions to complete the recommendations made by the Division and consider revising the policies and procedures of the Clerk.

**Management Response:**

*Since issuance of Audit 17-02 by the Leon County Clerk of Court and Comptroller Division of Internal Auditing, Management has hired additional staff including a Disbursements Supervisor to oversee payroll processes. The addition of more staff has allowed Management to begin eliminating the lack of segregation of duties. Management is in the process of reviewing policies and procedures in order to update policies pertaining to payroll, improve procedures and enhance effectiveness.*

**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 of the Circuit Court and Comptroller of Leon County, Florida and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
May 24, 2019



**Law, Redd, Crona & Munroe, P.A.**  
Tallahassee, Florida