

**Clerk of the Circuit Court
County of Volusia, Florida**

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2018

Clerk of the Circuit Court
County of Volusia, Florida
ANNUAL FINANCIAL REPORT
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For the Year Ended September 30, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Laura E. Roth,
Clerk of the Circuit Court of Volusia County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clerk of Circuit Court of Volusia County, Florida (the "Clerk"), a component unit of the County of Volusia, Florida, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 auditor's 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 Clerk'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 Clerk'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 opinion.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Clerk as of September 30, 2018, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and major special revenue funds for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Laura E. Roth,
Clerk of the Circuit Court of Volusia County, Florida

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

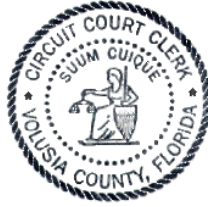
In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019, on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A.".

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 27, 2019

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018



As management of the Clerk of the Circuit Court, County of Volusia, Florida (the “Clerk”), we offer readers of the financial statements this narrative overview analysis of the financial activities of the Clerk for the year ended September 30, 2018.

Financial Highlights

The liabilities and deferred inflows of the Clerk exceeded its assets and deferred outflows at the end of the fiscal year by \$4,819,894 (net position). Of this amount, \$893,762 was invested in capital assets, \$3,924,810 was restricted, and an unrestricted \$9,638,466 deficit resulting from ongoing obligations for accrued compensated absences, net pension liability and other postemployment benefits. The Clerk’s total net position decreased by \$763,079 for the fiscal year ended September 30, 2018. As of the close of the fiscal year, the Clerk’s governmental funds reported combined ending fund balances of \$4,041,019. This is a decrease of \$462,977 from the prior year.

Overview of the Financial Statements

The Clerk’s basic financial statements are composed of the following: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Clerk’s finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Clerk’s assets and liabilities, with the difference between the two reported as net position. The statement of activities presents information showing how the Clerk’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs. Thus, expenses are reported in this statement for some items that will not result in changes to cash flows until future periods.

The governmental activities of the Clerk include a wide range of recordkeeping, financial management, and information management services related to the court system and the public records of Volusia County.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Overview of the Financial Statements - Continued

Functions of the Clerk as relates to the Circuit and County Courts:

- maintaining custody and control of all court files;
- attending court sessions;
- filing indictments, pleadings and verdicts;
- summoning jurors, witnesses and defendants;
- preparing the appellate record;
- conducting mortgage foreclosure sales;
- assisting victims of abuse with injunction for protection;
- assisting plaintiffs with filings in a simplified divorce;
- assisting plaintiffs with filings in a small claims lawsuit;
- administering oaths; and
- compiling and reports statistical and financial data.

Functions of the Clerk as relates to General Government functions of County Recorder:

- recording and indexing deeds, mortgages and real estate transactions;
- processing tax deed applications and conducting tax deed sales;
- recording liens and all judgments rendered by the court;
- maintaining public land records;
- processing marriage licenses and passports; and
- performing marriage ceremonies.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Clerk, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Clerk can be divided into two categories: governmental funds and fiduciary funds.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Overview of the Financial Statements - Continued

Governmental Funds

Governmental funds are used to account for the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. The focus of governmental funds is narrower than that of government-wide financial statements. Both the governmental fund statement of net position and the governmental fund statement of activities provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The Clerk maintains four governmental funds: the General Fund and three special revenue funds for the Public Records Modernization Trust Fund. The Public Records Modernization Trust Fund was established under Florida Statute 28.24. This trust fund has been expanded to hold three distinct revenue streams. Three separate special revenue funds have been established to enhance the tracking of distinct elements.

Modernization Trust Fund – Public Records Modernization:

The Clerk collects either a \$1.00 service charge or a .50 cent service charge on certain recorded documents for the Modernization Trust Fund – Public Records pursuant to Florida Statute 28.24(12)(d). The fund must be used exclusively for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the public records system of the Clerk.

Modernization Trust Fund – Court Technology:

The Clerk collects a \$1.90 service charge on certain recorded documents for the Modernization Trust Fund – Court Technology pursuant to Florida Statute 28.24(12)(e). This fund must be used exclusively for the court-related technology needs of the Clerk.

Modernization Trust Fund – 10% Court Related:

The fund receives 10% of all court-related fines pursuant to Florida Statute 28.37(5) and the fund is to be used for court-related operational needs and program enhancements. In July of 2017, the Legislature moved the funds from the Modernization Trust Fund, and clerks were required to spend down funds held in trust under this statute.

The General Fund and the three special revenue funds are presented as major funds. Information for these funds is presented separately in the governmental fund statement of assets and in the governmental fund statement of activities. The Clerk adopts annual appropriated budgets for its General Fund and each of the Public Records Modernization Trust Funds. The annual budgets serve as the foundation for the Clerk's financial planning and control. A budgetary comparison statement has been provided for the funds to demonstrate compliance with the budget.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Overview of the Financial Statements - Continued

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of the State of Florida, the County of Volusia, and other parties outside the Clerk. The fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Clerk.

The fiduciary funds financial statement can be found beginning on page 14 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 15 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of financial position. In the case of the Clerk, liabilities and deferred inflows exceeded assets and deferred outflows by \$4,819,894 at the end of the fiscal year.

CLERK'S NET POSITION – Governmental Activities

	2018	2017
Current and other assets	\$ 8,359,775	\$ 8,527,531
Capital assets	893,762	940,294
Total assets	<u>9,253,537</u>	<u>9,467,825</u>
Deferred outflows of resources	4,264,370	4,200,979
Long-term liabilities	12,246,897	12,224,174
Other liabilities	4,318,756	4,023,535
Total liabilities	<u>16,565,653</u>	<u>16,247,709</u>
Deferred inflows of resources	1,772,148	1,226,110
Net Position:		
Investment in capital assets	893,762	940,294
Restricted	3,924,810	4,387,787
Unrestricted (deficit)	(9,638,466)	(9,133,096)
TOTAL NET POSITION	<u><u>\$ (4,819,894)</u></u>	<u><u>\$ (3,805,015)</u></u>

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Government-wide Financial Analysis - Continued

CLERK'S CHANGES IN NET POSITION – Governmental Activities

	2018	2017
Revenues		
Operating grants	\$ 410,851	\$ 690,153
Subsidy from County Council	2,015,285	2,011,567
State court funding	2,093,326	2,176,091
Charges for services	13,383,754	12,857,773
Interest	23,117	13,690
Miscellaneous revenues	40,186	4,855
Total revenues	17,966,519	17,754,129
Expenditures		
General government	6,054,054	6,666,396
Court operations	11,376,807	10,415,122
Total expenditures	17,430,861	17,081,518
Increase (decrease) in net position before other financing sources	535,658	672,611
Transfers	(1,286,424)	(802,438)
Increase (decrease) in net position	(763,079)	(129,827)
Net position – October 1	(3,805,015)	(3,675,188)
Restatement of net position	(251,800)	-
Net position – September 30	\$ (4,819,894)	\$ (3,805,015)

The funds restricted for the Modernization Trust Funds accounted for \$3,924,810 of the net position. The Clerk's investment in capital assets was \$893,762 at the end of the fiscal year. This amount reflects the Clerk's investment in office and computer equipment, which are used to provide services to the citizens of Volusia County. Consequently, these assets are not available for future spending. The Clerk purchased \$495,043 of office and computer equipment during the fiscal year.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

Government-wide Financial Analysis - Continued

There is a deficit in the unrestricted net position category of \$9,638,466, which represents amounts not due within one year. It is comprised of the following:

Accrued Compensated Absences	\$ (792,978)
Other Postemployment Benefits "OPEB" Liability	(753,590)
Pension Outflows	4,171,615
OPEB Outflows	92,755
Pension Inflows	(1,627,872)
OPEB Inflows	(144,276)
Net Pension Liability	(10,700,329)
Nonspendable Fund Balance	116,209
Total Deficit	<u>\$ (9,638,466)</u>

It is the Clerk's policy to grant all full-time and provisional employees paid time off based upon the number of years of employment with the Clerk. Unused leave is payable upon termination or retirement. The amount due for accrued compensated absences represents accrued paid time off for employees who are currently employed by the Clerk.

The Clerk grants postemployment healthcare benefits to its employees after they retire. The OPEB liability represents the unfunded actuarial accrued liability for past service costs. The Clerk is financing the postemployment benefits on a pay-as-you go method for funding the OPEB liability. As determined by an actuarial valuation, the Clerk records a net OPEB obligation in the government-wide financial statements.

The Pension Outflows, Pension Inflows, and Net Pension Liability are for the Clerk's proportionate share under the Florida Retirement System ("FRS"). Employers participating in the FRS Pension Plan and HIS Program are required to report pension information in their financial statements.

The Nonspendable Fund Balance from the Modernization Trust Fund – Court Technology represents Prepaid Expenses.

The Clerk is required under Section 218.36 of the Florida Statutes to submit to the County of Volusia, all excess fees from general government operations by October 31 after the close of the fiscal year. The excess fee calculation is based upon the fund financial statements; therefore, the Clerk does not have the opportunity to accumulate net position in the General Fund to pay the accrued compensated absences.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

General Fund Budgetary Highlights

The General Fund is the operating fund of the Clerk. The difference between the original budget and the final amended budget was due to an unanticipated increase in the revenues associated with the Clerk's roll in recording deeds, mortgages and real estate transactions.

The Clerk is required to prepare a separate budget for court-related revenues and expenditures, which is reviewed by the Florida Clerks of Court Operations Corporation and submitted to the Legislative Budget Commission by August 1 each year. The state court budget was approved by the Florida Clerks of Court Operations Corporation with a cap of \$10,830,097. The actual court-related revenues were \$566,311 greater than the budget. The court expenditures were \$364,778 less than the budget.

For the general government portion of the budget, the fees were \$6,895 less than expected. The general government expenditures were \$355,292 less than the budgeted amount because the Clerk changed spending decisions based on the operational needs of the office.

Economic Factors and Next Year's Budget

Various factors were considered in preparing the budget for the 2019 fiscal year. The Clerk currently sees an environment that does not indicate growth in state revenues, with some moderate growth in the housing market for the coming fiscal year. The general government revenues are expected to be flat, with a small increase in general government revenues.

Requests for Information

This financial report is designed to provide a general overview of the Clerk's finances and to demonstrate the Clerk's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Clerk's Chief Financial Officer, 101 N. Alabama Ave., Room C252, DeLand, FL 32724. Additional information can be found on our web site at <https://www.clerk.org/accounting.aspx>.

**Clerk of the Circuit Court
County of Volusia, Florida**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2018

	MAJOR SPECIAL REVENUE FUNDS				Total	Adjustments (Note 2)	Statement of Net Position
	General Fund	Modernization Trust Fund - Public Records Modernization	Modernization Trust Fund - Court Technology	Modernization Trust Fund - 10% Court Related			
ASSETS							
Cash and cash equivalents	\$ 4,210,065	\$ 489,073	\$ 3,435,737	\$ -	\$ 8,134,875	\$ -	\$ 8,134,875
Accounts receivable	54,647	-	-	-	54,647	-	54,647
Due from County Council	949	-	-	-	949	-	949
Due from other governments	53,095	-	-	-	53,095	-	53,095
Prepaid expenses	-	-	116,209	-	116,209	-	116,209
Capital assets, net	-	-	-	-	-	893,762	893,762
Total Assets	\$ 4,318,756	\$ 489,073	\$ 3,551,946	\$ -	\$ 8,359,775	893,762	9,253,537
DEFERRED OUTFLOWS OF RESOURCES							
OPEB outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,755	\$ 92,755
Pension outflows	-	-	-	-	-	4,171,615	4,171,615
Total Deferred Outflows of Resources	-	-	-	-	-	4,264,370	4,264,370
LIABILITIES							
Accounts payable	181,776	-	-	-	181,776	-	181,776
Accrued liabilities	486,250	-	-	-	486,250	-	486,250
Due to County Council	355,290	-	-	-	355,290	-	355,290
Due to other governments	1,622,390	-	-	-	1,622,390	-	1,622,390
Deposits	961,221	-	-	-	961,221	-	961,221
Non-current liabilities:							
Due within one year:							
Compensated absences payable	711,829	-	-	-	711,829	-	711,829
Due in more than one year:							
Compensated absences payable	-	-	-	-	-	792,978	792,978
Net OPEB Obligation	-	-	-	-	-	753,590	753,590
Net Pension Liability	-	-	-	-	-	10,700,329	10,700,329
Total Liabilities	4,318,756	-	-	-	4,318,756	12,246,897	16,565,653
DEFERRED INFLOWS OF RESOURCES							
OPEB inflows	-	-	-	-	-	144,276	144,276
Pension inflows	-	-	-	-	-	1,627,872	1,627,872
Total Deferred Inflows of Resources	-	-	-	-	-	1,772,148	1,772,148
FUND BALANCES / NET POSITION							
Fund balances:							
Nonspendable fund balance	-	-	116,209	-	116,209	116,209	-
Unassigned deficit	-	-	-	-	-	-	-
Restricted for public record modernization	-	489,073	-	-	489,073	489,073	-
Restricted for court technology	-	-	3,435,737	-	3,435,737	3,435,737	-
Restricted for court programs	-	-	-	-	-	-	-
Total fund balances	-	489,073	3,551,946	-	4,041,019	4,041,019	-
Total Liabilities and Fund Balances	\$ 4,318,756	\$ 489,073	\$ 3,551,946	\$ -	\$ 8,359,775	-	-
Net position:							
Investment in capital assets						893,762	893,762
Restricted						3,924,810	3,924,810
Unrestricted (deficit)						(9,638,466)	(9,638,466)
Total Net Position						\$ (4,819,894)	\$ (4,819,894)

The accompanying notes are an integral part of the financial statements.

Clerk of the Circuit Court
County of Volusia, Florida
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Year Ended September 30, 2018

	General Fund	Modernization Trust Fund - Public Records Modernization	Modernization Trust Fund - Court Technology	Modernization Trust Fund - 10% Court Related	Total	Adjustments (Note 2)	Statement of Activities
Revenues							
General government:							
Operating grants	\$ 410,851	\$ -	\$ -	\$ -	\$ 410,851	\$ -	\$ 410,851
Subsidy from County Council	2,015,285	-	-	-	2,015,285	-	2,015,285
Charges for services	3,134,441	350,006	-	-	3,484,447	-	3,484,447
Miscellaneous revenues	40,186	-	-	-	40,186	-	40,186
Interest	446	-	-	-	446	-	446
Court operations:							
State court funding	2,093,326	-	-	-	2,093,326	-	2,093,326
Charges for services	8,892,096	-	1,007,211	-	9,899,307	-	9,899,307
Interest	137	-	22,534	-	22,671	-	22,671
Total Revenues	<u>16,586,768</u>	<u>350,006</u>	<u>1,029,745</u>	<u>-</u>	<u>17,966,519</u>	<u>-</u>	<u>17,966,519</u>
Expenditures / Expenses							
General government:							
Programs and operations	4,757,434	513,788	-	-	5,271,222	265,883	5,537,105
Depreciation and disposals	-	-	-	-	-	529,262	529,262
Capital outlay	77,634	16,450	-	-	94,084	(94,084)	-
Court operations:							
Programs and operations	10,465,319	-	911,488	-	11,376,807	-	11,376,807
Capital outlay	-	-	400,959	-	400,959	(400,959)	-
Total Expenditures / Expenses	<u>15,300,387</u>	<u>530,238</u>	<u>1,312,447</u>	<u>-</u>	<u>17,143,072</u>	<u>300,102</u>	<u>17,443,174</u>
Excess (deficiency) of revenues over (under) expenditures	1,286,381	(180,232)	(282,702)	-	823,447	(300,102)	523,345
Other Financing Sources / Uses							
Transfers - Modernization Trust Fund 10%	43	-	-	(43)	-	-	-
Transfers - County Council	(355,290)	-	-	-	(355,290)	-	(355,290)
Transfers - Florida Department of Revenue	(931,134)	-	-	-	(931,134)	-	(931,134)
Total Other Financing Sources / Uses	<u>(1,286,381)</u>	<u>-</u>	<u>-</u>	<u>(43)</u>	<u>(1,286,424)</u>	<u>-</u>	<u>(1,286,424)</u>
Excess (deficiency) of revenues over (under) expenditures and transfers out	-	(180,232)	(282,702)	(43)	(462,977)	462,977	-
Change in net position	-	-	-	-	-	(763,079)	(763,079)
Fund Balances / Net Position							
Beginning of the year (as restated)	-	669,305	3,834,648	43	4,503,996	(7,115,285)	(4,056,815)
End of the year	<u>\$ -</u>	<u>\$ 489,073</u>	<u>\$ 3,551,946</u>	<u>\$ -</u>	<u>\$ 4,041,019</u>	<u>\$ (7,415,387)</u>	<u>\$ (4,819,894)</u>

The accompanying notes are an integral part of the financial statements.

Clerk of the Circuit Court
County of Volusia, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended September 30, 2018

	General Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
Revenues			
General government:			
Operating grants	\$ 388,482	\$ 410,851	\$ 410,851
Subsidy from County Council	2,015,285	2,015,285	2,015,285
Charges for services	2,725,150	3,164,075	3,134,441
Miscellaneous revenues	16,893	16,893	40,186
Interest	1,000	1,000	446
Court operations:			
State court funding	2,259,802	2,067,143	2,093,326
Charges for services	8,159,444	8,345,210	8,892,096
Interest	-	-	137
Total Revenues	<u>15,566,056</u>	<u>16,020,457</u>	<u>16,586,768</u>
Expenditures / Expenses			
General government:			
Programs and operations	5,101,310	5,095,340	4,757,434
Capital outlay	45,500	95,020	77,634
Court operations:			
Programs and operations	<u>10,419,246</u>	<u>10,830,097</u>	<u>10,465,319</u>
Total Expenditures / Expenses	<u>15,566,056</u>	<u>16,020,457</u>	<u>15,300,387</u>
Net change in fund balance	-	-	1,286,381
Transfers - Modernization Trust Fund 10%	-	-	43
Transfers - County Council	-	-	(355,290)
Transfers - Florida Department of Revenue	-	-	(931,134)
Fund Balance at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

**Clerk of the Circuit Court
County of Volusia, Florida**
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2018

	Special Revenue Fund Modernization Trust Fund Public Records Modernization			Special Revenue Fund Modernization Trust Fund Court Technology			Special Revenue Fund Modernization Trust Fund 10% Court Related		
	Original Budget	Final Budget	Actual Amounts	Original Budget	Final Budget	Actual Amounts	Original Budget	Final Budget	Actual Amounts
Revenues									
General government:									
Operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subsidy from County Council	-	-	-	-	-	-	-	-	-
Charges for services	330,000	350,000	350,006	-	-	-	-	-	-
Court operations:									
Charges for services	-	-	-	900,000	1,010,000	1,007,211	-	-	-
Interest	-	-	-	10,000	22,500	22,534	-	-	-
Total Revenues	<u>330,000</u>	<u>350,000</u>	<u>350,006</u>	<u>910,000</u>	<u>1,032,500</u>	<u>1,029,745</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures / Expenses									
General government:									
Programs and operations	330,000	514,700	513,788	-	-	-	-	-	-
Capital outlay	-	21,300	16,450	-	-	-	-	-	-
Court operations:									
Programs and operations	-	-	-	550,000	672,500	911,488	-	-	-
Capital outlay	-	-	-	200,000	200,000	400,959	-	-	-
Total Expenditures / Expenses	<u>330,000</u>	<u>536,000</u>	<u>530,238</u>	<u>750,000</u>	<u>872,500</u>	<u>1,312,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers - Modernization Trust Fund 10%	-	-	-	-	-	-	-	-	(43)
Net change in fund balance	-	(186,000)	(180,232)	160,000	160,000	(282,702)	-	-	(43)
Fund Balance at Beginning of Year	669,305	669,305	669,305	3,834,648	3,834,648	3,834,648	43	43	43
Fund Balance at End of Year	<u>\$ 669,305</u>	<u>\$ 483,305</u>	<u>\$ 489,073</u>	<u>\$ 3,994,648</u>	<u>\$ 3,994,648</u>	<u>\$ 3,551,946</u>	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

Clerk of the Circuit Court
County of Volusia, Florida
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS
September 30, 2018

ASSETS

Cash and cash equivalents	\$ 13,011,500
Accounts receivable	21,562
Total Assets	<u>13,033,062</u>

LIABILITIES

Accounts payable	370,291
Due to County Council	300,881
Due to other governments	3,158,479
Deposits	9,203,411
Total Liabilities	<u>13,033,062</u>

NET POSITION

\$ -

The accompanying notes are an integral part of the financial statements.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The County of Volusia, Florida (the “County”), implemented a County Home Rule Charter on January 1, 1971, as provided by Section 125.60 of the Laws of Florida. The County operates under an elected County Council (7 members) and provides services to approximately 530,000 residents in many areas, including law enforcement, community enrichment and development, and human services.

Section 502 of the Charter specifically excludes the office of the Clerk of the Circuit Court (the “Clerk”) and its related activities, as it is a separate governmental unit governed by the Constitution and Laws of Florida. The Clerk’s annual financial report does not include the financial statements of the County Council Charter government (the “County of Volusia, Florida”) representing the County Council, Supervisor of Elections, Sheriff and Property Appraiser.

As described above, the Clerk is a legally separate entity from the County of Volusia, Florida. However, in applying the criteria set forth by the Governmental Accounting Standards Board, it would be misleading to exclude the Clerk from the Comprehensive Annual Financial Report (“CAFR”) of the County of Volusia, Florida, because of their interrelationship. Therefore, the Clerk, for financial reporting purposes, is considered a component unit of the County of Volusia, Florida. The financial statements of the Clerk are included in the County of Volusia, Florida’s CAFR under a discrete presentation format.

B. Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the Clerk. Fund financial statements are presented for the Clerk’s General and Special Revenue Funds. All special revenue funds meet the requirements to be classified as a major fund. The Clerk does not engage in any business-type activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. 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. Separate financial statements are provided for fiduciary funds, even though they are excluded from the government-wide financial statements.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Governmental Funds Types

General Fund – The General Fund is the general operating fund of the Clerk. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The Clerk has three Special Revenue Funds: Modernization Trust Fund Public Records Modernization, Modernization Trust Fund Court Technology and the Modernization Trust Fund 10% Court Related.

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held by the Clerk in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds. The Clerk has seven agency funds. A separate financial statement is provided for agency funds. They are excluded from the government-wide financial statements. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Clerk's agency funds are: Court Registry, Documentary Stamps and Intangible Tax, Fine and Forfeiture, Miscellaneous Deposits, Juror and Witness Payments, Uniform Support, and Tax Deed Sales.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

D. Capital Assets

Capital assets purchased in the General Fund and Special Revenue Funds are recorded as expenditures at the time of purchase. Such assets are comprised entirely of equipment and are capitalized at cost or estimated historical cost. Donated assets are recorded at fair market value at the time of donation. Land and buildings used in the Clerk's operations are included in the County of Volusia, Florida's CAFR. Depreciation has been provided on fixed assets using the straight-line method over the estimated useful life of five years for office furniture, fixtures and equipment.

E. Budgets and Budgetary Accounting

The Clerk follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Section 218.35 of the Florida Statutes requires the Clerk, as a fee officer, to establish an annual budget reflecting resources available and functions for which funds are to be expended.
- (2) The proposed budget is to be filed with the Clerk of the County Council by September 1 preceding the fiscal year of the budget.
- (3) The Clerk is required to submit a proposed budget for court-related revenues and expenditures no later than June 1 for the fiscal year beginning October 1. The budget was submitted to the Florida Clerks of Court Operations Corporation in accordance with Section 28.36 of the Florida Statutes. The corporation must submit to the Legislative Budget Commission the proposed budgets for each clerk of the court by August 1. Before October 1 of each year, the Legislative Budget Commission shall approve the total of the clerks' combined budgets or any individual clerk's budget.
- (4) The Clerk can amend the general government budget (recorded in the General Fund), as deemed necessary, during the year. Budgetary control is at the total revenue and expenditure level.
- (5) The Clerk must request approval from the Florida Clerks of Court Operations Corporation in order to amend the court-related budget. Budgetary control is at the total revenue and expenditure level.
- (6) The Clerk must remit to the General Fund of the County of Volusia, Florida, the excess revenues over expenditures for general government operations in the Clerk's General Fund. This must be done by October 31 after the close of the fiscal year, in accordance with Section 218.36 of the Florida Statutes.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

- (7) The Clerk must remit to the State of Florida General Revenue Fund the unexpended appropriations (state appropriations received in excess of the approved budgeted expenditures) no later than January 25 for the previous Clerk fiscal year.
- (8) Formal budgetary integration is employed as a management control device during the year for the Clerk's General Fund and Special Revenue Funds. Appropriations lapse at the close of the fiscal year.
- (9) The budgets for the Clerk's General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

F. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checking accounts, certificates of deposit, and money market accounts.

G. Compensated Absences

It is the Clerk's policy to grant all full-time and provisional employees paid time off based upon the number of years of employment with the Clerk. Annual leave is payable upon termination or retirement up to a maximum of 500 hours at the regular hourly rate.

A liability for unused, accrued annual leave is reported in the General Fund for the estimated current portion of these compensated absences.

H. Grants

Revenues received or used from grants for governmental funds are recognized as current revenues when they become susceptible to accrual, that is, both measurable and available (modified accrual basis).

I. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of the FRS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Statement of Net Position

The ending governmental fund balances were \$4,041,019. The total net position was (\$4,819,894). There is a difference of (\$8,860,913), which is primarily due to the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Ending fund balances	\$ 4,041,019
Capital assets used in governmental activities are not financial resources and are not reported in the funds	893,762
Long-term portion of liabilities not due and payable in current period and therefore not reported in the funds:	
Accrued compensated absences	(792,978)
OPEB Liability	(753,590)
Net Pension Liability	(10,700,329)
Deferred inflows and outflows related to pension activity are not required to be reported in the funds:	
Deferred outflows	4,171,615
Deferred inflows	(1,627,872)
Deferred inflows and outflows related to Other Postemployment Benefits (OPEB) activity are not required to be reported in the funds:	
Deferred outflows	92,755
Deferred inflows	<u>(144,276)</u>
Total net position	<u><u>\$ (4,819,894)</u></u>

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

B. Statement of Activities

“Total Expenditures” for governmental funds differs from “Total Expenses” for governmental activities. Amounts reported are different because:

Excess (deficiency) of revenues over (under) expenditures and transfers out	\$ (462,977)
Capital assets purchased during the year	495,043
Depreciation expense	(529,262)
Net disposals of capital assets	(12,313)
Change in long-term compensated absences	122,974
Change in OPEB activity	31,240
Change in pension activity	<u>(407,784)</u>
Change in net position	<u><u>\$ (763,079)</u></u>

NOTE 3 – CASH AND INVESTMENTS

A. Deposits

Deposits consist of demand accounts (interest and non-interest bearing). All deposits are insured by the Federal Depository Insurance Corporation (“FDIC”) up to \$250,000 per bank. For amounts over this limit, the Florida Public Deposit Act (the “Act”) requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral, as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of FDIC insurance and proceeds from the sale of the securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

B. Investments

Section 218.415 (16), Florida Statutes, authorizes the Clerk to invest in the Local Government Surplus Funds Trust Fund; obligations of the U.S. Government; U.S. Government Instrumentalities; interest-bearing time deposits and savings accounts in banks and savings and loans, provided such deposits are collateralized as described above; mutual funds investing in U.S. Government securities; and repurchase agreements.

During the current fiscal year, the Clerk had deposits of \$1,040,454 in the Florida Local Government Investment Trust Day-to-Day Fund at September 30, 2018.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. The Clerk had no interest rate risk as of September 30, 2018.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. The Clerk’s investment policy does not specifically address custodial credit risk. The entire amount of the bank balance of deposits is covered by the FDIC or collateral with the State of Florida under the Florida Security for Public Deposits Act. The Act established guidelines for qualification and participation by banks and savings associations, and procedures for the administration of the collateral requirements. Under the Act, Clerk deposits in qualified depositories are totally insured.

The Clerk categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of September 30, 2018, the Clerk did not hold any investments that met the GASB 72 criteria.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Equipment	\$ 6,163,926	\$ 495,043	\$ 455,015	\$ 6,203,954
Less accumulated depreciation	5,223,632	529,262	442,702	5,310,192
Total capital assets, net of accumulated depreciation	<u>\$ 940,294</u>	<u>\$ (34,219)</u>	<u>\$ 12,313</u>	<u>\$ 893,762</u>

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt during the fiscal year:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Compensated absences	\$ 1,627,781	\$ 1,776,850	\$ 1,899,824	\$ 1,504,807
Net Pension Liability	\$ 10,723,671	\$ -	\$ 23,342	10,700,329
Total OPEB Liability	\$ 778,768	\$ -	\$ 25,178	753,590
Due within one year				<u>711,829</u>
Due in more than one year				<u>\$ 12,246,897</u>

NOTE 6 – TRANSACTIONS WITH PRIMARY GOVERNMENT

During the current year, aside from the annual subsidy from the County of Volusia, Florida, the Clerk recorded fees from services provided to the County in the amount \$36,848. This amount has been included in the charges for services in the statement of revenues, expenditures, and changes in fund balance – budget and actual in the General Fund.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Intergovernmental Grants

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

NOTE 8 – RESTRICTED AND UNRESTRICTED NET POSITION

Restricted Net Position – Governmental Activities

The balance of restricted net position in the governmental funds represents funds for public records modernization purposes and are restricted by enabling legislation.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

Unrestricted Net Position – Deficit

Unrestricted Net Position – deficit represents accrued compensated absences, pension liability, and OPEB costs of the Clerk, which are not due within one year. The excess fee calculation is based upon the fund financial statements and does not permit the Clerk to accumulate net position in the General Fund to pay long-term accrued compensated absences, pension liability and OPEB costs of the Clerk’s governmental activities.

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE PLAN

The Clerk implemented GASB Statement No. 75; *Financial Reporting for Postemployment Benefits Other than Pensions*. GASB Statement No. 75 replaces GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. This statement requires governments in all types of OPEB plans to present more note disclosures and Required Supplementary Information (“RSI”) about their OPEB liabilities.

The cumulative effect of this implementation was a restatement and reduction of beginning net position of \$251,800, resulting from total OPEB liability, deferred outflow, and deferred inflow amounts of \$778,768, \$103,667 and \$161,250 respectively.

Plan Description

The Clerk provides health insurance benefits to its retired employees through a single-employer program administered by Clerk. Pursuant to the provisions of Chapter 112.0801, Florida Statutes, former employees who retire from the Clerk and eligible dependents, may continue to participate in the Clerk’s fully-insured benefit program for medical and prescription drug insurance coverage (the “Program”). The Clerk subsidizes the premium rates implicitly, by allowing them to participate in the Program at the blended group (implicitly subsidized) premium rates (blended between active and retired employees). The blended premium rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Program on average than those of active employees. The benefits provided under this defined benefit Program are provided for a retiree’s lifetime (or until such time at which retiree discontinues coverage under the Clerk-sponsored Program, if earlier). The plan does not issue a separate financial report.

Funding Policy

Currently, the Program is unfunded. That is, the Clerk has not established a separate GASB-compliant Trust Fund or equivalent arrangement into which the Clerk would make contributions to advance-fund the obligation. Benefits are currently paid when due out of the general assets and reserves of the Clerk on a pay-as-you-go basis.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

For the fiscal year ended September 30, 2018, the total current premiums for health insurance were \$2,005,656. The Clerk contributed \$1,592,839 to the plan for current premiums. Plan members receiving benefits contributed \$485,474, or approximately 22.44% of the premiums through their required contributions. Plan members are required to contribute \$608.51 each month for Florida Health Care HMO retiree-only coverage, or \$1,180.51 for additional spouse or child coverage. The Triple Option retiree-only coverage requires a monthly payment of \$739.01 for retiree-only coverage, or \$1,433.67 for additional spouse or child coverage. The High Deductible retiree-only coverage requires a monthly payment of \$359.49, or \$697.41 for additional spouse or child coverage. For dental coverage, the retiree amounts are \$26.73 monthly for retiree-only, or \$50.90 for additional spouse coverage.

As of October 1, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive employee entitled to but not yet receiving benefit payments	-
Active employees	<u>262</u>
Total	274

Total OPEB Liability

The Clerk's total OPEB liability was measured as of October 1, 2017, the balance of which was recognized at September 30, 2018 (the fiscal year ended September 30, 2018). The Clerk's actuarial valuation was performed on a roll-forward basis. A full valuation is performed on a biennial basis.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and terminations, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term perspective of the calculations.

The Clerk's OPEB actuarial valuation for the 2017-18 fiscal year used the entry-age actuarial cost method to estimate the unfunded actuarial liability as of October 1, 2017, and to estimate the Clerk's annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.50% rate of return on invested assets.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

The actuarial assumptions also include a payroll growth rate of 3.25% per year, salary increases of 4.1%, general inflation is 2.6%, and the annual healthcare cost trend rate of 6 percent initially for the 2017-18 fiscal year, reduced to an ultimate rate of 4.4% for the fiscal year ending September 30, 2040. Under GASB 75, the entire amount of the unfunded OPEB liability is reported.

The long-term expected rate of return on OPEB investments was determined using an index of tax-exempt, 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate of 3.50% (based on the daily rate closest to but not later than the measurement date of the *Fidelity 20-Year Municipal GO AA Index*).

Changes in Total OPEB Liability

The following table illustrates the Total OPEB Liability under GASB 75:

	Increase (Decrease)
	Total OPEB Liability
Balance Recognized at 9/30/17 (Based on a 10/1/17 Measurement Date)	\$ 778,768
Changes Recognized for the Fiscal Year:	
Service Costs	31,898
Interest of the total OPEB Liability	24,758
Difference Between Expected and Actual Experience	(161,250)
Changes in Assumptions	103,667
Benefit Payments	(24,251)
Contributions From Employer	-
Balance Recognized at 9/30/18 (Based on a 10/1/17 Measurement Date)	\$ 753,590

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

Transition to GASB 75

The following illustrates the transition from GASB 45 to GASB 75 for the beginning balance - Net OPEB Liability:

Net OPEB Obligation at 9/30/17	\$	584,551
Amount for Transition to GASB 75		<u>194,217</u>
Total OPEB Liability at 10/01/17		<u><u>\$ 778,768</u></u>

Interest Rate Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Total OPEB Liability for the fiscal year ended September 30, 2018:

	1% Decrease <u>2.5%</u>	Current Discount Rate <u>3.5%</u>	1% Increase <u>4.5%</u>
Total OPEB Liability	\$ 888,827	\$ 753,590	\$ 645,564

Healthcare Cost Trend Sensitivity

The following table illustrates the impact of healthcare cost trend sensitivity on the Total OPEB Liability for the fiscal year ended September 30, 2018:

	1% Decrease <u>5% - 3.4%</u>	Current Discount Rate <u>6% - 4.4%</u>	1% Increase <u>7% - 5.4%</u>
Total OPEB Liability	\$ 623,381	\$ 753,590	\$ 925,270

OPEB Expenses and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2018, the Clerk recognized OPEB expense of \$50,594. At September 30, 2018, the Clerk reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 144,276
Change of assumptions	<u>92,755</u>	<u>-</u>
Total	<u><u>\$ 92,755</u></u>	<u><u>\$ 144,276</u></u>

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

Amounts to be reported as deferred outflows and resources and deferred inflows of resources to OPEB will be recognized in OPEB expense, as follows:

Fiscal Year Ending September 30,	Amount
2019	\$ (6,062)
2020	\$ (6,062)
2021	\$ (6,062)
2022	\$ (6,062)
2023	\$ (6,062)
Thereafter	\$ (21,211)

Funded Status and Funding Progress

As of October 1, 2017, the most recent actuarial valuation date, the plan was unfunded. The actuarial value of assets was zero and the actuarial accrued liability for benefits was \$753,590. The total unfunded actuarial liability was \$753,590. The covered payroll (annual payroll of active employees covered by the plan) was \$9,527,274, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.9%.

The projection of future benefit payment for an ongoing program involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of program assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

Based on the historical and expected returns of the employer's short-term investment portfolio, a discount rate of 3.5% was used. An inflation rate of 2.6% was assumed. The projected salary increases are 3.7% to 7.8%. In addition, the Entry Age Normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2018 is 30 years. Health insurance trends start at 6.5% for the fiscal year ended in 2017 and 6% for 2018, grading down to 4.4% - the ultimate trend rate in 2040.

NOTE 10 – FUND BALANCE

The Clerk has classified governmental fund balances as restricted. These fund balances include amounts in the Major Special Revenue Funds that can only be spent for the specific purposes stipulated by enabling legislation. The fund balances in the Modernization Trust Funds are restricted because they can only be spent in accordance with the requirements of the Florida Statutes. The Clerk does not have a formal minimum fund balance policy. When restricted and unrestricted resources are available to pay an expense, the Clerk's policy is to first apply an expense against unrestricted resources.

The Public Records Modernization Fund can only be used to modernize the Clerk's public records system. The Clerk collects a \$1.00 service charge or a .50 cent service charge on certain recorded documents for this trust fund pursuant to Florida Statute 28.24(12)(d).

The Court Technology portion can only be spent on the court-related technology operations of the Clerk. The Clerk collects a \$1.90 service charge on certain recorded documents pursuant to Florida Statute 28.24(12)(e) for this trust fund.

The 10% Court Related portion can only be spent on the court-related operational needs and program enhancements of the Clerk. The Clerk collected 10% of all court-related fines pursuant to Florida Statute 28.37(5) and deposited them in the fund until July 1, 2017, at which time the statute was changed to require the monies to be paid into the Clerk's fine and forfeiture fund instead. During fiscal year 2018, the remaining fund balance was transferred to the General Fund and the fund was closed.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 11 – RETIREMENT PLANS

Florida Retirement System:

The Florida Department of Management Services, Division of Retirement, is part of the primary government of the state Florida and is responsible for administering the FRS Pension Plan (“FRS Plan”) that was created in Chapter 121, Florida Statutes, and was effective December 1, 1970. All of the Clerk’s employees participate in the FRS. The FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Plan and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Department of Management Services, Division of Retirement, Department of Management Services, Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the web site: www.dms.myflorida.com/workforce_operations/retirement/publications 850-488-5706 or toll free at 877-377-1737

Cost-Sharing Defined Benefit Plans

As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), this report includes the Clerk’s allocation of the collective net pension liability and associated pension expense, deferred outflows of resources and deferred inflows of resources as a participating employer in the system’s cost-sharing, multiple-employer defined benefits plans:

- The FRS Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (“DROP”) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS membership and is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

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- The HIS Plan is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Plan. The benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs. For the state's fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive HIS benefits, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Basis of Accounting

Employers participating in the FRS Plan and HIS Plan are required to report pension information in their financial statement for fiscal periods beginning on or after June 15, 2014, in accordance with GASB 68. The financial statement for the cost-sharing defined benefit plans are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America.

Employer Contributions

Contributions are recognized by FRS as revenues in the period for which the contributions are due pursuant to statutory and contractual requirements. Employee contributions pursuant to Section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts.

Use of Estimates

The preparation of these schedules, and the associated financial statements, requires the management of the FRS to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and changes therein, including appropriate disclosures at the date of the financial statements. Actual results could differ from those estimates.

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The table below shows the assumptions for each of the asset classes in which the plans was invested at the time based on the long-term asset allocation.

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	1%
Fixed income	18%
Global equity	53%
Real estate	10%
Private equity	6%
Strategic investments	12%
Total	100%

Net Pension Liability

The components of the Clerk’s net pension liability for each defined benefit plan for the measurement date of June 30, 2018, are shown below (in thousands):

	FRS	HIS
Total Pension Liability	\$ 48,104	\$ 3,196
Plan Fiduciary Net Position	(40,530)	(69)
Net Pension Liability	\$ 7,574	\$ 3,127
 Plan Fiduciary Net Positon as a Percentage of the Total Pension Liability	84.25%	2.16%

The total pension liability for the FRS Plan was determined by the plan’s actuary and reported in the plan’s GASB 67 valuation as of June 30, 2018. The fiduciary net position used by the actuary to determine the new pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is report in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The Clerk’s pension liability for the HIS Plan was determined by the plan’s actuary and reported in the plan’s GASB 67 valuation as of June 30, 2018. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

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Basis for Allocation

The employer's proportionate share reported in the FRS pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's fiscal years ended June 30, 2013, through June 30, 2018, for employers that were members of the FRS and HIS Plans during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2018, in addition to contributions from employers, the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans and, therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts of each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The portion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

Actuarial Methods and Assumptions

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to Section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Plan's GASB 67 valuation is performed annually. The HIS Plan has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been complete for that plan. The actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increase for both plans is assumed at 2.6%. payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Plan investments is 7.00%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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Because the HIS Plan uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension liability for the plan (BondBuyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2018:

- FRS: The long-term expected rate of return was decreased from 7.10% to 7.00%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2018.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
6.00%	7.00%	8.00%	2.87%	3.87%	4.87%
\$ 13,821,605	\$ 7,573,308	\$ 2,383,728	\$ 3,561,494	\$ 3,127,021	\$ 2,764,863

Pension Expense and Deferred Outflows/Inflows of Resources

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Difference between expected and actual earnings on pension plan investments – amortized over five years.

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Employer contributions to the pension plans from employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2018 was 6.4 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year June 30, 2018, are presented below for each plan.

Florida Retirement System (FRS)

	Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources
Collective expense	\$ 1,298,824	\$ -	\$ -
Changes in proportion	36,381	165,777	(347,964)
Assumptions	-	-	-
Investments	-	2,474,589	(585,130)
Experience	-	841,573	(23,286)
Contributions subsequent to the measurement date	-	200,120	-
Total	<u>\$ 1,335,205</u>	<u>\$ 3,682,059</u>	<u>\$ (956,380)</u>

Health Insurance Subsidy (HIS)

	Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources
Collective expense	\$ 232,673	\$ -	\$ -
Changes in proportion	-	51,508	(335,564)
Assumptions	-	347,763	(330,615)
Investments	-	1,888	-
Experience	-	47,873	(5,313)
Contributions subsequent to the measurement date	-	40,524	-
Total	<u>\$ 232,673</u>	<u>\$ 489,556</u>	<u>\$ (671,492)</u>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period	FRS Expense	HIS Expense
Ending		
2019	\$ 442,034	\$ (35,599)
2020	442,034	(35,599)
2021	354,479	(45,029)
2022	323,044	(43,547)
2023	341,614	(47,461)
Thereafter	622,354	(15,225)
Total	<u>\$ 2,525,559</u>	<u>\$ (222,460)</u>

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FRS Plan Benefits Provided

Benefits under the FRS Plan are computed on the basis of age, average final compensation, and service credit. For FRS Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62, with at least six years of credited service, or 30 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55, with at least six years of credited service, or 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55, with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62, with at least six years of credited service, or 30 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62, with at least six years of credited service, or 30 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For FRS Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65, or 33 years of service regardless of age, for Regular, Senior Management Service, and Elected Officers' class members, and to age 60, or 30 years of service regardless of age, for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS Plan 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%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments, while continuing employment with a FRS Plan employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

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FRS Plan Contributions – Effective July 1, 2011, all enrolled members of the FRS Plan, other than DROP participants and re-employed retirees, are required to contribute 3% of their salary to the FRS Plan. In addition to member contributions, governmental employers are required to make contributions to the FRS Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates for the periods from October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular – 7.92% and 8.26%; Senior Management Service – 22.71% and 24.06%; Elected Officers – 45.50% and 48.70%; DROP participants – 13.26% and 14.03%; DROP terminated in EOC – 9.09% and 9.62%; Retirees Initially Re-employed on or after July 1, 2010 – 4.96% and 5.16%. These employer contribution rates include the 1.66% HIS Plan subsidy and the .06% administrative/educational fee for the periods October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018.

The Clerk's contributions, including employee contributions, to the FRS Plan totaled \$755,374 for the fiscal year ended September 30, 2018.

HIS Plan Contributions

The HIS Plan is funded by required contributions from FRS participating employers, as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS Plan contribution for the period October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018 was 1.66% and 1.66%, respectively. The Clerk contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Clerk's contributions to the HIS Plan totaled \$125,848 for the fiscal year ended September 30, 2018.

FRS Plan Net Pension Liability

At September 30, 2018, the Clerk reported a liability of \$7,573,308 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Clerk's proportionate share of the net pension liability was based on the Clerk's 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the Clerk's proportionate share was .025143353%, which was an increase of .000021111% from its proportionate share measured as of June 30, 2017, which was .025122242%.

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HIS Plan Net Pension Liability

At September 30, 2018, the Clerk reported a liability of \$3,127,021 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Clerk's proportionate share of the net pension liability was based on the Clerk's 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the Clerk's proportionate share was .029544480%, which was a decrease of .001249923% from its proportionate share measured as of June 30, 2017, which was .030794403%.

FRS Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida CAFR.

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 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 as the FRS Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment options. Costs of administering the Investment Plan are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk class 14.00%, Special Risk Administrative Support class 7.95%, County Elected Officers class 11.34% and Senior Management Service class 7.67%.

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 Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Plan vesting in order to be vested for these funds and the earnings on the funds. Non-vested 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 September 30, 2018, 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.

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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 Plan or remain in the Investment Plan and rely upon that account balance for retirement income. The Clerk's Investment Plan pension expense totaled \$256,625 for the fiscal year ended September 30, 2018.

**Clerk of the Circuit Court
County of Volusia, Florida
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in the Clerk's Net OPEB Liability and Related Ratios

LAST 10 FISCAL YEARS*

Total OPEB Liability	2018
Service Cost	\$ 31,898
Interest Cost	24,758
Changes in Benefit Terms	-
Differences between Expected and Actual Experiences	(161,250)
Changes in Assumptions	103,667
Benefit Payments	(24,251)
Net Change in Total OPEB Liability	(25,178)
Total OPEB Liability (Beginning)	778,768
Total OPEB Liability (Ending)	\$ 753,590
 Covered Payroll at Measurement Period (10/01/2017)	 \$9,527,274
 Total OPEB Liability as a Percentage of Covered Payroll	 7.91%

GASB 75 was effective first for employer fiscal years beginning after 06/15/17. Fiscal year end 9/30/18 values reflect the measurement period from 09/30/16 - 10/01/2017

*GASB Statement No. 75 was implemented during the 17-18 fiscal year. Therefore, data for a full 10-year presentation was not available. Additional years' information will be displayed as it becomes available.

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
County of Volusia, Florida**
REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

There is a significant increase in reported liability associated with transition to GASB 75. As of September 30, 2017, the Net OPEB Obligation under GASB 45 was \$584,551. Under GASB 75, the entire unfunded liability must be reported. At October 1, 2017, the Total OPEB Obligation was \$753,590.

Actuarial Valuation:

Cost Method – Entry Age Actuarial Cost Method

Method Changes – Effective for the fiscal year ended September 30, 2018, the Plan is reported under GASB 75.

Assumption Changes:

- A change in the funding discount rate from 3.10% at October 1, 2016 under GASB 45 to 3.5% at October 1, 2017 under GASB 75.
- The mortality projection scale was updated from RP-2000 Annuitant Mortality tables to RP-2000 Combined Mortality tables, Scale BB.

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
County of Volusia, Florida
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the Clerk's Proportionate Share of the Net Pension Liability
FLORIDA RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Clerk's proportion of the net pension liability (asset)	0.025143353%	0.025122242%	0.027351723%	0.028560378%	0.028911588%
Clerk's proportionate share of the net pension liability (asset)	\$ 7,573,308	\$ 7,430,991	\$ 6,906,332	\$ 3,688,956	\$ 1,764,032
Clerk's covered-employee payroll	\$ 9,651,345	\$ 7,375,563	\$ 7,912,427	\$ 8,182,961	\$ 8,181,533
Clerk's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	99.89%	100.75%	87.28%	45.08%	21.56%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Only five of the required ten years is presented, as GASB 68 was effective for the Clerk for the year ended September 30, 2015.

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
County of Volusia, Florida
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the Clerk's Proportionate Share of the Net Pension Liability
FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY PROGRAM
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Clerk's proportion of the net pension liability (asset)	0.029544480%	0.030794403%	0.033763916%	0.033296958%	0.033680366%
Clerk's proportionate share of the net pension liability (asset)	\$ 3,127,021	\$ 3,292,680	\$ 3,935,045	\$ 3,395,766	\$ 3,149,196
Clerk's covered-employee payroll	\$ 9,651,345	\$ 7,375,563	\$ 7,912,427	\$ 8,182,961	\$ 8,181,533
Clerk's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.40%	44.64%	49.73%	41.50%	38.49%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Only five of the required ten years is presented, as GASB 68 was effective for the Clerk for the year ended September 30, 2015.

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
County of Volusia, Florida
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the Clerk's Contributions
FLORIDA RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 755,374	\$ 653,994	\$ 667,015	\$ 773,976	\$ 757,580
Contributions in relation to the contractually required contribution	<u>(755,374)</u>	<u>(653,994)</u>	<u>(667,015)</u>	<u>(773,976)</u>	<u>(757,580)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Clerk's covered-employee payroll	\$ 9,879,998	\$ 9,817,650	\$10,425,421	\$10,309,836	\$10,097,121
Contribution as a percentage of covered-employee payroll	7.65%	6.66%	6.40%	7.51%	7.50%

* Only five of the required ten years is presented, as GASB 68 was effective for the Clerk for the year ended September 30, 2015.

The notes to the financial statements are an integral part of this statement.

**Clerk of the Circuit Court
County of Volusia, Florida
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the Clerk's Contributions (Cont.)
FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY PROGRAM
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 164,008	\$ 162,973	\$ 173,062	\$ 171,143	\$ 167,612
Contributions in relation to the contractually required contribution	<u>(164,008)</u>	<u>(162,973)</u>	<u>(173,062)</u>	<u>(171,143)</u>	<u>(167,612)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Clerk's covered-employee payroll	\$ 9,879,998	\$ 9,817,650	\$ 10,425,421	\$ 10,309,836	\$ 10,097,121
Contribution as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%	1.66%

The notes to the financial statements are an integral part of this statement.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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***

To the Honorable Laura E. Roth,
Clerk of the Circuit Court of Volusia 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 the Clerk of the Circuit Court of Volusia 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 basic financial statements and have issued our report thereon dated February 27, 2019.

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 opinion 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 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 over financial reporting 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.

To the Honorable Laura E. Roth,
Clerk of the Circuit Court of Volusia County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pursuant to provisions of Chapter 10.550, *Rules of the Auditor General*, we reported certain matters to management of the Clerk in a separate management letter and Independent Accountant's Report dated February 27, 2019.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive, flowing style.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 27, 2019



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Laura E. Roth,
Clerk of the Circuit Court of Volusia County, Florida

We have audited the financial statements of the Clerk of the Circuit Court of Volusia County, Florida (the "Clerk") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated February 27, 2019.

Auditor's Responsibility

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 and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's 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 our Independent Accountant's 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 February 27, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Management

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

To the Honorable Laura E. Roth,
Clerk of the Circuit Court of Volusia County, Florida

Additional Matters

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

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive style.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
February 27, 2019



INDEPENDENT ACCOUNTANT'S REPORT

To the Honorable Laura E. Roth,
Clerk of the Circuit Court of Volusia County, Florida

We have examined the Clerk of the Circuit Court of Volusia County, Florida's (the "Clerk") compliance with the requirements of Sections 28.35, 28.36, 218.415, and 61.181, Florida Statutes, 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 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 with those requirements. An examination involves performing procedures to obtain evidence about the Clerk's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of 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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 27, 2019