

St. Johns County Clerk of Courts
and Comptroller

Audit Report

September 30, 2015



St. Johns County Clerk of Courts and Comptroller
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INDEPENDENT AUDITOR'S REPORT

The Honorable Hunter S. Conrad
Clerk of Courts and Comptroller
St. Johns County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the office of the St. Johns County Clerk of Courts and Comptroller (the "Office") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Office's special purpose financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Office as of September 30, 2015, and the respective changes in financial position, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

We draw attention to Note 1 to the financial statements, which describes that the accompanying financial statements were prepared solely for the purpose of complying with the Rules of the Auditor General of the

State of Florida. In conformity with the Rules, the accompanying financial statements are special purpose financial statements that do not constitute a complete presentation, but otherwise constitute financial statements prepared in accordance with generally accepted accounting principles. Our opinions are not modified with respect to this matter.

We also draw attention to Note 4 to the financial statements, which indicates that the Office disclosed a net pension liability as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measuring Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension trend information be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose 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 special purpose financial statements, and other knowledge we obtained during our audit of the special purpose 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's special purpose financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the special purpose financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose 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 special purpose financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 06, 2016, on our consideration of the Office'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 Office's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 06, 2016

St. Johns County Clerk of Courts and Comptroller
Balance Sheet - Governmental Funds
September 30, 2015

	General Fund	Court Modernization	Records Modernization Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and equivalents	\$ 1,175,263	\$ 642,925	\$ 991,140	\$ 79,005	\$2,888,333
Due from other funds	12,896	-	-	-	12,896
Due from other county agencies	540	-	-	-	540
Due from other governments	-	-	-	16,259	16,259
	<u>1,188,699</u>	<u>642,925</u>	<u>991,140</u>	<u>95,264</u>	<u>\$2,918,028</u>
Total assets	<u>\$ 1,188,699</u>	<u>\$ 642,925</u>	<u>\$ 991,140</u>	<u>\$ 95,264</u>	<u>\$2,918,028</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 225,121	\$ 11,227	\$ 810	\$ 4,716	\$ 241,874
Due to other funds	460	-	-	12,896	13,356
Due to other county agencies	650,439	1,373	-	1,223	653,035
Due to other governments	312,679	-	-	-	312,679
	<u>1,188,699</u>	<u>12,600</u>	<u>810</u>	<u>18,835</u>	<u>1,220,944</u>
Total liabilities	1,188,699	12,600	810	18,835	1,220,944
Fund balances:					
Restricted	-	630,325	990,330	76,429	1,697,084
	<u>-</u>	<u>630,325</u>	<u>990,330</u>	<u>76,429</u>	<u>1,697,084</u>
Total liabilities and fund balances	<u>\$ 1,188,699</u>	<u>\$ 642,925</u>	<u>\$ 991,140</u>	<u>\$ 95,264</u>	<u>\$2,918,028</u>

See accompanying notes.

St. Johns County Clerk of Courts and Comptroller
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2015

	General Fund	Court Modernization	Records Modernization Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental revenues	\$ 399,219	\$ -	\$ -	\$ 85,381	\$ 484,600
Charges for services	2,431,552	526,953	171,756	58,557	3,188,818
Fines and forfeitures	2,687,018	-	130,036	-	2,817,054
Investment income (loss)	12,739	10	2,662	979	16,390
Miscellaneous revenue	6,307	-	-	-	6,307
Total revenues	5,536,835	526,963	304,454	144,917	6,513,169
Expenditures					
Current:					
General government services:					
Personal services	2,785,743	-	-	-	2,785,743
Operating expenditures	323,873	-	126,517	-	450,390
Capital outlay	12,699	-	17,758	-	30,457
Court related:					
Personal services	3,526,381	287,043	9,302	165,620	3,988,346
Operating expenditures	175,042	149,181	5,847	2,997	333,067
Capital outlay	22,513	48,644	-	-	71,157
Total expenditures	6,846,251	484,868	159,424	168,617	7,659,160
Excess of revenues over (under) expenditures	(1,309,416)	42,095	145,030	(23,700)	(1,145,991)
Other financing sources (uses)					
Transfer to/from funds	673	-	(673)	-	-
Appropriation from Board of County Commissioners	2,051,500	-	-	-	2,051,500
Reversion to Board of County Commissioners	(612,353)	-	-	-	(612,353)
Reversion to Clerks of Court Trust Fund	(130,404)	-	-	-	(130,404)
Total other financing sources (uses)	1,309,416	-	(673)	-	1,308,743
Net change in fund balances	-	42,095	144,357	(23,700)	162,752
Fund balances - October 1, 2014	-	588,230	845,973	100,129	1,534,332
Fund balances - September 30, 2015	\$ -	\$ 630,325	\$ 990,330	\$ 76,429	\$ 1,697,084

See accompanying notes.

St. Johns County Clerk of Courts and Comptroller
Statement of Fiduciary Net Position
September 30, 2015

	<u>Agency Fund</u>
Assets	
Equity in pooled cash and equivalents	\$ 5,416,068
Accounts receivable	6,977
Due from other funds	<u>460</u>
Total assets	<u>5,423,505</u>
Liabilities	
Assets held for others	5,293,809
Due to other county agencies	<u>129,696</u>
Total liabilities	<u>5,423,505</u>
Net position	<u><u>\$ -</u></u>

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the office of the St. Johns County Clerk of Courts and Comptroller (the “Office”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

The Clerk of Courts is an elected constitutional officer, whose office is established by Article VIII of the Constitution of the State of Florida and is governed by various provisions of state law.

The Office is an integral part of St. Johns County (the “County”), which is the primary government for financial reporting purposes.

Basis of Presentation

The Office’s financial statements are special purpose financial statements that have been prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida (the “Rules”). These special purpose financial statements are the fund financial statements required by generally accepted accounting principles. However, these fund financial statements do not constitute a complete presentation because, in conformity with the Rules, the Office has not presented the government-wide financial statements, the reconciliations to the government-wide financial statements or management’s discussion and analysis. Also, certain notes to the financial statements may supplement rather than duplicate the notes included in the County’s countywide financial statements.

Fund Accounting

Accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, 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. The focus of fund financial statements is on major funds, each displayed in a separate column. All nonmajor funds are aggregated and displayed in a single column.

The Office reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Court Modernization Fund – This fund is primarily used to account for and report additional service charges collected and associated expenditures used exclusively to fund the court-related technology needs of the Office.

Records Modernization Trust Fund – This fund is primarily used to account for and report the additional service charges required by Section 28.24, Florida Statutes, used exclusively to modernize the public records system of the Office. The fund also accounts for the 10 percent of fines retained by the Office as required by Section 28.37(2), Florida Statutes. These funds are used solely for court-related operations and program enhancements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Office reports the following nonmajor funds:

Title IV D Fund – This fund is used to primarily account for and report Title IV D costs and related federal reimbursement.

Teen Court Fund – This fund is primarily used to account for and report the fines, surcharges and associated expenditures of the operations of Teen Court.

The Office also reports the following fiduciary fund:

Agency Fund - The Agency Fund is primarily used to account for and report resources held in a custodial capacity.

Measurement Focus/Basis of Accounting

All governmental funds are accounted for on a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets and, accordingly, are said to present a summary of sources and uses of "available spendable resources" during a period.

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on long-term debt are recognized when due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

Capital Assets and Long-Term Liabilities

Capital assets used by the Office are recorded and accounted for by the St. Johns County Board of County Commissioners.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the financial statements of the County.

Equity in Pooled Cash and Equivalents

The Office maintains a cash and cash equivalents pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "Equity in Pooled Cash and Equivalents." If a fund overdraws its account in the pool, a liability and corresponding receivable (i.e., due to/from other funds) are reported on the balance sheet.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in State Pool and FLGIT

The Office has adopted an investment policy pursuant to Section 218.415, Florida Statutes, which allows for surplus funds to be invested in the Local Government Investment Pool (the “State Pool”) or any intergovernmental investment pool (such as “FLGIT”); Securities and Exchange Commission registered money market funds; certificates of deposits and savings accounts in state-certified qualified public depositories; and direct obligations of the U.S. Treasury.

The Office has funds invested in the State Pool's PRIME Fund. The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight. The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The Office’s investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Office has funds invested in the Florida Local Government Trust’s (“FLGIT”) Day-to-Day Fund. FLGIT is administered by the Florida Clerk of Courts and Comptrollers Association and the Florida Association of Counties. The fund is managed to comply with Rule 2a7-like money-market guidelines and is reported at amortized cost.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Fund Balance

The Office follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Office is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance classifications are described below:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Office's highest level of decision-making authority, which is a policy of the Office. Committed amounts cannot be used for any other purpose unless the Office removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Office's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the constitutional officer or (b) a body or official to which the constitutional officer has delegated the authority to assign amounts used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund and the negative residual amount in other funds.

The Office's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

St. Johns County Clerk of Courts and Comptroller
Notes to Financial Statements
September 30, 2015

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Balances of reported fund balance at September 30, 2015 are as follows:

	Modernization Fund	Modernization Trust Fund	Other Funds	Total
Restricted for:				
Court operations	\$ -	\$ 402,772	\$ 76,429	\$ 479,201
Court technology modernization	630,325	-	-	630,325
Records modernization	-	587,558	-	587,558
Total fund balances	\$ 630,325	\$ 990,330	\$ 76,429	\$ 1,697,084

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

All deposits of the Office are placed in a bank that qualifies as a public depository pursuant to the provisions of the Florida Security For Public Deposits Act. Every qualified public depository is required by this law to deposit with the Chief Financial Officer eligible collateral equal to, or in excess of, an amount to be determined by the Chief Financial Officer. The Chief Financial Officer is required to ensure that all funds are entirely collateralized throughout the fiscal year.

Investments

At year end, the Office's investments consisted of:

Florida PRIME	\$ 160,338
FLGIT	3,084,870
Total	\$ 3,245,208

The Office's investments expose it to credit risk and interest rate risks. The Office does not have a formal investment policy relating to these risks, which are hereafter described.

St. Johns County Clerk of Courts and Comptroller
Notes to Financial Statements
September 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Florida PRIME and FLGIT are rated by Standard and Poors and have a rating at September 30, 2015 of AAAm.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

The weighted average maturity (WAM) of the Florida PRIME at September 30, 2015 was 28.4 days.

The weighted average maturity of FLGIT’s Day-to-Day Fund at September 30, 2015 was 40.56 days.

The following represents a summary of the Office’s Equity in Pooled Cash and Equivalents in the accompanying financial statements:

	Deposits and Investments	Overdraft Due To/ Due From	Equity in Pooled Cash & Equivalents
General Fund	\$ 1,188,159	\$ (12,896)	\$ 1,175,263
Court Modernization Trust Fund	642,925	-	642,925
Records Modernization Trust Fund	991,140	-	991,140
Other Governmental Funds	66,109	12,896	79,005
Agency Fund	5,416,068	-	5,416,068
Totals	<u>\$ 8,304,401</u>	<u>\$ -</u>	<u>\$ 8,304,401</u>

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015	Due Within One Year
Compensated absences	\$ 418,800	\$ 601,200	\$ 536,500	\$ 483,500	\$ 294,600
Net pension liability	2,494,224	1,179,199	-	3,673,423	58,600
Totals	<u>\$2,913,024</u>	<u>\$ 1,780,399</u>	<u>\$ 536,500</u>	<u>\$ 4,156,923</u>	<u>\$ 353,200</u>

During 2015, the Office implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, a net pension liability is disclosed in the tabulation of changes in long-term liabilities presented above.

NOTE 5 – STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

The Office participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer 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. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state 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 defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

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

Eligible retirees and beneficiaries receive 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.

St. Johns County Clerk of Courts and Comptroller
Notes to Financial Statements
September 30, 2015

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Contributions

The contribution requirements of plan members and the Office are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The Office's contribution rates as of September 30, 2015, were as follows:

	<u>FRS</u>	<u>HIS</u>
Regular class	5.60%	1.66%
Special risk class	20.38%	1.66%
Senior management service class	19.77%	1.66%
Elected officials	40.61%	1.66%
DROP from FRS	11.22%	1.66%

The Office's contributions for the year ended September 30, 2015, were \$388,786 to the FRS and \$65,188 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2015, the Office reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2015. The Office's proportions of the net pension liabilities were based on the Office's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	<u>FRS</u>	<u>HIS</u>
Net pension liability	\$ 2,078,640	\$ 1,594,783
Proportion at:		
Current measurement date	0.0161%	0.0156%
Prior measurement date	0.0170%	0.0156%
Pension expense (benefit)	\$ 243,992	\$ 122,205

St. Johns County Clerk of Courts and Comptroller
Notes to Financial Statements
September 30, 2015

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2015, the Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219,443	\$ (49,299)	\$ -	\$ -
Changes of assumptions	137,966	-	125,468	-
Net difference between projected and actual earnings on pension plan investments	732,154	(1,228,499)	863	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	505,409	(117,427)	18,243	-
Employer contributions subsequent to the measurement date	105,375	-	21,818	-
Total	<u>\$ 1,700,347</u>	<u>\$ (1,395,225)</u>	<u>\$ 166,392</u>	<u>\$ -</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 reporting period ending September 30, 2016. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2016	\$ 7,251	\$ 23,395
2017	7,251	23,395
2018	7,251	23,395
2019	7,250	23,395
2020	131,337	23,179
Thereafter	39,407	27,815
Total	<u>\$ 199,747</u>	<u>\$ 144,574</u>

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2015, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.65%	N/A
Discount rate	7.65%	3.80%

St. Johns County Clerk of Courts and Comptroller
Notes to Financial Statements
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NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2015 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2015:

FRS: No changes in key actuarial assumptions.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 4.29% to 3.80%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>
Cash	1%	3.2%	3.1%
Fixed income	18%	4.8%	4.7%
Global equity	53%	8.5%	7.2%
Real estate (property)	10%	6.8%	6.2%
Private equity	6%	11.9%	8.2%
Strategic investments	12%	6.7%	6.1%
	<u>100%</u>		

St. Johns County Clerk of Courts and Comptroller
Notes to Financial Statements
September 30, 2015

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.65%. FRS' 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.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

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 Office's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Employer's proportionate share of the net pension liability	\$ 5,386,225	\$ 2,078,640	\$ (673,815)	\$ 1,817,181	\$ 1,594,783	\$ 1,409,336

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2015, totaled \$65,000.

St. Johns County Clerk of Courts and Comptroller
Notes to Financial Statements
September 30, 2015

NOTE 6 – RISK MANAGEMENT

For health insurance and worker's compensation, the Office participates in the risk management program established by the Board of County Commissioners to cover claims against the Board and Constitutional Officers. The risk management program is accounted for in the Board's financial statements as an Internal Service Fund, in accordance with requirements of GASB 10.

Required Supplementary Information

St. Johns County Clerk of Courts and Comptroller
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2015

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Intergovernmental revenues	\$ 509,667	\$ 399,221	\$ 399,219
Charges for services	2,340,050	2,287,420	2,431,552
Fines and forfeitures	2,511,500	2,511,500	2,687,018
Investment income (loss)	100	100	12,739
Miscellaneous revenue	3,350	3,350	6,307
Total revenues	<u>5,364,667</u>	<u>5,201,591</u>	<u>5,536,835</u>
Expenditures			
Current:			
General government services:			
Personal services	3,060,000	3,099,000	2,785,743
Operating expenditures	419,800	370,300	323,873
Capital outlay	12,400	22,900	12,699
Court related:			
Personal services	3,688,490	3,530,429	3,526,381
Operating expenditures	228,877	206,442	175,042
Capital outlay	6,600	24,020	22,513
Total expenditures	<u>7,416,167</u>	<u>7,253,091</u>	<u>6,846,251</u>
Excess of revenues over (under) expenditures	<u>(2,051,500)</u>	<u>(2,051,500)</u>	<u>(1,309,416)</u>
Other financing sources (uses)			
Transfers to/from funds	-	-	673
Appropriation from Board of County Commissioners	2,051,500	2,051,500	2,051,500
Reversion to Board of County Commissioners	-	-	(612,353)
Reversion to Clerks of Court Trust Fund	-	-	(130,404)
Total other financing sources (uses)	<u>2,051,500</u>	<u>2,051,500</u>	<u>1,309,416</u>
Net change in fund balances	-	-	-
Fund balances - October 1, 2014	-	-	-
Fund balances - September 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Schedule:

Pursuant to Section 28.36, Florida Statutes, the budget for court-related functions of the Office is subject to the General Appropriations Act of the Florida Legislature and is prepared on a basis that does not differ materially from generally accepted accounting principles. The State of Florida releases this appropriation on a monthly basis. The noncourt-related functions are funded by Board appropriations and user fees. The fund is the legal level of control.

St. Johns County Clerk of Courts and Comptroller
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Court Modernization Fund
Year Ended September 30, 2015

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Charges for services	\$ 430,000	\$ 430,000	\$ 526,953
Investment income (loss)	100	100	10
Total revenues	<u>430,100</u>	<u>430,100</u>	<u>526,963</u>
Expenditures			
Current:			
Court related:			
Personal services	227,100	287,080	287,043
Operating expenditures	171,500	186,420	149,181
Capital outlay	15,000	55,000	48,644
Total expenditures	<u>413,600</u>	<u>528,500</u>	<u>484,868</u>
Excess of revenue over (under) expenditures	16,500	(98,400)	42,095
Fund balances - October 1, 2014	<u>588,230</u>	<u>588,230</u>	<u>588,230</u>
Fund balances - September 30, 2015	<u><u>\$ 604,730</u></u>	<u><u>\$ 489,830</u></u>	<u><u>\$ 630,325</u></u>

Notes to Schedule:

The preparation, adoption, and amendment of the budgets is governed by Florida Statutes, and is prepared on a basis that does not differ materially from generally accepted accounting principles. The fund is the legal level of control.

St. Johns County Clerk of Courts and Comptroller
Schedule of Revenues, Expenditures and Changes in Fund Balances - Records Modernization Trust
Year Ended September 30, 2015

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Charges for services	\$ 150,000	\$ 150,000	\$ 171,756
Fines and forfeitures	130,000	130,000	130,036
Investment income	100	100	2,662
	<u>280,100</u>	<u>280,100</u>	<u>304,454</u>
Expenditures			
Current:			
General government services:			
Operating expenditures	146,000	148,000	126,517
Capital outlay	15,000	23,000	17,758
Court related:			
Personal services	9,800	9,800	9,302
Operating expenditures	9,000	12,100	5,847
	<u>179,800</u>	<u>192,900</u>	<u>159,424</u>
Excess of revenues over (under) expenditures	100,300	87,200	145,030
Other financing sources (uses)			
Transfers to/from funds	(133,000)	(133,000)	(673)
Net change in fund balances	(32,700)	(45,800)	144,357
Fund balances - October 1, 2014	<u>845,973</u>	<u>845,973</u>	<u>845,973</u>
Fund balances - September 30, 2015	<u><u>\$ 813,273</u></u>	<u><u>\$ 800,173</u></u>	<u><u>\$ 990,330</u></u>

Notes to Schedule:

The preparation, adoption, and amendment of the budgets is governed by Florida Statutes, and is prepared on a basis that does not differ materially from generally accepted accounting principles. The fund is the legal level of control.

St. Johns County Clerk of Courts and Comptroller
Schedules of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years (1)

Florida Retirement System	2015
Employer's proportion of the net pension liability (asset)	0.0161%
Employer's proportionate share of the net pension liability (asset)	\$ 2,078,640
Employer's covered-employee payroll (2)	\$ 4,744,156
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.81%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

Health Insurance Subsidy Program	2015
Employer's proportion of the net pension liability (asset)	0.0156%
Employer's proportionate share of the net pension liability (asset)	\$ 1,594,783
Employer's covered-employee payroll (2)	\$ 4,744,156
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.62%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan activities, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

St. Johns County Clerk of Courts and Comptroller
Schedules of Employer Contributions
Last 10 Fiscal Years

Florida Retirement System	2015
Contractually required contribution	\$ 388,786
Contributions in relation to the contractually required contribution	388,786
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll (1)	\$ 4,770,269
Contributions as a percentage of covered-employee payroll	8.15%

Health Insurance Subsidy Program	2015
Contractually required contribution	\$ 65,188
Contributions in relation to the contractually required contribution	65,188
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll (1)	\$ 4,770,269
Contributions as a percentage of covered-employee payroll	1.37%

Notes to schedules:

(1) Covered-employee payroll includes defined benefit plan activities, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Supplementary Information

St. Johns County Clerk of Courts and Comptroller
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

	Title IV D Fund	Teen Court	Total Nonmajor Governmental Funds
Assets			
Equity in pooled cash and equivalents	\$ -	\$ 79,005	\$ 79,005
Due from other governments	16,259	-	16,259
Total assets	<u>\$ 16,259</u>	<u>\$ 79,005</u>	<u>\$ 95,264</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,507	\$ 2,209	\$ 4,716
Due to other funds	12,896	-	12,896
Due to other county agencies	856	367	1,223
Total liabilities	16,259	2,576	18,835
Fund balances:			
Restricted	-	76,429	76,429
Total liabilities and fund balances	<u>\$ 16,259</u>	<u>\$ 79,005</u>	<u>\$ 95,264</u>

St. Johns County Clerk of Courts and Comptroller
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2015

	Title IV D Fund	Teen Court	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$ 85,381	\$ -	\$ 85,381
Charges for services	-	58,557	58,557
Investment income	-	979	979
	85,381	59,536	144,917
Expenditures			
Current:			
Court related:			
Personal services	83,331	82,289	165,620
Operating expenditures	2,050	947	2,997
	85,381	83,236	168,617
Excess of revenues over (under) expenditures	-	(23,700)	(23,700)
Fund balances - October 1, 2014	-	100,129	100,129
Fund balances - September 30, 2015	\$ -	\$ 76,429	\$ 76,429

**Additional Elements Required by the
Rules of the Auditor General**

MANAGEMENT LETTER

The Honorable Hunter S. Conrad
Clerk of Courts and Comptroller
St. Johns County, Florida

We have audited the financial statements of the office of the St. Johns County Clerk of Courts and Comptroller (the "Office"), as of and for the year ended September 30, 2015, and have issued our report thereon dated June 06, 2016. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. The Office has no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

The purpose of this management letter is solely to comply with the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this communication is not suitable for any other purpose.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Carr, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 06, 2016

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

The Honorable Hunter S. Conrad
Clerk of Courts and Comptroller
St. Johns County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the office of the St. Johns County Clerk of Courts and Comptroller (the “Office”), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Office’s special purpose financial statements, and have issued our report thereon dated June 06, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Office’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Caru, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 06, 2016

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Honorable Hunter S. Conrad
Clerk of Courts and Comptroller
St. Johns County, Florida

We have examined the office of the St. Johns County Clerk of Courts and Comptroller's (the "Office") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the Office's compliance with those requirements. Our responsibility is to express an opinion on the Office's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Office's compliance with specified requirements.

In our opinion, the Office complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

Carr, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 06, 2016

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTIONS 28.35 AND 28.36, FLORIDA STATUTES

The Honorable Hunter S. Conrad
Clerk of Courts and Comptroller
St. Johns County, Florida

We have examined the office of the St. Johns County Clerk of Courts and Comptroller's (the "Office") compliance with the requirements of Section 28.35, Florida Statutes, *Florida Clerks of Court Operations Corporation*, and Section 28.36, Florida Statutes, *Budget Procedure*, during the year ended September 30, 2015. Management is responsible for the Office's compliance with those requirements. Our responsibility is to express an opinion on the Office's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Office's compliance with specified requirements.

In our opinion, the Office complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

Carr, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 06, 2016

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 61.181, FLORIDA STATUTES

The Honorable Hunter S. Conrad
Clerk of Courts and Comptroller
St. Johns County, Florida

We have examined the office of the St. Johns County Clerk of Courts and Comptroller's (the "Office") compliance with the requirements of Section 61.181, Florida Statutes, *Depository for Alimony Transactions, Support, Maintenance, and Support Payments; Fees*, during the year ended September 30, 2015. Management is responsible for the Office's compliance with those requirements. Our responsibility is to express an opinion on the Office's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Office's compliance with specified requirements.

In our opinion, the Office complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

Carr, Riggs & Ingram, L.L.C.

St. Augustine Florida
June 06, 2016

Hunter S. Conrad
Clerk & Comptroller



Patrick J. Kilbane, Sr.
Chief Deputy

St. Johns County Clerk of the Circuit Court and Comptroller
4010 Lewis Speedway, Saint Augustine, Florida 32084
(904) 819-3600
Fax: (904) 819-3661

June 6, 2016

Sherrill F. Norman, CPA
Auditor General
Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

I agree with the contents of the audit report, and I am pleased to note that there are no current year findings. Should you have any questions or concerns, please feel free to contact us.

Sincerely yours,

A handwritten signature in cursive script that reads 'Hunter S. Conrad'.

Hunter S. Conrad,
Clerk of Courts & Comptroller