

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

FINANCIAL STATEMENTS

Year Ended September 30, 2023

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando County, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hernando County, Florida Clerk of the Circuit Court (the "Clerk") as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Clerk's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Clerk as of September 30, 2023, and the respective change in financial position, and the budgetary comparison 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Clerk, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clerk's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Honorable Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando County, Florida

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clerk's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis-of-Matter

As described in Note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of the financial position of Hernando County, Florida as of September 30, 2023, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Honorable Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando County, Florida

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplemental information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 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, 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.

MSL, P.A.

Certified Public Accountants

Tampa, Florida
February 27, 2024

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2023

	General	Records Modernization	Fines and Forfeitures	Total
ASSETS				
Cash	\$ 6,100	\$ -	\$ -	\$ 6,100
Equity in pooled cash and investments	1,590,814	3,142,242	1,298,090	6,031,146
Accounts receivable	54,784	-	-	54,784
Due from other government agencies	135,027	-	40,951	175,978
Prepaid items	174,050	25,179	-	199,229
	TOTAL ASSETS	\$ 3,167,421	\$ 1,339,041	\$ 6,467,237
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 211,250	\$ 1,028	\$ 5,010	\$ 217,288
Accrued wages and benefits	144,156	1,773	41,193	187,122
Due to Hernando County				
Board of County Commissioners	1,537,050	-	-	1,537,050
Due to other government agencies	-	-	1,034,583	1,034,583
Deposits	68,319	-	252,791	321,110
	TOTAL LIABILITIES	2,801	1,333,577	3,297,153
 FUND BALANCES				
Restricted for:				
Record modernization	-	3,164,620	-	3,164,620
Restricted for:				
Court operations	-	-	5,464	5,464
	TOTAL FUND BALANCES	3,164,620	5,464	3,170,084
	TOTAL LIABILITIES AND FUND BALANCE	\$ 3,167,421	\$ 1,339,041	\$ 6,467,237

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

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS**

Year Ended September 30, 2023

	General	Records Modernization	Fines and Forfeitures	Total
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 422,570	\$ 422,570
Charges for services	1,619,749	519,897	3,164,140	5,303,786
Fines and forfeitures	-	-	1,162,561	1,162,561
Interest income	269,847	133,633	80,690	484,170
Miscellaneous	8,125	-	93,898	102,023
	TOTAL REVENUES	653,530	4,923,859	7,475,110
EXPENDITURES				
General government:				
Personnel services	4,847,229	-	-	4,847,229
Operating expenditures	2,982,078	35,918	-	3,017,996
Court operations:				
Personnel services	-	-	3,337,987	3,337,987
Operating expenditures	-	26,602	155,238	181,840
Capital outlay	156,711	119,366	-	276,077
	TOTAL EXPENDITURES	181,886	3,493,225	11,661,129
	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	471,644	1,430,634	(4,186,019)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Hernando County Board of County Commissioners	7,623,536	-	-	7,623,536
Transfers (out):				
Distribution of excess appropriations to the Hernando County Board of County Commissioners	(1,535,239)	-	-	(1,535,239)
Distribution of excess court revenue to the State of Florida	-	-	(1,439,191)	(1,439,191)
	TOTAL OTHER FINANCING SOURCES (USES)	-	(1,439,191)	4,649,106
	NET CHANGE IN FUND BALANCE	471,644	(8,557)	463,087
FUND BALANCE, BEGINNING OF YEAR	-	2,692,976	14,021	2,706,997
FUND BALANCE, END OF YEAR	\$ -	\$ 3,164,620	\$ 5,464	\$ 3,170,084

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

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

Year Ended September 30, 2023

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,567,000	\$ 1,567,000	\$ 1,619,749	\$ 52,749
Interest income	9,000	9,000	269,847	260,847
Miscellaneous	-	-	8,125	8,125
TOTAL REVENUES	<u>1,576,000</u>	<u>1,576,000</u>	<u>1,897,721</u>	<u>321,721</u>
EXPENDITURES				
General government:				
Personnel services	5,366,947	5,366,947	4,847,229	519,718
Operating expenditures	3,637,589	3,637,589	2,982,078	655,511
Capital outlay	195,000	195,000	156,711	38,289
TOTAL EXPENDITURES	<u>9,199,536</u>	<u>9,199,536</u>	<u>7,986,018</u>	<u>1,213,518</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,623,536)</u>	<u>(7,623,536)</u>	<u>(6,088,297)</u>	<u>1,535,239</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Hernando County				
Board of County Commissioners	7,623,536	7,623,536	7,623,536	-
Transfers (out):				
Distribution of excess appropriations to the Hernando County				
Board of County Commissioners	-	-	(1,535,239)	(1,535,239)
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,623,536</u>	<u>7,623,536</u>	<u>6,088,297</u>	<u>(1,535,239)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - RECORDS MODERNIZATION FUND**

Year Ended September 30, 2023

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 660,000	\$ 660,000	\$ 519,897	\$ (140,103)
Interest income	8,000	8,000	133,633	125,633
TOTAL REVENUES	<u>668,000</u>	<u>668,000</u>	<u>653,530</u>	<u>(14,470)</u>
EXPENDITURES				
General government:				
Operating expenditures	463,000	423,316	35,918	387,398
Court operations:				
Personnel services	405,000	405,000	-	405,000
Operating expenditures	375,000	335,316	26,602	308,714
Capital outlay	40,000	119,368	119,366	2
Reserves	615,000	615,000	-	615,000
TOTAL EXPENDITURES	<u>1,898,000</u>	<u>1,898,000</u>	<u>181,886</u>	<u>1,716,114</u>
NET CHANGE IN FUND BALANCE	(1,230,000)	(1,230,000)	471,644	1,701,644
FUND BALANCE, BEGINNING OF YEAR	<u>1,230,000</u>	<u>1,230,000</u>	<u>2,692,976</u>	<u>1,462,976</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,164,620</u>	<u>\$ 3,164,620</u>

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

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FINES AND FORFEITURES FUND**

Year Ended September 30, 2023

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 482,219	\$ 469,606	\$ 422,570	\$ (47,036)
Charges for services	3,040,650	3,040,650	3,164,140	123,490
Fines and forfeitures	1,131,950	1,131,950	1,162,561	30,611
Interest income	10,000	10,000	80,690	70,690
Miscellaneous	-	-	93,898	93,898
TOTAL REVENUES	<u>4,664,819</u>	<u>4,652,206</u>	<u>4,923,859</u>	<u>271,653</u>
EXPENDITURES				
Court operations:				
Personnel services	3,846,502	3,780,764	3,337,987	442,777
Operating expenditures	123,644	176,769	155,238	21,531
TOTAL EXPENDITURES	<u>3,970,146</u>	<u>3,957,533</u>	<u>3,493,225</u>	<u>464,308</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>694,673</u>	<u>694,673</u>	<u>1,430,634</u>	<u>735,961</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out):				
Distribution of excess court revenue to State of Florida	<u>(694,673)</u>	<u>(694,673)</u>	<u>(1,439,191)</u>	<u>(744,518)</u>
NET CHANGE IN FUND BALANCE	-	-	(8,557)	(8,557)
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>14,021</u>	<u>14,021</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,464</u>	<u>\$ 5,464</u>

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

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

September 30, 2023

ASSETS

Equity in pooled cash and investments \$ 4,946,369

TOTAL ASSETS 4,946,369

LIABILITIES

Accounts payable 33,044

Due to Hernando County Board of County Commissioners 105,762

Due to other government agencies 674,461

Other current liabilities 2,449,445

TOTAL LIABILITIES 3,262,712

NET POSITION

Restricted for:

Individuals and other governments \$ 1,683,656

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

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

Year Ended September 30, 2023

ADDITIONS

State of Florida collections	\$ 42,020,544
Hernando County Board of County Commissioners collections	618,321
Other collections	<u>17,006,547</u>

TOTAL ADDITIONS 59,645,412

DEDUCTIONS

Payments to Hernando County Board of County Commissioners	615,951
Payments to the State of Florida	41,768,685
Other payments	<u>17,748,738</u>

TOTAL DEDUCTIONS 60,133,374

NET DECREASE IN FIDUCIARY NET POSITION (487,962)

NET POSITION-BEGINNING OF THE YEAR 2,171,618

NET POSITION-END OF THE YEAR \$ 1,683,656

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

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Hernando County, Florida (the “County”) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the “Board”) and managed by an appointed County Administrator. The Hernando County, Florida Clerk of the Circuit Court (the “Clerk”) is an elected constitutional officer as provided for by the Constitution of the State of Florida. Pursuant to Section 28.36, Florida Statutes, the Clerk’s budget for the court activities in the Fines and Forfeitures Fund is submitted to the Clerks of Court Operations Corporation (“CCOC”).

The Clerk is responsible for the administration and operation of the Clerk’s office, including the Circuit and County court systems. The operations of the Clerk are funded primarily from fees and charges authorized under applicable Florida Statutes, or state general appropriations.

Certain costs of the court systems (communications services; existing radio systems; existing multi-agency criminal justice information systems; and the cost of construction or lease, maintenance, utilities, and security of facilities for the trial courts, public defenders’ offices, and state attorneys’ offices) are required by Article V, *Florida Constitution*, to be funded by the Board. Such costs are not included herein.

For financial reporting purposes, the Clerk is deemed to be part of the primary government of the County and, as such, is included in the County’s Annual Comprehensive Financial Report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Clerk’s office, but are not a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General - Local Governmental Entity Audits*.

The financial transactions of the Clerk are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. GAAP sets forth minimum criteria (percentage of total assets, liabilities, revenues, or expenditures) for the determination of major funds. Each major fund is reported in a separate column. The Clerk reports the following major governmental funds:

- **General Fund** - The General Fund is used to account for the general operations of the Clerk and includes all transactions which are not accounted for in another fund.
- **Records Modernization Fund** - The Records Modernization Fund was created pursuant to Florida Statutes 631 effective July 1, 1987. The Clerk charges a fee for each instrument recorded in the official records. The fee is deposited into this fund. The money in this fund is to be held by the Clerk and is restricted exclusively for equipment, personnel training, and technical assistance in modernizing the official records system. Effective July 1, 2004, an additional amount is collected pursuant to Section 28.24(12)(e), Florida Statutes, and is used exclusively for funding court-related technology needs. Beginning July 1, 2009, the fund also receives 10% of the Clerk's fees on civil and criminal fines collections to be used for additional court-related operational needs and program enhancements.
- **Fines and Forfeitures Fund** - The Fines and Forfeitures Fund was created pursuant to Florida Statutes 28.36, effective July 1, 2004. The fund accounts for court-related functions pursuant to Florida Statutes 28.35(3)(a). From July 1, 2009 through June 30, 2013, related fees and charges were remitted monthly to the state, and the court-related functions were funded by a monthly state appropriation. Beginning July 1, 2013, the state appropriations were terminated, and related fees and charges (including those received in June 2013) are no longer remitted to the state, but are instead retained to fund court-related functions. Excess revenues are returned to the state.

The Clerk also reports the following fund type:

- **Custodial Funds** - To account for assets held by the Clerk in a trustee capacity or as an agent for individuals, private organizations, and other governments.

With the implementation of Revision 7 to Article V on July 1, 2004, the Clerk's activities are now classified as court-related and non-court-related. Non-court-related activities are reported in the Clerk's General Fund. These activities are funded primarily with service charges for recording instruments and documents into the official records, and through transfers in from the Board. Excess revenues at the end of the year are due back to the Board, and are shown as a liability and transfer out in the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of Presentation *(Continued)*

Court-related activities are reported in the Fines and Forfeitures Fund. Excess revenues are due back to the state periodically, except that one month's revenues can be retained for cash flow needs. Based on the legal opinion provided by the CCOC general counsel of the provisions of Section 28.37(3), Florida Statutes, which was adopted as policy by the CCOC Finance and Budget Committee, all excess court-related funds have been included in a fund liability, due to other government agencies.

Measurement Focus and Basis of Accounting

Governmental funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The focus on fiduciary type fund financial statements is by fund type, not major fund. The Clerk only has one fiduciary fund type, the custodial fund type. Accordingly, there is only one column in the fiduciary fund financial statements. Custodial funds are accounted for under the economic resources method and accrual basis of accounting.

The modified accrual basis of accounting is used by the governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Clerk considers revenues to be available if they are collected within 45 days of the end of the current period. Grants are the same, as the Clerk considers revenues to be available if they are collected within 45 days of the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures to the extent they have matured. Prepaid items are recorded under the consumption method.

Charges for services, interest income, and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

The general operations of the Clerk are funded principally by fees from third parties and appropriations from the Board. The appropriations from the Board are presented in the Clerk's financial statements as transfers in.

Excess Fees

For the General Fund, Florida Statutes provide that the amount by which revenues and transfers exceed annual expenditures be remitted to the Board immediately following the fiscal year for which the funding was provided or following the fiscal year during which other revenue was recognized. The amount of this distribution is recorded as a liability and as another financing use in the General Fund in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess Fees (Continued)

For the Fines and Forfeitures Fund, the Clerk makes monthly payments to the state from its budget surplus and is required to return additional net revenues annually. Amounts returned were \$595,981 and net revenues accrued were \$843,210 for a total state distribution of \$1,439,191. This distribution is recorded as an “other financing use” in the Fines and Forfeitures Fund. Net revenues are returned to the state on a basis that straddles the fiscal year (i.e., September revenues can be carried over for working capital needs). Amounts recorded as due to other governmental agencies in the Fines and Forfeitures Fund totaling \$1,034,583 included net revenues of \$625,685 scheduled to be returned to the state in January 2024, and \$408,898 available for carryover.

Equity in Pooled Cash

The Clerk pools substantially all cash and investments. Pooled cash includes cash on hand and on deposit with financial institutions. Short-term investments are with Florida State Board of Administrations’ (“SBA”) Florida PRIME, Florida Local Government Investment Trust (the “Trust”), and Florida Cooperative Liquid Assets Securities System (“FLCLASS”), all of which are external investment pools. Earnings from pooled cash and investments are allocated to each fund based on a monthly weighted average of the equity balance of each fund. Additionally, all other investments, if any, are reported at fair value.

Compensated Absences

All full-time employees of the Clerk are entitled to annual paid time off (“PTO”). PTO is an employee benefit that combines traditional vacation and sick leave programs into one plan with two components.

The employees are generally allowed to accumulate PTO up to a certain maximum, based on length of employment. Upon termination before retirement, the employee is paid for up to 80% of accrued and unused PTO. Retiring employees receive up to 100% of their accrued PTO balance. PTO payments are included in operating costs when the payments are made to the employees. The Clerk does not, nor is he legally required to, accumulate financial resources for these un-matured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds but rather is reported in the basic financial statements of the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fund Balances

Generally accepted accounting principles for governments established fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: non-spendable, restricted, committed, assigned, and unassigned:

- **Non-Spendable** - This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash, or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted** - This component of fund balances consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed** - This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., policy) of the organization's governing authority. By statute, the Clerk himself is the governing authority. These committed amounts cannot be used for any other purpose unless the Clerk removes or changes the specified use by taking the same type of action (e.g., policy) he employed to constrain those amounts.
- **Assigned** - This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Clerk has not delegated the responsibility to assign fund balances to any individual or body.
- **Unassigned** - This classification is used for: (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the General Fund that are not restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Clerk's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Clerk's policy to use committed resources first, then assigned, and then unassigned as needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported or disclosed in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - BUDGETARY PROCESS

Generally, Florida Statutes 129.021 and 129.03 govern the preparation, adoption, and administration of the Clerk’s annual budget. The Clerk prepares a budget for all funds. Subsequent amendments can be made to these budgets without Board approval, except when they increase the total General Fund budget. The Clerk also prepares an annual budget for the Fines and Forfeiture Fund that is submitted to the CCOC.

Budgets are prepared on a basis consistent with GAAP. The annual budget serves as the legal authorization for expenditures. Budgetary control is maintained at the departmental major object expenditure level. Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at year-end. Budgetary changes within major object expenditures categories are made at the discretion of the Clerk.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable to the fiscal year, whenever legally authorized.

NOTE 3 - CASH AND EQUITY IN POOLED CASH AND INVESTMENTS

Cash and Cash Equivalents

At September 30, 2023, the fair value of the Clerk’s cash and cash equivalents was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>
Cash on Hand	\$ 6,100	N/A
Demand Deposits	<u>680,901</u>	N/A
Total Cash and Cash Equivalents	<u>\$ 687,001</u>	

NOTE 3 - CASH AND EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Cash and Cash Equivalents (Continued)

The Clerk's bank deposits are held in qualified public depositories ("QPDs") pursuant to Chapter 280, Florida Statutes. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

Investments

The Clerk's investment policy follows guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. The policy authorizes the following investments:

External Investment Pools

- Direct Obligations of (or Unconditionally Guaranteed by) the United States (U.S.) Government
- Certain Obligations Issued or Guaranteed by U.S. Agencies
- Certificates of Deposit, Money Market Accounts, etc. in QPDs
- Certain Repurchase Agreements
- Certain Securities Exchange Commission Registered Money Market Funds
- Certain PRIME-rated Commercial Paper
- Certain Domestic Bankers' Acceptances
- Qualified Municipal Debt General Obligation Securities Rated at Least "A or Equivalent"
- Certain Corporate Debt Securities Rated at Least "A or Equivalent"

The primary objective of the investment policy is to assure that investments are of minimum risk. The second criterion is the assurance of liquidity, and the third consideration is yield.

Credit Risk

In an effort to limit credit risk, the Clerk's investment policy identifies and limits investments to only top ratings issued by nationally recognized statistical rating organizations.

Concentration of Investment Risk

To manage concentration of investment risk, the Clerk's investment policy stipulates maximum limitation guidelines for diversification by instrument. A maximum of 80% of the portfolio may be invested in each of the Florida Trust Funds or Florida PRIME. Investment maximum limitations range from 10% to 80% for each of the remaining types of investments.

NOTE 3 - CASH AND EQUITY IN POOLED CASH AND INVESTMENTS *(Continued)*

Custodial Credit Risk

To manage custodial credit risk for investments, the Clerk's investment policy specifies the Clerk will execute a third-party Custodial Safekeeping Agreement with a commercial bank's trust department separately chartered by the U.S. Government or State of Florida. All securities purchased by the Clerk are properly designated as an asset of the Clerk and are held in safekeeping by the bank's trust department.

Interest Rate Risk

To manage interest rate risk, the Clerk maintains a formal investment policy that limits investment maturities not to exceed two years. This coupled with a diversified portfolio limits exposure to fair value losses arising from increasing interest rates.

The Clerk participates in the following external investment pools:

- The State Board of Administration for participation in the Local Government Investment Pool (Florida PRIME™) created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The Clerk's investments in Florida PRIME™, an external investment pool, are reported at amortized cost.
- The Florida Local Government Investment Trust (the "Trust"), which is administered by a Board of Trustees appointed by the Florida Association of Court Clerks and County Comptroller, and the Florida Association of Counties, Inc. The Trust was created in to provide a means for public entities to pool surplus funds to maximize net earnings. The Trust invests in money market and U.S. treasury notes, collateralized mortgage obligations, asset backed securities, agency notes, 2020 ARM pass-through, corporate bonds, government related securities, and certificates of deposit. The Clerk's investment in the Trust's Day to Day Fund is valued at Stable Net Asset Value ("NAV") and is report at amortized costs. The Clerk's investment in the Trust Short-Term Bond Fund is valued at Variable NAV, which approximates fair value.
- FLCLASS, an independent local government investment pool designed to provide a safe and competitive investment alternative for Florida governmental entities. FLCLASS is measured at NAV, which approximates fair value.

NOTE 3 - CASH AND EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Following is a list of investments held at September 30, 2023 (Ratings from Standard and Poor's):

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Investments			
Investment Pools:			
Florida Trust - Short-Term Bond Fund	Immediate	\$ 1,509,115	AAAf
Florida Trust - Day to Day Fund	Immediate	354,689	AAAmf
FLCLASS	51 days	4,216,239	AAAm
Florida PRIME Local Government Surplus Trust	48 Days	<u>4,216,571</u>	AAAm
Total Investments		<u>\$ 10,296,614</u>	

None of the pools have limitations or restrictions on participant withdrawals, including items such as redemption notices, maximum transaction amounts, and the pool's authority to impose liquidity fees or redemption gates.

The above cash and investments are reported as \$6,100, \$6,031,146, and \$4,946,369 in the governmental funds and custodial funds, respectively.

Fair Value Measurement

The Clerk holds assets that are defined as short-term investments. The Clerk's investments are recorded at fair value unless the investment qualifies as an external investment pool. None of the investments are subject to a fair value hierarchy valuation.

NOTE 4 - CAPITAL ASSETS

Pursuant to Florida Statutes, capital assets used by the Clerk are owned by the Board. The Clerk maintains custodial and record-keeping responsibility for the tangible and intangible capital assets used by the office. The office space used in the Clerk's operations is provided at no cost by the Board.

Capital assets paid for by the Clerk are recorded as expenditures in the governmental funds of the Clerk and are capitalized in the basic financial statements of the County. Donated assets are recorded directly on the County's books at their estimated fair value on the date received. Depreciation is recorded at the County level.

NOTE 5 - LONG-TERM LIABILITY

The following is a summary of changes in general long-term liabilities, which are reported in the basic financial statements of the County:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023	Due Within One Year
Accrued Compensated Balance	\$ 315,541	\$ 507,705	\$ (465,886)	\$ 357,360	\$ 357,360

The long-term liabilities above are not reported in the financial statements of the Clerk since they have not matured.

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Clerk participates in the Florida Retirement System (“FRS”) for pension benefits. A detailed plan description and any liability for employees of the Clerk are included in the financial statements of the County.

Funding Policy

The Clerk’s contributions to the FRS for fiscal years ended September 30, 2021 through 2023 were: \$607,598, \$758,871, and \$863,279, respectively, which were equal to the required contribution for each fiscal year.

Employees are required to contribute 3% towards the FRS. Employee withholdings for this purpose amounted to \$126,374, \$143,875, and \$152,144 for the fiscal years ended September 30, 2021 through 2023, respectively, which were equal to the required contribution for each fiscal year.

NOTE 7 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Pursuant to the requirements of the Florida Statutes, the Clerk participates in the County’s plan to provide OPEB benefits to retirees of the Board and constitutional officers. A detailed plan description and any liability for employees of the Clerk are included in the financial statements of the County.

NOTE 8 - RISK MANAGEMENT

The Clerk participates in the insurance programs of the Board, including general liability, workers’ compensation, and employee health insurance. These risk management activities are handled through internal service funds maintained by the Board. All liabilities associated with these self-insured risks are reported in the basic financial statements of the Board. The purpose of these funds is to administer employee life, health, workers’ compensation, unemployment, disability insurance, and property and liability insurance. These funds account for the risk financing activities of the County, but do not constitute a transfer of risk from the County.

NOTE 8 - RISK MANAGEMENT (Continued)

Significant losses are covered by commercial insurance for all major programs except workers' compensation, for which the County retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in any of the last three years.

The Clerk paid premiums of \$1,254,351 for life and health insurance coverage to the Board for the fiscal year ended September 30, 2023.

The Board's Workers' Compensation Internal Service Fund is a self-insurance program for workers' compensation claims on losses up to \$1,250,000 per occurrence. The Workers' Compensation fund has indemnified the Clerk against any losses in a given year in excess of the fee charged. In the event actual losses are less than the fee charged, such amounts will be retained in the Workers' Compensation fund. Claim settlements and losses are accrued and subsequently paid from the Workers' Compensation fund. Premium payments to the Board by the Clerk totaled \$9,009 for the fiscal year ended September 30, 2023.

NOTE 9 - COMMITMENTS, CLAIMS, AND CONTINGENCIES

Litigation

The Clerk is involved as defendant or plaintiff in certain litigation and claims arising from the ordinary course of operations. Any judgments against the Clerk in excess of insurance limits would be settled by the Board. In the opinion of the Clerk and legal counsel, the range of potential recoveries or liabilities will not materially affect the financial position of the Clerk.

Federal and State Grants

Grant funds received by the Clerk are subject to audit by grantor agencies. Audits of these grants may result in disallowed costs, which may constitute a liability of the Clerk. In the opinion of management, disallowed costs, if any, would be insignificant to the financial position and operations of the Clerk.

SUPPLEMENTARY INFORMATION

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

Year Ended September 30, 2023

FIDUCIARY FUNDS

Custodial Funds are used to account for assets held by a governmental unit as trustee or agent for individuals, private organizations, and other governmental units.

- **Trust Fund** - This fund is used to account for the receipt and subsequent activity of monies temporarily held for others. Court related fines, fees, and service charges collected by the Hernando County Clerk of the Circuit Court are deposited into this fund and remitted to the State of Florida on a monthly basis. Other deposits include monies for fines to be remitted to other government agencies, intangible and documentary taxes collected to be distributed to the State of Florida, court ordered bonds, and other miscellaneous items.
- **Domestic Relations** - This fund is used to account for child support and alimony payments, and distribution of such funds processed through the Clerk. These payments are electronically transferred nightly to the State of Florida for proper disbursement via the State Distribution Unit in Tallahassee. The daily activity nets to zero. The Clerk uses the fund to track domestic relations activity.
- **Court Registry** - This fund is used to account for registry funds that have been ordered to be posted with the Clerk.
- **Ordinary Witness** - This fund was established pursuant to Florida Statute 40.29, effective July 1, 2004. The fund accounts for the payment of witnesses on behalf of the state attorney and public defender.

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL CUSTODIAL FUNDS**

September 30, 2023

	Trust Fund	Court Registry	Ordinary Witness	Total
ASSETS				
Equity in pooled cash and investments	\$ 2,468,797	\$ 2,464,929	\$ 12,643	\$ 4,946,369
TOTAL ASSETS	2,468,797	2,464,929	12,643	4,946,369
 LIABILITIES				
Accounts payable	4,917	15,484	12,643	33,044
Due to Hernando County				
Board of County Commissioners	105,762	-	-	105,762
Due to other government agencies	674,461	-	-	674,461
Other current liabilities	-	2,449,445	-	2,449,445
TOTAL LIABILITIES	785,140	2,464,929	12,643	3,262,712
 NET POSITION				
Restricted for:				
Individuals and other governments	\$ 1,683,656	\$ -	\$ -	\$ 1,683,656

**HERNANDO COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ALL CUSTODIAL FUNDS**

Year Ended September 30, 2023

	Trust Fund	Court Registry	Domestic Relations	Ordinary Witness	Total
ADDITIONS					
State of Florida collections	\$ 42,020,544	\$ -	\$ -	\$ -	\$ 42,020,544
Hernando County Board of County Commissioners collections	618,321	-	-	-	618,321
Other collections	14,138,907	2,464,929	390,068	12,643	17,006,547
TOTAL ADDITIONS	56,777,772	2,464,929	390,068	12,643	59,645,412
DEDUCTIONS					
Payments to Hernando County Board of County Commissioners	615,951	-	-	-	615,951
Payments to the State of Florida	41,768,685	-	-	-	41,768,685
Other payments	14,881,098	2,464,929	390,068	12,643	17,748,738
TOTAL DEDUCTIONS	57,265,734	2,464,929	390,068	12,643	60,133,374
NET DECREASE IN FIDUCIARY NET POSITION	(487,962)	-	-	-	(487,962)
NET POSITION-BEGINNING OF THE YEAR	2,171,618	-	-	-	2,171,618
NET POSITION-END OF THE YEAR	\$ 1,683,656	\$ -	\$ -	\$ -	\$ 1,683,656

OTHER REPORTS



Certified Public Accountants

**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 Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando 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 Hernando County, Florida Clerk of the Circuit Court (the “Clerk”) as of and for the fiscal year ended September 30, 2023, 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, 2024.

Report on 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) as a basis for designing 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 Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando County, Florida

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

MSL, P.A.

Certified Public Accountants

Tampa, Florida
February 27, 2024



INDEPENDENT ACCOUNTANT'S REPORT

To the Honorable Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando County, Florida

We have examined the Hernando County, Florida Clerk of the Circuit Court's (the "Clerk") compliance with the requirements of Sections 28.35, 28.36, 61.181 and 218.415, Florida Statutes, during the fiscal year ended September 30, 2023. 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 AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Clerk complied with the aforementioned requirements in all material respects. An examination involves performing procedures to obtain evidence about the Clerk's compliance with those requirements, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Clerk's compliance with those requirements, 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement. Our examination does not provide a legal determination on the Clerk's compliance with the specified requirements.

In our opinion, the Clerk complied with the aforementioned requirements for the fiscal year ended September 30, 2023, in all material respects.

MSL, P.A.

Certified Public Accountants

Tampa, Florida
February 27, 2024



Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando County, Florida

We have audited the financial statements of the Hernando County, Florida Clerk of the Circuit Court (the "Clerk") as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated February 27, 2024.

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.

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 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, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations 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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

To the Honorable Doug Chorvat, Jr.
Clerk of the Circuit Court and Comptroller
Hernando County, Florida

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not 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, the Clerk of the Circuit Court, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

MSL, P.A.

Certified Public Accountants

Tampa, Florida
February 27, 2024