

BAKER COUNTY, FLORIDA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017

BAKER COUNTY, FLORIDA
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SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Board of County Commissioners,
Baker County, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Baker County, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Baker County, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Baker County Development Corporation (the BCDC), which is the County's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the BCDC, are based solely on the report of the other auditors. 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. The financial statements of the BCDC were not audited in accordance with *Government Auditing Standards*.

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

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on each major fund, the discretely presented component unit, and the aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities.

Basis for Qualified Opinion on Governmental Activities

Management has not acquired an actuarial valuation to determine the amount of its OPEB (Other Postemployment Benefits) liability and has not presented such liability in its government-wide financial statements as required by accounting principles generally accepted in the United States of America. The impact of such departure from generally accepted accounting principles on the liabilities, net position and expenses of the government-wide financial statements of Baker County, Florida has not been determined.

Qualified Opinion on Governmental Activities

In our opinion, based on our audit and the report of the other auditors, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Baker County, Florida, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Major Funds, the Discretely Presented Component Unit, and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the discretely presented component unit, and the aggregate remaining fund information for Baker County, Florida, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note III(C) to the financial statements, certain beginning fund balance and net position amounts from the 2016 financial statements have been restated to correct misstatements. Our opinion is 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 management's discussion and analysis, budgetary comparison information, and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the OPEB schedule of funding progress that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

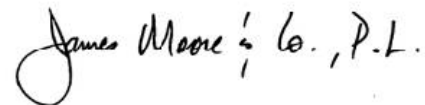
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baker County, Florida's basic financial statements. The supplemental information, and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2018, on our consideration of Baker County, Florida'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 Baker County, Florida's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

As management of the Baker County, Florida, we offer readers of this narrative overview and analysis of the financial activities of the Baker County, Florida for the fiscal year ended September 30, 2017.

Financial Highlights

The following are various financial highlights for fiscal year 2017:

- The County's overall net position increased by \$1,856,662.
- Total ending net position was approximately \$43.7 million, which includes negative unrestricted net position of approximately \$7.3 million.

Overview of the Basic Financial Statements

This annual report contains government-wide financial statements that report on the County's activities as a whole and fund financial statements that report on the County's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the County's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenditures are recorded, regardless of when cash is received or paid. Net Position – the difference between assets, liabilities, and deferred outflows/inflows – can be used to measure the County's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the County's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the County.

In these statements, the County's activities are reported as follows:

- Governmental activities – The County's basic services are reported here, including administration, law enforcement and corrections, fire services, road and bridge maintenance, and garbage. Taxes and charges for services finance most of these activities.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate component unit, the Baker County Correctional Development Corporation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

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

**BAKER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances on spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Transportation Trust Fund, the Fine and Forfeiture Fund, the SHIP Fund, and the Road Paving Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the County's own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general fund and major special revenue funds and certain information pertaining to the County's participation in the Florida Retirement System. Following the required supplementary information can be found combining balance sheets and combining statements of revenues, expenditures and changes in fund balances for the non-major governmental funds, a combining statement of fiduciary net position, and a schedule of expenditures of federal and state awards.

**BAKER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Baker County Florida's Net Position

	2017	2016
ASSETS		
Current and other assets	\$ 15,081,639	\$ 12,615,750
Capital assets	47,453,382	50,524,125
Total assets	<u>62,535,021</u>	<u>63,139,875</u>
Deferred outflows of resources	<u>8,516,523</u>	<u>10,255,660</u>
LIABILITIES		
Current and other liabilities	2,451,543	1,288,957
Long-term liabilities	21,443,381	19,800,272
Total liabilities	<u>23,894,924</u>	<u>21,089,229</u>
Deferred inflows of resources	<u>1,863,216</u>	<u>4,159,152</u>
NET POSITION		
Net investment in capital assets	\$ 46,488,624	50383033
Restricted	5,444,760	5654221
Unrestricted	<u>(6,639,980)</u>	<u>(7,890,097)</u>
Total net position	<u>\$ 45,293,404</u>	<u>\$ 48,147,157</u>

Baker County Florida's Changes in Net Position

	2017	2016
REVENUES		
Program revenues:		
Charges for services	\$ 9,816,898	\$ 8,349,990
Operating grants and contributions	3,607,852	4,366,367
Capital grants and contributions	2,592,433	
General revenues		
Property taxes	5,389,486	5,459,116
Other taxes	3,960,831	3,938,393
Unrestricted shared revenue	1,938,374	3,808,333
Other	968,343	1,880,158
Total revenues	<u>28,274,217</u>	<u>27,802,357</u>
EXPENSES		
General government	5,053,291	4,376,990
Public safety	14,548,569	15,912,282
Physical environment	1,033,175	981,108
Transportation	1,680,990	3,038,794
Economic environment	992,264	1,276,383
Human services	1,524,828	1,086,880
Culture and recreation	523,397	378,778
Court related	1,021,742	1,310,548
Interest on long-term debt	39,299	8,710
Total expenses	<u>26,417,555</u>	<u>28,370,473</u>
Change in net position	1,856,662	(568,116)
Net position, beginning of year, as restated	43,436,742	48,715,273
Net position, end of year	<u>\$ 45,293,404</u>	<u>\$ 48,147,157</u>

**BAKER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$28.3 million in revenues and incurred \$26.4 million of expenses. This resulted in an increase in net position of approximately \$1,860,000, after a restatement of beginning net position. This compares with a prior year decrease in net position of approximately \$570,000. The largest factor in the positive fluctuation in net position compared to prior year was a decrease in inmate housing costs.

The County's Individual Funds

- The General Fund's total fund balance increased by \$1,279,998, compared with a decrease of approximately \$430,000 last year. Some of the more significant causes for this improvement were an increase in taxes and fees in the current year. Property taxes rose due to the increase in property values.
- The fund balance of the Fine & Forfeiture Fund decreased by \$247,462 due to transfers related to inmate housing and care. The County utilized prior fund balances available and borrowings from other funds to finance the transfers.
- Revenues were equal to expenditure in the State Housing Imitative Project fund.
- There Road and Paving Fund's total fund balance increased by \$407,180, primarily due to transfers from other funds which will be used to finance future road projects.

GENERAL FUND – BUDGETARY HIGHLIGHTS

Revenues of the General Fund were about \$800,000 more than budgeted amounts. The largest variance between final budget amounts and actual results occurred with charges for services. The primary source of charges for services are revenues related to inmate housing and care, which increased based on activity. Expenditures were less than budgeted amounts by about \$300,000, primarily due to certain expected expenditures within the general government and culture and human service related functions not occurring during the year.

CAPITAL ASSETS

The County's capital assets, net of depreciation, increase by approximately \$500,000 during the year. Please refer to the note to the accompanying financial statements entitled *Capital Assets* for more detailed information about the County's capital asset activity.

DEBT ADMINISTRATION

There was no new debt incurred during the year, other than increases in overall net pension liability. Please refer to a note to the accompanying financial statements entitled *Changes in Long-Term Liabilities* for more detailed information about the County's long-term debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the County's financial position or results of operations.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Baker County at 55 N. Third St., Macclenny, Florida 32063.

BASIC FINANCIAL STATEMENTS

**BAKER COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Primary Government	Component Unit
	Governmental Activities	Baker County Development Corporation
ASSETS		
Cash and cash equivalents	\$ 10,551,160	\$ 1,238,151
Investments	1,306,941	-
Funds held in escrow	-	2,426,033
Receivables, net	864,741	2,049,236
Due from other governments	1,839,066	-
Due from component unit	370,350	-
Prepays	148,884	176,978
Capital assets:		
Capital assets, not being depreciated	6,646,097	2,541,842
Other capital assets, net of depreciation	40,807,285	27,751,141
Total assets	\$ 62,535,021	\$ 36,183,381
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	\$ -	\$ 711,300
Deferred outflows related to pensions	8,516,523	-
Total deferred outflows	\$ 8,516,523	\$ 711,300
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,218,622	\$ 1,669,280
Due to other governments	311,011	-
Due to component unit	113,919	-
Unearned revenue	807,865	-
Accrued interest payable	126	-
Noncurrent liabilities:		
Due within one year:		
Bonds and notes payable	-	1,808,823
Current portion, capital lease payable	194,709	-
Compensated absences	695,074	-
Due in more than one year:		
Bonds and notes payable	-	34,566,300
Noncurrent portion, capital lease payable	770,049	-
Compensated absences	174,108	-
Net pension liability	19,609,441	-
Total liabilities	\$ 23,894,924	\$ 38,044,403
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	1,863,216	\$ -
NET POSITION		
Net investment in capital assets	\$ 46,488,624	\$ (1,616,017)
Restricted for:		
Title IV D	269,330	-
Health reimbursements	302,356	-
Public safety	429,537	-
Fire program	134,695	-
Recreation	284,296	-
Human services	20,011	-
Physical environment	326,114	-
Road development	1,814,441	-
Court costs	1,328,697	-
General government	535,283	-
Unrestricted	(6,639,980)	466,295
Total net position	\$ 45,293,404	\$ (1,149,722)

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

**BAKER COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
				Governmental	Baker County Development Corporation	
Governmental activities:						
General government	\$ 5,053,291	\$ 1,206,670	\$ 449,639	\$ -	\$ (3,396,982)	\$ -
Public safety	14,548,569	7,228,816	408,279	130,000	(6,781,474)	-
Physical environment	1,033,175	595,808	327,838	-	(109,529)	-
Transportation	1,680,990	-	2,117,111.00	2,338,281	2,774,402	-
Human services	992,264	-	-	-	(992,264)	-
Economic environment	1,524,828	-	159,549	-	(1,365,279)	-
Culture and recreation	523,397	18,917	63,709	124,152	(316,619)	-
Court related	1,021,742	766,687	81,727	-	(173,328)	-
Interest on long-term debt	39,299	-	-	-	(39,299)	-
Total governmental activities	26,417,555	9,816,898	3,607,852	2,592,433	(10,400,372)	-
Total primary government	<u>\$ 26,417,555</u>	<u>\$ 9,816,898</u>	<u>\$ 3,607,852</u>	<u>\$ 2,592,433</u>	<u>\$ (10,400,372)</u>	<u>-</u>
Component unit:						
Baker County Development Corporation	<u>\$ 13,686,014</u>	<u>\$ 15,304,640</u>	<u>\$ -</u>	<u>\$ -</u>	-	1,618,626
General revenues:						
Property taxes					5,389,486	-
Sales taxes					3,586,144	-
Other taxes					374,687	-
Franchise fees					665,703	-
State revenue sharing					1,938,374	-
Investment earnings					48,727	4,883
Miscellaneous revenues					253,913	-
Total general revenues					12,257,034	4,883
Change in net position					1,856,662	1,623,509
Net position, beginning of year, as restated					43,436,742	(2,773,231)
Net position, end of year					<u>\$ 45,293,404</u>	<u>\$ (1,149,722)</u>

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

**BAKER COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General	Transportation Trust	Fine and Forfeiture	SHIP	Road Paving	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 6,241,073	\$ 234,732	\$ -	\$ 794,733	\$ -	\$ 3,280,622	\$ 10,551,160
Investments	33,006	1,273,935	-	-	-	-	1,306,941
Receivables, net	708,212	-	-	-	-	-	708,212
Due from other governments	664,174	322,560	-	-	794,563	143,060	1,924,357
Due from other funds	157,632	-	-	-	-	50,000	207,632
Due from component unit	370,847	-	-	-	-	-	370,847
Prepaid items	112,742	8,826	-	-	-	27,316	148,884
Total Assets	\$ 8,287,686	\$ 1,840,053	\$ -	\$ 794,733	\$ 794,563	\$ 3,500,998	\$ 15,218,033
LIABILITIES							
Accounts payable and accrued liabilities	\$ 920,527	\$ 16,786	\$ -	\$ 8,750	\$ 231,369	\$ 41,316	\$ 1,218,748
Due to other governments	3,027	-	-	-	-	-	3,027
Due to other funds	102,958	-	49,800	-	-	54,874	207,632
Due to component unit	15,267	-	98,057	-	-	595	113,919
Unearned revenue	5,069	-	-	785,983	-	16,813	807,865
Total liabilities	1,046,848	16,786	147,857	794,733	231,369	113,598	2,351,191
FUND BALANCES							
Nonspendable:							
Prepaid items	112,742	8,826	-	-	-	27,316	148,884
Restricted for:							
Title IV D	269,330	-	-	-	-	-	269,330
Health reimbursements	-	-	-	-	-	302,356	302,356
Public safety	-	-	-	-	-	429,537	429,537
Fire program	-	-	-	-	-	134,695	134,695
Recreation	-	-	-	-	-	284,296	284,296
Human services	-	-	-	-	-	20,011	20,011
Physical environment	-	-	-	-	-	326,114	326,114
Road development	-	1,814,441	-	-	-	-	1,814,441
Court costs	-	-	-	-	-	1,328,697	1,328,697
General government	-	-	-	-	-	535,283	535,283
Assigned to:							
Transportation	-	-	-	-	563,194	-	563,194
Subsequent year's budget	369,000	-	-	-	-	-	369,000
Unassigned	6,489,766	-	(147,857)	-	-	(905)	6,341,004
Total fund balances	7,240,838	1,823,267	(147,857)	-	563,194	3,387,400	12,866,842
Total Liabilities and Fund Balances	\$ 8,287,686	\$ 1,840,053	\$ -	\$ 794,733	\$ 794,563	\$ 3,500,998	\$ 15,218,033

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

**BAKER COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Fund balances - total governmental funds		\$ 12,866,842
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds		
Total governmental capital assets - nondepreciable	6,646,097	
Total governmental capital assets - depreciable	89,774,873	
Less: accumulated depreciation	(48,967,588)	47,453,382
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported		
Net pension liability	(19,609,441)	
Deferred outflows related to pensions	8,516,523	
Deferred inflows related to pensions	(1,863,216)	(12,956,134)
Long-term amounts due from other taxing authorities (to correct previous overpayments of taxes) affect net position of governmental activities but do not affect fund balances of governmental funds.		
		71,238
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities deferred outflows, and other debt-related deferred charges consist of the following		
Due to Baker County School Board	(307,984)	
Capital leases	(964,758)	
Compensated absences	(869,182)	(2,141,924)
Net position of governmental activities		\$ 45,293,404

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

BAKER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Transportation Trust	Fine and Forfeiture	SHIP	Road Paving	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 4,352,893	\$ 1,130,706	\$ 3,633,137	\$ -	\$ -	\$ 49,730	\$ 9,166,466
Permits and fees	288,826	-	-	-	-	184,875	473,701
Intergovernmental	4,598,513	1,226,389	295,598	159,549	2,338,281	633,641	9,251,971
Charges for services	7,869,981	-	-	-	-	835,282	8,705,263
Fines and forfeitures	143,843	-	229	-	-	147,730	291,802
Investment income	18,247	11,404	1,463	2,137	-	15,476	48,727
Miscellaneous	317,497	59,709	81,658	4,940	-	145,176	608,980
Total revenues	<u>17,589,800</u>	<u>2,428,208</u>	<u>4,012,085</u>	<u>166,626</u>	<u>2,338,281</u>	<u>2,011,910</u>	<u>28,546,910</u>
Expenditures							
Current:							
General government	3,830,892	-	5,434	-	-	132,244	3,968,570
Public safety	10,927,912	-	2,977,694	-	-	756,375	14,661,981
Physical environment	155,377	-	-	-	-	703,236	858,613
Transportation	-	1,733,767	-	-	2,391,759	-	4,125,526
Economic environment	-	-	-	166,626	-	-	166,626
Human services	700,885	-	-	-	-	-	700,885
Culture and recreation	413,528	-	-	-	-	12,048	425,576
Court related	510,947	-	-	-	-	133,850	644,797
Capital outlay	88,375	37,996	-	-	-	441,294	567,665
Debt service:							
Principal retirement	129,874	75,264	221,138	-	-	-	426,276
Interest and fiscal charges	-	39,700	-	-	-	-	39,700
Total expenditures	<u>16,757,790</u>	<u>1,886,727</u>	<u>3,204,266</u>	<u>166,626</u>	<u>2,391,759</u>	<u>2,179,047</u>	<u>26,586,215</u>
Excess (deficiency) of revenues over expenditures	<u>832,010</u>	<u>541,481</u>	<u>807,819</u>	<u>-</u>	<u>(53,478)</u>	<u>(167,137)</u>	<u>1,960,695</u>
Other financing sources (uses)							
Transfers in	3,994,668	-	2,992,768	-	460,658	179,626	7,627,720
Transfers out	(3,546,680)	-	(4,048,049)	-	-	(32,991)	(7,627,720)
Total other financing sources (uses)	<u>447,988</u>	<u>-</u>	<u>(1,055,281)</u>	<u>-</u>	<u>460,658</u>	<u>146,635</u>	<u>-</u>
Net change in fund balances	<u>1,279,998</u>	<u>541,481</u>	<u>(247,462)</u>	<u>-</u>	<u>407,180</u>	<u>(20,502)</u>	<u>1,960,695</u>
Fund balances, beginning of year	<u>5,960,840</u>	<u>1,281,786</u>	<u>99,605</u>	<u>-</u>	<u>156,014</u>	<u>3,407,902</u>	<u>10,906,147</u>
Fund balances, end of year	<u>\$ 7,240,838</u>	<u>\$ 1,823,267</u>	<u>\$ (147,857)</u>	<u>\$ -</u>	<u>\$ 563,194</u>	<u>\$ 3,387,400</u>	<u>\$ 12,866,842</u>

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

**BAKER COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds	\$ 1,960,695
Differences in amounts reported for governmental activities in the statement of activities are	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives	
Capital outlay expenditures	3,241,924
Depreciation expense	(2,737,251)
Repayment of note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of general long-term debt	351,012
Payments on the capital lease are reported as an expenditure in the governmental funds, but the repayment of the principal portion of the capital lease reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of capital lease	75,264
The current year effects of correcting previous errors in tax distributions are reported in governmental activities but not in governmental funds.	
	(84,205)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plan reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pension:	(1,201,753)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in accrued interest on long-term debt	401
Change in compensated absences liability	280,113
Changes in deferred inflows are reported in governmental funds but not in governmental activities:	
	(29,538)
Change in net position of governmental activities	\$ 1,856,662

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

**BAKER COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 481,362
	<u> </u>
LIABILITIES	
Assets held for others	\$ 481,362
	<u> </u>

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

BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies

The accounting policies of Baker County, Florida (the County) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity/Legal Authority

The County is a non-charter, general purpose local government established under the legal authority of the Constitution of the State of Florida. It is composed of an elected five-member Board of County Commissioners (the "Board") and five elected constitutional officers, who are governed by state statutes and regulations. The Board and the constitutional officers--the Clerk of the Circuit Court, the Sheriff, the Tax Collector, the Property Appraiser, and the Supervisor of Elections--each operate as a separate county agency. Pursuant to Florida law, the Clerk of the Circuit Court is the clerk and accountant of the Board and serves as the auditor, recorder, and custodian of the Board's funds.

Component units are entities for which the County is considered to be financially accountable or entities that would be misleading to exclude.

The County is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the County. The County may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended Component Units – Although legally separate entities, blended component units are in substance part of the primary government's operations and, accordingly, data from these units, if any, would be combined with the data of the primary government. There are no blended component units included in the accompanying financial statements.

Discretely Presented Component Units – Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate entities.

For one entity, the Baker Correctional Development Corporation (the "Component Unit"), there were positive responses to the criteria used for establishing financial accountability. Accordingly, the Component Unit has been included in the County's financial statements as a discretely presented component unit.

The Component Unit, a not-for-profit organization, was authorized by Sections 125.01 and 130.01, Florida Statutes, as amended. It was established to issue revenue bonds to finance the construction of a new jail facility for the County, and to operate the facility upon completion. The facility has 512 beds and became operational on June 13, 2009. The members of the original governing board were appointed by the Baker County Board of County Commissioners. After these original appointments, new Board members will be appointed by the Component Unit's existing board. However, the Baker County Board of County Commissioners will retain the right to remove the Component Unit's board members with or without cause. Financial statements of the Component Unit are separately issued and can be requested at PO Box 749, Macclenny, FL 32063.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures

The governments of Baker, Bradford, and Union Counties established the New River Solid Waste Association (the "Association") through an interlocal agreement. The Association was established to provide a regional approach to solid waste management for the citizens of the tri-county region. The Association is governed by a Board of Directors whose members are appointed by each participating government. The County does not have an ongoing financial interest in the Association. However, the County does have an ongoing financial responsibility to the Association in that the Association's continued existence depends on the County's continuing participation. A copy of the Association's separate financial statements may be obtained from its administrative offices in Raiford, Florida.

The governments of Baker, Bradford, and Union Counties established the New River Public Library Cooperative (the "Cooperative") through an interlocal agreement. The Cooperative was established to provide unified library services to the citizens of the tri-county region. The Cooperative is governed by a Board of Directors whose members are appointed by each participating government. The County does not have an ongoing financial interest in the Cooperative, however, the County does have an ongoing financial responsibility to the Cooperative in that the Cooperative's continued existence depends on the County's continuing participation. A copy of the Cooperative's separate financial statements may be obtained from its administrative offices in Lake Butler, Florida.

C. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties. The County has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

D. Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements, but all non-major funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements (Continued)

The County 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.

County Transportation Trust Fund – This fund is used primarily to account for the receipt and expenditure of gas taxes and other funds restricted for transportation.

Fine and Forfeiture Fund – This fund is used primarily to fund operations of the Sheriff’s Office. The operations are primarily financed by ad-valorem taxes and miscellaneous court surcharges.

SHIP Fund – This fund is used to account for the state housing initiatives partnership (SHIP) grant.

Road Paving Fund – This fund is used primarily to account for the grants and other revenues received by the County that are restricted to road paving and road infrastructure needs of the County.

Additionally, the County reports agency funds, which are fiduciary funds used to account for resources held in a purely custodial capacity.

E. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 90 days of the end of the current fiscal period; except for property taxes which is 60 days.

F. Assets, Liabilities, and Fund Equity

1. Deposits with Financial Institutions

All deposits are placed in banks that qualify as public depositories, as required by law (Florida Security For Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes.

BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

2. Investments

The County adopted GASB Statement No. 72, “*Fair Value Measurement and Application*”, and GASB Statement No. 79, “*Certain External Investment Pools and Pool Participants*”, during the year. These standards require categorization of fair value measurements within the fair value hierarchy, based on the valuation inputs used to measure the fair value of the asset. Investments in external pools, though measured at fair value, are not categorized within the fair value hierarchy.

3. Allowance for Uncollectible Accounts

Receivables are reported net of an allowance for uncollectible ambulance service fees of \$99,990.

4. Capital Assets

Capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value on the date donated. The threshold for capitalizing property and equipment is generally \$750. The threshold for capitalizing infrastructure is \$50,000.

Depreciation is calculated using the straight-line method over the following estimated useful

Buildings	25-100 Years
Improvements	15-25 Years
Equipment	5-20 Years
Infrastructure	40-50 Years

5. Compensated Absences

Personnel policies of the various County agencies allow a limited accumulation and vesting of unused employee vacation and sick leave. A liability is accrued when incurred in the government-wide financial statements. However, a liability is reported in governmental funds only when payment is due.

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Section III: Other Information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category are deferred inflows of resources related to pensions, as discussed further in Section III: Other Information.

BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Fund Equity (Continued)

7. 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.

8. Restricted Net Position

In the accompanying Statement of Net Position, *restricted net position* is subject to restrictions beyond the County's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation. It is the practice of the County to utilize restricted assets before unrestricted assets.

9. Fund Balance

The County 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 County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

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 County's highest level of decision-making authority, which is an ordinance of the Board of County Commissioners or a policy of the constitutional officer. Committed amounts cannot be used for any other purpose unless the County removes those constraints by taking the same type of action.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Fund Equity (Continued)

9. Fund Balance (Concluded)

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

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

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

10. Property Taxes

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.

Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

II. Detailed Notes on All Funds

A. Investments

The County invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the County is authorized to invest excess public funds in the following instruments: the Local Government Investment Pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

State Pool –The County invests temporarily idle resources in the Local Government Investment Pool (“State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight.

BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds (Continued)

A. Investments (Continued)

The Florida PRIME is an external pool that meets all of the necessary criteria consistent with GASB Statement No. 79 to elect to measure all of the investments in the pool at amortized cost. Therefore, the County's investment in 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.

B. Investments

The County invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the County is authorized to invest excess public funds in the following instruments: the Local Government Investment Pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

State Pool –The County invests temporarily idle resources in the Local Government Investment Pool (“State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight.

The Florida PRIME is an external pool that meets all of the necessary criteria consistent with GASB Statement No. 79 to elect to measure all of the investments in the pool at amortized cost. Therefore, the County's investment in 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 County's investments at September 30, 2017 are comprised entirely of \$1,306,941 invested in the SBA Florida PRIME state pool. These investments expose the County to credit risk and interest rate risk.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Pool is rated by Standard & Poors. The rating at September 30, 2017 was AAAm.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. The portfolio's weighted average days to maturity (WAM – dollar weighted average maturity) for the State Pool at September 30, 2017 was 50 days.

The County does not have a formal investment policy relating to the aforementioned risks and follows Section 218.415, Florida Statutes, for investing public funds. That statute limits the County's exposure to credit risk and interest rate risk by limiting authorized investment options as previously described.

As of September 30, 2017, there were no redemption fees or maximum transaction amounts. Florida Statutes do provide for situations in which a participant's access to 100 percent of the account value is limited. The maximum amount of time provided to limit access is 17 days.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

C. Interfund Balances and Transfers

Transfers from/to other funds for the year ended September 30, 2017, were as follows:

Recipient Fund	Amount Transferred	Reason for Transfer
Fine and Forfeiture	\$ 2,992,768	Transfer from General Fund to aid in operating costs
General Fund	\$ 3,994,668	Transfer from fine and forfeiture fund for public safety reimbursements.
Crime Prevention Trust	2,386	Transfer from General Fund to aid in operating costs
Shoals Park	90,868	Transfer from General Fund to aid in operating costs
Road Paving Fund	460,658	Transfer from General Fund to aid in operating costs
Emergency Management	57,871	Transfer from General Fund to aid in operating costs
Court Innovations Trust	14,317	Transfer from Law Library Trust to Court Innovations Trust to aid in operating costs
Court Innovations Trust	14,184	Transfer from Juvenile Trust to Court Innovations Trust to aid in operating costs
	<u>\$ 7,627,720</u>	

As of September 30, 2017, interfund balances consisted of:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 157,632	\$ 102,958
Major Funds:		
Fine and Forfeiture	-	49,800
Non-Major Funds:		
Records Modernization	-	4,490
911	50,000	25,949
Emergency Management	-	24,435
Total	<u>\$ 207,632</u>	<u>\$ 207,632</u>

BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital assets activity for the year ended September 30, 2017, was as follows:

<u>Governmental Activities</u>	Balance Restated			Balance
	10/01/16	Increases	Decreases	09/30/17
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 828,198	\$ -	\$ 828,198
Land	5,817,899	-	-	5,817,899
Total capital assets not being depreciated:	<u>5,817,899</u>	<u>828,198</u>	<u>-</u>	<u>6,646,097</u>
Capital assets being depreciated:				
Buildings	15,337,450	-	-	15,337,450
Improvements	1,278,793	450,151	-	1,728,944
Equipment	13,452,546	335,520	(427,553)	13,360,513
Infrastructure	57,719,911	1,628,055	-	59,347,966
Total capital assets being depreciated	<u>87,788,700</u>	<u>2,413,726</u>	<u>(427,553)</u>	<u>89,774,873</u>
Less accumulated depreciation for:				
Buildings	3,223,459	234,293	-	3,457,752
Improvements	613,681	111,309	-	724,990
Equipment	10,167,237	907,957	(427,553)	10,647,641
Infrastructure	32,653,513	1,483,692	-	34,137,205
Total accumulated depreciation	<u>46,657,890</u>	<u>2,737,251</u>	<u>(427,553)</u>	<u>48,967,588</u>
Total capital assets being depreciated, net	<u>41,130,810</u>	<u>(323,525)</u>	<u>-</u>	<u>40,807,285</u>
Total capital, net	<u>\$ 46,948,709</u>	<u>\$ 504,673</u>	<u>\$ -</u>	<u>\$ 47,453,382</u>

Depreciation expense was charged to functions for the County as follows:

<u>Governmental Activities</u>	
General Government	\$ 450,330
Public Safety	416,805
Physical Environment	159,925
Transportation	1,358,202
Economic Environment	385
Human Services	272,988
Culture and Recreation	39,260
Court Related	39,356
	<u>\$ 2,737,251</u>

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

D. Capital Assets (Concluded)

Capital assets activity for the Component Unit for the year ended September 30, 2017, was as follows:

Governmental Activities	Balance 10/01/16	Increases	Decreases	Balance 09/30/17
Capital assets not being depreciated:				
Land	\$ 2,541,842	\$ -	\$ -	\$ 2,541,842
Capital assets being depreciated:				
Equipment	2,639,348	33,846	-	2,673,194
Buildings and improvements	35,067,117	-	-	35,067,117
Total capital assets being depreciated	37,706,465	33,846	-	37,740,311
Less accumulated depreciation	9,036,645	952,525	-	9,989,170
Total capital assets being depreciated, net	28,669,820	(918,679)	-	27,751,141
Total capital assets, net	\$ 31,211,662	\$ (918,679)	\$ -	\$ 30,292,983

E. Capital Lease Obligation

At September 30, 2017, the County had an outstanding capital lease for equipment with an interest rate of 3.41%. Future lease payments, together with the present value of the minimum lease payments, are summarized in the following tabulation:

Year ending September 30,	
2018	\$ 231,965
2019	96,965
2020	96,965
2021	655,000
Total	1,080,895
Less: amount representing interest	(116,137)
Present value of net minimum lease payments (\$194,709 due within one year)	\$ 964,758

The historical cost of assets under capital leases is \$880,855. Depreciation expense of assets under capital lease is \$176,177 for the period ended September 30, 2017.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

F. Due to Baker County School Board

In prior years, errors were made when taxes were distributed to the various taxing authorities, and the Baker County School Board received less than the amounts it was due. An agreement was executed to pay the remaining undistributed amounts. The amount due as of September 30, 2017, \$307,984, is due in the fiscal year ending September 30, 2018. Under the agreement, \$71,238 is due to be distributed to various taxing authorities.

G. Long Term Liabilities

A summary of changes in long-term liabilities follows:

	Balance Restated			Balance 09/30/17	Current Portion
	10/01/16	Increases	Decreases		
Capital lease obligations	\$ 1,040,022	\$ -	(75,264)	\$ 964,758	\$ 194,709
Compensated absences	1,149,295	665,909	(946,022)	869,182	695,074
Totals	<u>\$ 2,189,317</u>	<u>\$ 665,909</u>	<u>\$(1,021,286)</u>	<u>\$ 1,833,940</u>	<u>\$ 889,783</u>

H. Component Unit Long Term Liabilities

	Balance			Balance 09/30/17	Current Portion
	10/01/16	Increases	Decreases		
Notes payable	\$ 98,968	\$ 200,826	\$ (200,971)	\$ 98,823	\$ 98,823
Revenue bonds	37,170,000	711,300	(1,605,000)	36,276,300	1,710,000
Totals	<u>\$37,268,968</u>	<u>\$ 912,126</u>	<u>\$(1,805,971)</u>	<u>\$36,375,123</u>	<u>\$ 1,808,823</u>

Revenue bonds consists of \$45,000,000 series 2008 bonds issued to finance the construction of a 512 bed jail facility. Under the originally issued bonds, interest was payable monthly at rates ranging from 6% to 7.5%. Principal payments continue until maturity in 2030. Income derived from the future operation of the facility is pledged as collateral for the bonds. The amount of the pledge is equal to the remaining principal and interest.

During the year ended September 30, 2017, the BCDC received notice of examination from the Internal Revenue Service (IRS) on the bonds. As a result of the examination, the IRS concluded that the 2008 bonds failed to meet the requirements of IRS Section 103, and therefore the interest revenue earned by the bondholders was not tax-exempt. The BCDC reached a decision with the trustee for the bondholders to modify the terms of the bond and to exchange for new bonds which are not tax exempt. Modifications agreed upon included the following, based upon the value as of July 10, 2017:

- 2% increase in principal (\$711,300) and waiver of 2% prepayment penalty in same amount.
- Waiver of 5% redemption penalty (\$1,778,250)
- Mandatory redemption on May 1, 2020 (\$30,756,300)
- Increase in interest by ½% each six months, not to exceed 8.5%

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

Interest is payable on the modified bonds at rates ranging from 8.0% to 8.5%.

In response to these modifications, the IRS closed its audit without further actions or penalties. The BCDC records a \$711,300 loss on debt refunding that has been recorded as a deferred outflow of resources. The BCDC is currently seeking alternative funding sources and arrangements to replace the bonds, which are subject to a special mandatory redemption in whole on May 1, 2020, at the redemption price of par plus accrued interest thereon, unless such special mandatory redemption is waived by the beneficial owners of all the bonds then outstanding.

On July 3, 2018, the County approved Resolution 2018-31 to support the acquisition financing efforts of the Baker County Corrections Management Corporation (the BCCMC), a new entity being utilized to explore the issuance of new debt to replace the role of the BCDC. The County is also responsible for appointing the members of the BCCMC and expects this entity to qualify as a component unit in future years should the assets be transferred to and financing obtained by the BCCMC.

Future requirements for revenue bonds, as originally scheduled, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,710,000	\$ 2,965,465	\$ 4,675,645
2019	1,835,000	2,860,148	4,695,148
2020	1,975,000	2,698,223	4,673,223
2021	2,125,000	2,523,973	4,648,973
2022	2,285,000	2,336,548	4,621,548
Thereafter	26,346,300	9,990,666	36,336,966
Total	<u>\$ 36,276,300</u>	<u>\$ 23,375,023</u>	<u>\$ 59,651,323</u>

I. Risk Management

Commercial Insurance

The County is exposed to various risks of loss related to general liability, auto liability, collision, property, inland marine and crime liability. The County carries commercial insurance for coverage of those risks. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Public Entity Risk Pool

The County is exposed to a risk of loss related to worker's compensation. To manage this risk, the County joined a public entity risk pool (the "pool"). The County pays annual premiums to the pool for its coverage. Premiums paid to the pool are designed to fund the risks assumed by the pool and are based on certain actual exposures of each member.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

J. Commitment/Contingencies

The County is sometimes involved in litigation arising from the normal operations of a local government. It is the opinion of management that such litigation will not have a material financial impact on the financial statements of the County.

The County participates in State and Federal assisted grant programs which may be subject to future program compliance audits by the grantors.

K. Budgets and Budgetary Accounting

Annual budgets are legally adopted by the Board of County Commissioners, on a basis consistent with generally accepted principles for the General Fund and special revenue funds. Formal budgetary integration is employed as a management control device during the year for all governmental funds.

The annual budget is prepared at the fund, department, and division level. The department directors submit requests for appropriations to the Clerk of Courts. The Clerk submits her recommended budget to the Board of County Commissioners. Public hearings on the proposed budget are held in September. On or before October 1, the budget is adopted by the Board of County Commissioners. Transfers between funds require Board approval. If during the fiscal year, there are additional available revenues for appropriation in excess of those estimated in the budget; the Board may make supplemental appropriations for the year, up to the amount of such excess revenues. Appropriations in all funds lapse at the close of the fiscal year to the extent that it has not been re-budgeted in the following fiscal year.

The County participates in state and federally assisted grant programs, which may be subject to future program compliance audits by the grantors.

L. Related Party Transactions

Facility operations agreements between the Component Unit and the Baker County Sheriff's Office were executed to facilitate operations of the correctional facility. The Component Unit is the owner of the correctional facility and issuer of revenue bonds for the cost of construction of the facility. Construction of the correctional facility was completed in May 2009. The Sheriff's Office is responsible for the operation of the facility and resources are provided from the Component Unit to the Sheriff's Office to cover the costs associated with correctional operations and facility management.

County resources budgeted for corrections are transferred to the Component Unit. For the year ended September 30, 2017, these transfers totaled approximately \$2,900,000. Costs covering the correctional operations, such as salaries and benefits of corrections officers and administrative staff, are reimbursed by the Component Unit to the Sheriff's Office at the actual costs incurred; approximately \$5,200,000 during 2017.

Due from Component Unit

Amounts due from the Component Unit to the Sheriff's Office at September 30, 2017, for various fees and reimbursements totaled \$370,350.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

M. Future Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the County's fiscal year beginning October 1, 2016. The objective of Statement No. 75 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The County is currently evaluating the effect that Statement No. 75 will have on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations, which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB Statement No. 83 are effective for periods beginning after June 15, 2018. The County is currently evaluating the effect that Statement No. 83 will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which is intended to improve guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB Statement No. 84 are effective for periods beginning after December 15, 2018. The County is currently evaluating the effect that Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB Statement No. 87 are effective for periods beginning after December 15, 2019. The County is currently evaluating the effect that Statement No. 87 will have on its financial statements.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information

A. Florida Retirement System:

i. General Information about the Pension Plan

Baker County, Florida (The “County”) participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the County’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the County are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS 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. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

ii. Plan Description and Administration

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the 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.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information (Continued)

A. Florida Retirement System: (Continued)

ii. Plan Description and Administration (Concluded)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

iii. Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

iv. Contributions

The Organization participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71
Special Risk	3.00%	23.27
DROP – Applicable to members above	0.00%	13.26%

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information (Continued)

A. Florida Retirement System (Continued)

ii. Contributions (Continued)

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for County employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions – FRS	\$ 1,538,209	\$ 1,365,131	\$ 1,373,194
Contributions – HIS	166,859	163,437	138,657
Employee Contributions – FRS	271,566	268,060	280,914

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions

At September 30, 2017, the County reported a liability of \$19,609,441 for its proportionate share of the net pension liability, \$16,238,437 related to FRS and \$3,371,004 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the County's FRS proportion was .054897926% and 0.055978745%, respectively. At June 30, 2017 and June 30, 2016, the County's HIS proportion was 0.031526930% and 0.031886264%, respectively. For the year ended September 30, 2017, the County's recognized pension expense of \$2,626,267 from FRS and \$198,635 from HIS, for a grand total of \$2,824,902.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Continued)

i. Deferred outflows/inflows related to pensions:

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,490,298	\$ (89,953)	\$ -	\$ (7,018)
Changes of assumptions	5,457,261	-	473,847	(291,495)
Net different between projected and actual investment earnings	-	(402,429)	1,869	-
Change in proportionate share	567,953	(779,023)	54,736	(293,298)
Contributions subsequent to measurement date	423,156	-	47,403	-
	<u>\$ 7,938,668</u>	<u>\$ (1,271,405)</u>	<u>\$ 577,855</u>	<u>\$ (591,811)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from County contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 761,693
2019	2,158,254
2020	1,562,040
2021	319,203
2022	1,042,229
Thereafter	339,329
Total	<u>\$ 6,182,748</u>

ii. Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Continued)

iii. Actuarial assumptions: (Concluded)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 2.85%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.60%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.80%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

iv. Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	100.0%	

**BAKER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information (Concluded)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Concluded)

v. Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the County calculated using the current discount rates, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 29,390,593	\$ 16,238,437	\$ 5,319,137
HIS	3.58%	3,846,763	3,371,004	2,974,725

C. Restatement of Beginning Equity

Certain restatements have been made to the beginning fund balance and net position amounts in various funds and the County's overall governmental activities. These restatements are summarized as follows:

- \$130,000 decrease to beginning fund balance in the EMS fund for grant revenues improperly recognized in the prior year.
- \$595,532 decrease to beginning fund balance in the SHIP fund to grant revenues improperly recognized in the prior year.
- \$5,199,878 decrease to beginning net position in the County's governmental activities related to the above items and errors in the recorded net book value of the County's capital assets.

D. Deficit Fund Balance

At September 30, 2017, the Fine and Forfeiture fund had a deficit fund balance of (\$147,857). This deficit balance is expected be recovered in future years through taxes and, if applicable, transfers from the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

BAKER COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 4,198,754	\$ 4,198,754	\$ 4,352,893	\$ 154,139
Permits and fees	301,088	301,088	288,826	(12,262)
Intergovernmental	4,310,527	4,296,916	4,598,513	301,597
Charges for services	7,532,355	7,559,435	7,869,981	310,546
Fines and forfeitures	18,853	18,853	143,843	124,990
Investment income	8,175	8,175	18,247	10,072
Miscellaneous	350,953	363,933	317,497	(46,436)
Total revenues	<u>16,720,705</u>	<u>16,747,154</u>	<u>17,589,800</u>	<u>842,646</u>
EXPENDITURES				
Current:				
General government	4,032,267	4,071,853	3,830,892	240,961
Public safety	10,791,922	10,841,721	10,927,912	(86,191)
Physical environment	163,317	163,317	155,377	7,940
Human services	813,899	813,899	700,885	113,014
Culture and recreation	494,251	499,251	413,528	85,723
Court related	508,609	494,998	510,947	(15,949)
Capital outlay	68,989	71,093	88,375	(17,282)
Debt service:				
Principal retirement	129,874	129,874	129,874	-
Total expenditures	<u>17,003,128</u>	<u>17,086,006</u>	<u>16,757,790</u>	<u>328,216</u>
Excess (deficiency) of revenues over expenditures	<u>(282,423)</u>	<u>(338,852)</u>	<u>832,010</u>	<u>1,170,862</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,940,237	3,990,036	3,994,668	4,632
Transfers out	<u>(2,900,000)</u>	<u>(2,900,000)</u>	<u>(3,546,680)</u>	<u>(646,680)</u>
Total other financing sources (uses)	<u>1,040,237</u>	<u>1,090,036</u>	<u>447,988</u>	<u>(642,048)</u>
Net change in fund balances	<u>757,814</u>	<u>751,184</u>	<u>1,279,998</u>	<u>528,814</u>
Fund balances, beginning of year	5,960,840	5,960,840	5,960,840	-
Fund balances, end of year	<u>\$ 6,718,654</u>	<u>\$ 6,712,024</u>	<u>\$ 7,240,838</u>	<u>\$ 528,814</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budgetary information is an integral part of this schedule.

BAKER COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COUNTY TRANSPORTATION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,042,663	\$ 1,042,663	\$ 1,130,706	\$ 88,043
Intergovernmental	1,322,722	1,322,722	1,226,389	(96,333)
Investment income	500	500	11,404	10,904
Miscellaneous	55,500	55,500	59,709	4,209
Total revenues	<u>2,421,385</u>	<u>2,421,385</u>	<u>2,428,208</u>	<u>6,823</u>
EXPENDITURES				
Current:				
Transportation	1,929,987	1,929,987	1,733,767	196,220
Capital outlay	183,700	183,700	37,996	145,704
Debt service:				
Principal retirement	116,464	116,464	75,264	41,200
Interest and fiscal charges	191,234	191,234	39,700	151,534
Total expenditures	<u>2,421,385</u>	<u>2,421,385</u>	<u>1,886,727</u>	<u>534,658</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>541,481</u>	<u>541,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>541,481</u>	<u>541,481</u>
Fund balances, beginning of year	1,281,786	1,281,786	1,281,786	-
Fund balances, end of year	<u>\$ 1,281,786</u>	<u>\$ 1,281,786</u>	<u>\$ 1,823,267</u>	<u>\$ 541,481</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budgetary information is an integral part of this schedule.

BAKER COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FINE AND FORFEITURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 3,676,586	\$ 3,676,586	\$ 3,633,137	\$ (43,449)
Intergovernmental	336,423	336,423	295,598	(40,825)
Fines and forfeitures	6,661	6,661	229	(6,432)
Investment income	1,100	1,100	1,463	363
Miscellaneous	54,000	54,000	81,658	27,658
Total revenues	<u>4,074,770</u>	<u>4,074,770</u>	<u>4,012,085</u>	<u>(62,685)</u>
EXPENDITURES				
Current:				
General government	20,000	20,000	5,434	14,566
Public safety	3,023,400	3,023,400	2,977,694	45,706
Debt service:				
Principal retirement	221,138	221,138	221,138	-
Total expenditures	<u>3,264,538</u>	<u>3,264,538</u>	<u>3,204,266</u>	<u>60,272</u>
Excess (deficiency) of revenues over expenditures	<u>810,232</u>	<u>810,232</u>	<u>807,819</u>	<u>(2,413)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,903,000	2,903,000	2,992,768	89,768
Transfers out	<u>(3,934,370)</u>	<u>(3,934,370)</u>	<u>(4,048,049)</u>	<u>(113,679)</u>
Total other financing sources (uses)	<u>(1,031,370)</u>	<u>(1,031,370)</u>	<u>(1,055,281)</u>	<u>(23,911)</u>
Net change in fund balances	<u>(221,138)</u>	<u>(221,138)</u>	<u>(247,462)</u>	<u>(26,324)</u>
Fund balances, beginning of year	99,605	99,605	99,605	-
Fund balances, end of year	<u>\$ (121,533)</u>	<u>\$ (121,533)</u>	<u>\$ (147,857)</u>	<u>\$ (26,324)</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budgetary information is an integral part of this schedule.

BAKER COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SHIP FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 159,549	\$ (190,451)
Investment income	1,000	1,000	2,137	1,137
Miscellaneous	300,000	300,000	4,940	(295,060)
Total revenues	<u>651,000</u>	<u>651,000</u>	<u>166,626</u>	<u>(484,374)</u>
EXPENDITURES				
Current:				
Economic environment	651,000	651,000	166,626	484,374
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budgetary information is an integral part of this schedule.

BAKER COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD PAVING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 8,034,276	\$ 8,510,782	\$ 2,338,281	\$ (6,172,501)
EXPENDITURES				
Current:				
Transportation	6,769,676	7,246,182	2,391,759	4,854,423
Capital outlay	1,264,600	1,264,600	-	1,264,600
Total expenditures	8,034,276	8,510,782	2,391,759	6,119,023
Excess (deficiency) of revenues over expenditures	-	-	(53,478)	(53,478)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	460,658	460,658
Net change in fund balances	-	-	407,180	407,180
Fund balances, beginning of year	156,014	156,014	156,014	-
Fund balances, end of year	<u>\$ 156,014</u>	<u>\$ 156,014</u>	<u>\$ 563,194</u>	<u>\$ 407,180</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budgetary information is an integral part of this schedule.

BAKER COUNTY, FLORIDA
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGETARY INFORMATION
SEPTEMBER 30, 2017

Note to Budgetary Comparison Schedule:

The preparation, adoption and amendment of the budgets are governed by Florida Statutes. The fund is the legal level of control. Budgets are prepared on a basis that does not differ materially from generally accepted accounting principles (GAAP). Appropriations lapse at year-end. Budgeted excess expenditures over revenues are funded through transfers in and use of fund balance reserves.

BAKER COUNTY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)

	For the Plan Year Ending June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.054897926%	0.055978745%	0.056326104%
Proportionate share of the net pension liability	\$ 16,238,437	\$ 14,134,677	\$ 7,275,272
Covered payroll	10,051,718	9,991,268	10,028,017
Proportionate share of the net pension liability as a percentage of its covered payroll	161.55%	143.32%	72.55%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.031526930%	0.031886264%	0.033689953%
Proportionate share of the net pension liability	\$ 3,371,004	\$ 3,716,212	\$ 3,435,846
Covered payroll	10,051,718	9,862,241	10,028,017
Proportionate share of the net pension liability as a percentage of its covered payroll	33.54%	37.68%	34.26%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**BAKER COUNTY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ending June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Contractually required contribution	\$ 1,538,209	\$ 1,365,131	\$ 1,373,194
Contributions in relation to the contractually required contribution	(1,538,209)	(1,365,131)	(1,373,194)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,051,718	\$ 9,991,268	\$ 10,028,017
Contributions as a percentage of covered-employee payroll	15.30%	13.66%	13.57%
Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 166,859	\$ 163,437	\$ 138,657
Contributions in relation to the contractually required contribution	(166,859)	(163,437)	(138,657)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,051,718	\$ 9,991,268	\$ 10,028,017
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.37%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

SUPPLEMENTAL INFORMATION

**BAKER COUNTY, FLORIDA
COMBINING BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2017**

	<u>BCC</u>	<u>Sheriff</u>	<u>Property Appraiser</u>	<u>Supervisor of Elections</u>	<u>Tax Collector</u>	<u>Clerk of Courts</u>	<u>Subtotals</u>	<u>Interfund Eliminations</u>	<u>Total General Fund</u>
ASSETS									
Cash and cash equivalents	\$ 5,380,549	\$ 275,645	\$ 50,033	\$ 28,097	\$ 148,439	\$ 358,310	\$ 6,241,073	\$ -	\$ 6,241,073
Investments	33,006	-	-	-	-	-	33,006	-	33,006
Receivables, net	681,908	11,432	-	-	-	14,872	708,212	-	708,212
Due from other governments	650,705	13,469	-	-	-	-	664,174	-	664,174
Due from other funds	295,179	101,663	-	-	-	4,490	401,332	(243,700)	157,632
Inventories	-	-	-	-	-	-	-	-	-
Due from component unit	-	370,847	-	-	-	-	370,847	-	370,847
Prepaid items	79,916	32,826	-	-	-	-	112,742	-	112,742
Total assets	<u>\$ 7,121,263</u>	<u>\$ 805,882</u>	<u>\$ 50,033</u>	<u>\$ 28,097</u>	<u>\$ 148,439</u>	<u>\$ 377,672</u>	<u>\$ 8,531,386</u>	<u>\$ (243,700)</u>	<u>\$ 8,287,686</u>
LIABILITIES									
Accounts payable and accrued liabilities	\$ 116,640	\$ 762,326	\$ 14,500	\$ -	\$ 126	\$ 26,935	\$ 920,527	\$ -	\$ 920,527
Due to other governments	-	-	3,027	-	-	-	3,027	-	3,027
Due to other funds	51,479	9,925	32,506	23,028	148,313	81,407	346,658	(243,700)	102,958
Due to component unit	-	15,267	-	-	-	-	15,267	-	15,267
Unearned revenue	-	-	-	5,069	-	-	5,069	-	5,069
Total liabilities	<u>168,119</u>	<u>787,518</u>	<u>50,033</u>	<u>28,097</u>	<u>148,439</u>	<u>108,342</u>	<u>1,290,548</u>	<u>(243,700)</u>	<u>1,046,848</u>
FUND BALANCES									
Nonspendable:									
Prepaid items	79,916	32,826	-	-	-	-	112,742	-	112,742
Restricted for:									
Title IV D	-	-	-	-	-	269,330	269,330	-	269,330
Assigned to:									
Subsequent year's budget	369,000	-	-	-	-	-	369,000	-	369,000
Unassigned	6,504,228	(14,462)	-	-	-	-	6,489,766	-	6,489,766
Total fund balances	<u>6,953,144</u>	<u>18,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,330</u>	<u>7,240,838</u>	<u>-</u>	<u>7,240,838</u>
Total Liabilities and Fund Balances	<u>\$ 7,121,263</u>	<u>\$ 805,882</u>	<u>\$ 50,033</u>	<u>\$ 28,097</u>	<u>\$ 148,439</u>	<u>\$ 377,672</u>	<u>\$ 8,531,386</u>	<u>\$ (243,700)</u>	<u>\$ 8,287,686</u>

See accompanying notes to financial statements.

BAKER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>BCC</u>	<u>Sheriff</u>	<u>Property Appraiser</u>	<u>Supervisor of Elections</u>	<u>Tax Collector</u>	<u>Clerk of Courts</u>	<u>Subtotals</u>	<u>Interfund Eliminations</u>	<u>Total General Fund</u>
Revenues									
Taxes	\$ 4,352,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,352,893	\$ -	\$ 4,352,893
Permits and fees	288,826	-	-	-	-	-	288,826	-	288,826
Intergovernmental	4,301,067	131,290	-	3,462	-	162,694	4,598,513	-	4,598,513
Charges for services	1,462,442	5,317,489	57,606	-	641,015	391,429	7,869,981	-	7,869,981
Fines and forfeitures	24,621	-	-	-	-	119,222	143,843	-	143,843
Investment income	16,875	25	-	45	140	1,162	18,247	-	18,247
Miscellaneous	301,542	4,645	37	-	-	11,273	317,497	-	317,497
Total revenues	<u>10,748,266</u>	<u>5,453,449</u>	<u>57,643</u>	<u>3,507</u>	<u>641,155</u>	<u>685,780</u>	<u>17,589,800</u>	<u>-</u>	<u>17,589,800</u>
Expenditures									
Current:									
General government	1,768,591	-	643,668	396,699	685,932	336,002	3,830,892	-	3,830,892
Public safety	1,444,778	9,483,134	-	-	-	-	10,927,912	-	10,927,912
Physical environment	155,377	-	-	-	-	-	155,377	-	155,377
Human services	700,885	-	-	-	-	-	700,885	-	700,885
Culture and recreation	413,528	-	-	-	-	-	413,528	-	413,528
Court related	3,680	-	-	-	-	507,267	510,947	-	510,947
Capital outlay	88,227	-	-	-	-	148	88,375	-	88,375
Debt service:									
Principal retirement	129,874	-	-	-	-	-	129,874	-	129,874
Total expenditures	<u>4,704,940</u>	<u>9,483,134</u>	<u>643,668</u>	<u>396,699</u>	<u>685,932</u>	<u>843,417</u>	<u>16,757,790</u>	<u>-</u>	<u>16,757,790</u>
Excess (deficiency) of revenues over expenditures	<u>6,043,326</u>	<u>(4,029,685)</u>	<u>(586,025)</u>	<u>(393,192)</u>	<u>(44,777)</u>	<u>(157,637)</u>	<u>832,010</u>	<u>-</u>	<u>832,010</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	4,490	4,490	3,990,178	3,994,668
Transfers out	(3,546,680)	-	-	-	-	-	(3,546,680)	-	(3,546,680)
Appropriations to constitutional officers	(1,522,900)	4,048,049	618,531	416,220	193,090	237,188	3,990,178	(3,990,178)	-
Reversions from constitutional officers	285,254	-	(32,506)	(23,028)	(148,313)	(81,407)	-	-	-
Total other financing sources (uses)	<u>(4,784,326)</u>	<u>4,048,049</u>	<u>586,025</u>	<u>393,192</u>	<u>44,777</u>	<u>160,271</u>	<u>447,988</u>	<u>-</u>	<u>447,988</u>
Net change in fund balances	<u>1,259,000</u>	<u>18,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>1,279,998</u>	<u>-</u>	<u>1,279,998</u>
Fund balances, beginning of year	<u>5,694,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,696</u>	<u>5,960,840</u>	<u>-</u>	<u>5,960,840</u>
Fund balances, end of year	<u>\$ 6,953,144</u>	<u>\$ 18,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,330</u>	<u>\$ 7,240,838</u>	<u>\$ -</u>	<u>\$ 7,240,838</u>

See accompanying notes to financial statements.

**BAKER COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Fire	National Forest Title III	EMS Grant	Health Reimbursement	Civic Center	Law Library Trust	Legal Aid Trust	Juvenile Trust	Crime Prevention Trust	Solid Waste	Alcohol and Drug Abuse Trust	Court Facility	Drivers Ed Trust	Special Law Enforcement Trust	Shoals Park
ASSETS															
Cash and cash equivalents	\$ 135,433	\$ 326,476	\$ -	\$ 302,356	\$ 535,272	\$ -	\$ -	\$ -	\$ -	\$ 20,597	\$ 20,011	\$ 230,557	\$ -	\$ 13,655	\$ 173,946
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	432	-	-	-	-	-	-	-	-	1,983	-	-	-	-	-
Total Assets	\$ 135,865	\$ 326,476	\$ -	\$ 302,356	\$ 535,272	\$ -	\$ -	\$ -	\$ -	\$ 22,580	\$ 20,011	\$ 230,557	\$ -	\$ 13,655	\$ 173,946
LIABILITIES															
Accounts payable and accrued liabilities:	\$ 738	\$ 362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,502	\$ -	\$ 4,457	\$ -	\$ -	\$ 22
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to component unit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	738	362	-	-	-	-	-	-	-	21,502	-	4,457	-	-	22
FUND BALANCES															
Nonspendable:															
Prepaid items	432	-	-	-	-	-	-	-	-	1,983	-	-	-	-	-
Restricted for:															
Title IV D															
Health reimbursements	-	-	-	302,356	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	13,655	-
Fire program	134,695	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	173,924
Human services	-	-	-	-	-	-	-	-	-	-	20,011	-	-	-	-
Physical environment	-	326,114	-	-	-	-	-	-	-	-	-	-	-	-	-
Road development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Court costs	-	-	-	-	-	-	-	-	-	-	-	226,100	-	-	-
General government	-	-	-	-	535,272	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(905)	-	-	-	-	-
Total fund balances	135,127	326,114	-	302,356	535,272	-	-	-	-	1,078	20,011	226,100	-	13,655	173,924
Total Liabilities and Fund Balance	\$ 135,865	\$ 326,476	\$ -	\$ 302,356	\$ 535,272	\$ -	\$ -	\$ -	\$ -	\$ 22,580	\$ 20,011	\$ 230,557	\$ -	\$ 13,655	\$ 173,946

See accompanying notes to financial statements.

**BAKER COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Boating Improvement	Court Innovations Trust	12.50 SC	State Court Grant	Impact Fees	Records Modernization	911	Special Law	Second Dollar	School Crossing Guards	Emergency Management	Total Nonmajor Governmental Funds
ASSETS												
Cash and cash equivalents	\$ 110,372	\$ 143,759	\$ -	\$ 710,631	\$ 2,542	\$ 252,785	\$ 4,203	\$ 208,643	\$ 4,592	\$ 52,779	\$ 32,013	\$ 3,280,622
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	-	-	-	-	-	-	-	-
Due from other government:	-	-	-	-	-	-	52,058	-	464	-	90,538	143,060
Due from other funds	-	-	-	-	-	-	50,000	-	-	-	-	50,000
Prepaid items	-	-	-	-	-	-	21,151	-	-	-	3,750	27,316
Total Assets	\$ 110,372	\$ 143,759	\$ -	\$ 710,631	\$ 2,542	\$ 252,785	\$ 127,412	\$ 208,643	\$ 5,056	\$ 52,779	\$ 126,301	\$ 3,500,998
LIABILITIES												
Accounts payable and accrued liabilities:	\$ -	\$ -	\$ -	\$ -	\$ 2,531	\$ 88	\$ 5,084	\$ -	\$ -	\$ 1,435	\$ 5,097	\$ 41,316
Due to other funds	-	-	-	-	-	4,490	25,949	-	-	-	24,435	54,874
Due to component unit	-	-	-	-	-	-	-	-	-	-	595	595
Unearned revenue	-	-	-	-	-	-	16,813	-	-	-	-	16,813
Total liabilities	-	-	-	-	2,531	4,578	47,846	-	-	1,435	30,127	113,598
FUND BALANCES												
Nonspendable:												
Prepaid items	-	-	-	-	-	-	21,151	-	-	-	3,750	27,316
Restricted for:												
Title IV D												
Health reimbursements:												302,356
Public safety							58,415	208,643	5,056	51,344	92,424	429,537
Fire program												134,695
Recreation	110,372											284,296
Human services												20,011
Physical environment												326,114
Road development												-
Court costs		143,759		710,631		248,207						1,328,697
General government					11							535,283
Unassigned												(905)
Total fund balances	110,372	143,759	-	710,631	11	248,207	79,566	208,643	5,056	51,344	96,174	3,387,400
Total Liabilities and Fund Balance	\$ 110,372	\$ 143,759	\$ -	\$ 710,631	\$ 2,542	\$ 252,785	\$ 127,412	\$ 208,643	\$ 5,056	\$ 52,779	\$ 126,301	\$ 3,500,998

See accompanying notes to financial statements.

BAKER COUNTY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Fire	National Forest Title III	EMS Grant	Health Reimbursement	Civic Center	Law Library Trust	Legal Aid Trust	Juvenile Trust	Crime Prevention Trust	Solid Waste	Alcohol and Drug Abuse Trust	Court Facility	Drivers Ed Trust	Special Law Enforcement Trust	Shoals Park
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 49,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	130,000	-	-	-	-	-	-	90,909	-	-	-	-	124,152
Charges for services	204,921	-	-	-	-	-	-	-	-	595,808	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	7,185	7,201	7,105	10,740	-	4,430	35,966	11,181	-	-
Investment income	1,069	1,949	648	1,688	2,648	-	-	-	16	466	-	1,517	-	72	42
Miscellaneous	9,125	-	-	114,381	-	-	-	-	-	18,049	-	-	-	-	202
Total revenues	215,115	1,949	130,648	116,069	52,378	7,185	7,201	7,105	10,756	705,232	4,430	37,483	11,181	72	124,396
EXPENDITURES															
Current:															
General government	-	-	-	113,853	-	-	7,203	-	-	-	-	-	11,188	-	-
Public safety	179,548	-	-	-	-	-	-	-	19,587	-	-	-	-	2,500	-
Physical environment	-	21,755	-	-	-	-	-	-	-	667,218	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,048
Court related	-	-	-	-	-	-	-	-	-	-	-	69,446	-	-	-
Capital outlay	38,974	-	145,345	-	-	-	-	-	-	177,814	-	304	-	-	29,292
Debt service:															
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	218,522	21,755	145,345	113,853	-	-	7,203	-	19,587	845,032	-	69,750	11,188	2,500	41,340
Excess (deficiency) of revenues over expenditures	(3,407)	(19,806)	(14,697)	2,216	52,378	7,185	(2)	7,105	(8,831)	(139,800)	4,430	(32,267)	(7)	(2,428)	83,056
Other financing sources (uses)															
Transfers in	-	-	-	-	-	-	-	-	2,386	-	-	-	-	-	90,868
Transfers out	-	-	-	-	-	(14,317)	-	(14,184)	-	-	-	-	-	-	-
Appropriations to constitutional officers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversions from constitutional officers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(14,317)	-	(14,184)	2,386	-	-	-	-	-	90,868
Net change in fund balances	(3,407)	(19,806)	(14,697)	2,216	52,378	(7,132)	(2)	(7,079)	(6,445)	(139,800)	4,430	(32,267)	(7)	(2,428)	173,924
Fund balances, beginning of year, as restated	138,534	345,920	14,697	300,140	482,894	7,132	2	7,079	6,445	140,878	15,581	258,367	7	16,083	-
Fund balances, end of year	\$ 135,127	\$ 326,114	\$ -	\$ 302,356	\$ 535,272	\$ -	\$ -	\$ -	\$ -	\$ 1,078	\$ 20,011	\$ 226,100	\$ -	\$ 13,655	\$ 173,924

See accompanying notes to financial statements.

BAKER COUNTY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Boating Improvement	Court Innovations Trust	12.50 SC	State Court Grant	Impact Fees	Records Modernization	911	Special Law	Second Dollar	School Crossing Guards	Emergency Management	Total Nonmajor Governmental Funds
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,730
Permits and fees	-	-	-	-	-	-	184,875	-	-	-	-	184,875
Intergovernmental	11,591	-	-	-	-	-	47,913	-	-	79,757	149,319	633,641
Charges for services	-	-	-	-	5,599	28,954	-	-	-	-	-	835,282
Fines and forfeitures	-	7,199	19,011	-	-	30,043	-	-	7,669	-	-	147,730
Investment income	554	-	17	3,713	130	514	21	260	5	60	87	15,476
Miscellaneous	-	-	-	-	-	-	-	3,419	-	-	-	145,176
Total revenues	<u>12,145</u>	<u>7,199</u>	<u>19,028</u>	<u>3,713</u>	<u>5,729</u>	<u>59,511</u>	<u>232,809</u>	<u>3,679</u>	<u>7,674</u>	<u>79,817</u>	<u>149,406</u>	<u>2,011,910</u>
EXPENDITURES												
Current:												
General government	-	-	-	-	-	-	-	-	-	-	-	132,244
Public safety	-	-	23,395	-	-	-	240,299	778	2,618	65,438	222,212	756,375
Physical environment	-	-	-	-	14,263	-	-	-	-	-	-	703,236
Transportation	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	12,048
Court related	-	450	-	-	-	63,954	-	-	-	-	-	133,850
Capital outlay	3,485	-	-	-	-	46,080	-	-	-	-	-	441,294
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>3,485</u>	<u>450</u>	<u>23,395</u>	<u>-</u>	<u>14,263</u>	<u>110,034</u>	<u>240,299</u>	<u>778</u>	<u>2,618</u>	<u>65,438</u>	<u>222,212</u>	<u>2,179,047</u>
Excess (deficiency) of revenues over expenditures	<u>8,660</u>	<u>6,749</u>	<u>(4,367)</u>	<u>3,713</u>	<u>(8,534)</u>	<u>(50,523)</u>	<u>(7,490)</u>	<u>2,901</u>	<u>5,056</u>	<u>14,379</u>	<u>(72,806)</u>	<u>(167,137)</u>
Other financing sources (uses)												
Transfers in	-	28,501	-	-	-	-	-	-	-	-	57,871	179,626
Transfers out	-	-	-	-	-	(4,490)	-	-	-	-	-	(32,991)
Appropriations to constitutional officers	-	-	-	-	-	-	-	-	-	-	-	-
Reversions from constitutional officers	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>28,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,490)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,871</u>	<u>146,635</u>
Net change in fund balances	<u>8,660</u>	<u>35,250</u>	<u>(4,367)</u>	<u>3,713</u>	<u>(8,534)</u>	<u>(55,013)</u>	<u>(7,490)</u>	<u>2,901</u>	<u>5,056</u>	<u>14,379</u>	<u>(14,935)</u>	<u>(20,502)</u>
Fund balances, beginning of year, as restated	101,712	108,509	4,367	706,918	8,545	303,220	87,056	205,742	-	36,965	111,109	3,407,902
Fund balances, end of year	<u>\$ 110,372</u>	<u>\$ 143,759</u>	<u>\$ -</u>	<u>\$ 710,631</u>	<u>\$ 11</u>	<u>\$ 248,207</u>	<u>\$ 79,566</u>	<u>\$ 208,643</u>	<u>\$ 5,056</u>	<u>\$ 51,344</u>	<u>\$ 96,174</u>	<u>\$ 3,387,400</u>

See accompanying notes to financial statements.

**BAKER COUNTY, FLORIDA
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2017**

	<u>Tax Collector</u>	<u>Clerk of Courts</u>	<u>Sheriff</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	<u>\$ 317,221</u>	<u>\$ 135,972</u>	<u>\$ 28,169</u>	<u>\$ 481,362</u>
LIABILITIES				
Assets held for others	<u>\$ 317,221</u>	<u>\$ 135,972</u>	<u>\$ 28,169</u>	<u>\$ 481,362</u>

See accompanying notes to financial statements.

BAKER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>State Agency / Pass-Through Entity / State Program</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS</u>			
<u>U.S. Department of Interior</u>			
Direct Programs:			
Fish and Wildlife Service National Wildlife Refuge Grant	15.659	--	\$ 5,406
Payments in Lieu of Taxes	15.226	--	124,547
Total U.S. Department of Interior			<u>129,953</u>
<u>U.S. Department of Justice</u>			
Indirect Programs:			
Passed-through Florida Office of Attorney General: Crime Victim Assistance	16.575	VOCA-2016	38,248
Passed-through Florida Department of Law Enforcement: Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2017-JAGC-BAKE-1-F9-121	44,278
Direct Programs:			
Public Safety Partnership and Community Policing	16.710	--	15,672
Total U.S. Department of Justice			<u>98,198</u>
<u>U.S. Department of Environmental Protection</u>			
Indirect Programs:			
Passed-through Florida Department of Environmental Protection Watershed Grant	20.219	T2B01	<u>124,152</u>
<u>U.S. Department of Transportation</u>			
Indirect Programs:			
Passed-through Florida Department of Transportation Total Highway Planning and Construction Cluster	20.205	432647-2-58-1	<u>1,498,083</u>
<u>U.S. Department of Health</u>			
Indirect Programs:			
Passed-through Florida Department of Revenue: Child Enforcement Program	93.563	COC02	<u>81,340</u>
<u>U.S. Election Assistance Commission</u>			
Direct Programs:			
Help America Vote Act Requirements Payments	90.401	MOA#2016-2014-0001-BAK	<u>3,462</u>
<u>U.S. Department of Homeland Security</u>			
Indirect Programs:			
Passed through Florida Division of Emergency Management Emergency Management Preparedness Assistance	97.042	17-BG-83-04-12-01-009	105,806
Emergency Management Performance Grant	97.042	17-FG-P9-04-12-01-076	43,513
Total U.S. Department of Homeland Security			<u>149,319</u>
Total Federal Awards			<u><u>\$ 2,084,507</u></u>

The accompanying notes to the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are an integral part of this schedule.

**BAKER COUNTY, FLORIDA
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>State Agency / Pass-Through Entity / State Program</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>STATE FINANCIAL ASSISTANCE</u>			
<u>Florida Department of Environmental Protection</u> Small County Consolidated Grants	37.012	SC701	\$ 90,909
<u>Florida Department of State of Secretary of State</u> State Aid to Libraries	45.030	16-ST-39	52,118
<u>Florida Housing Finance Corporation</u> State Housing Initiatives Partnership	40.901	--	159,549
<u>Florida Department of Transportation</u> Small County Road Assistance Program	55.016	G0J33	18,403
Small County Road Assistance Program	55.016	G0880	20,358
Program Total			38,761
Small County Outreach Program	55.009	ARQ59	685,298
County Incentive Grant Program	55.008	G0634	104,139
Total Florida Department of Transportation			828,198
<u>Florida Department of Health</u> Emergency Medical Services County Grant	64.005	C4002	130,000
<u>Florida Department of Management Services</u> Wireless 911 Emergency Telephone System	72.001	16-10-01	43,296
Wireless 911 Emergency Telephone System	72.001	17-04-01	4,617
Total Florida Department of Management Services			47,913
Total State Financial Assistance			\$ 1,308,687

The accompanying notes to the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are an integral part of this schedule.

BAKER COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the Federal and State award activity of Baker County, Florida for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized when they become a demand on current available financial resources. Expenditures on contracts dated before or on December 26, 2014 are recognized following the cost principles in OMB Circular A-133, and expenditures on all subsequent contracts are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The County passed no awards through to subrecipients.

(3) **Indirect Costs**

The County did not elect to charge the 10% de minimis indirect cost rate or any other indirect cost rate to any federal or state programs.

**ADDITIONAL ELEMENTS REQUIRED BY THE
RULES OF THE AUDITOR GENERAL**

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE
OF THE AUDITOR GENERAL**

To the Honorable Board of County Commissioners,
Baker County, Florida:

Report on the Financial Statements

We have audited the financial statements of Baker County, Florida (the County), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 18, 2018. We did not audit the financial statements of the Baker County Development Corporation (the BCDC), which is the County's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the BCDC, are based solely on the report of the other auditors.

Because the County's management has not acquired an actuarial valuation to determine the amount of its OPEB (Other Postemployment Benefits) liability and has not presented such liability in its government-wide financial statements as required by accounting principles generally accepted in the United States of America, we issued a qualified opinion on the governmental activities. The impact of such departure from generally accepted accounting principles on the liabilities, net position and expenditures of the government-wide financial statements of the County is unknown.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Chapter 10.550, Rules of the Auditor General; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in Accordance with Chapter 10.550 Rules of the Florida Auditor General; Schedule of Findings and Questioned Costs; 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 and schedule, which are dated July 18, 2018, should be considered in conjunction with this management letter.

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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. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings and Questioned Costs that accompany this letter; one finding (2018-001) remains uncorrected from the second preceding audit.

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 for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the County has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 have no such recommendations.

Annual Financial Report

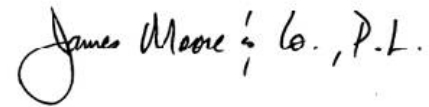
Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the County for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

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 Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, circular initial "J" at the beginning.

Daytona Beach, Florida
July 18, 2018

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of County Commissioners,
Baker County, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baker County, Florida (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Baker County, Florida's basic financial statements, and have issued our report thereon dated July 18, 2018. Our report includes a reference to other auditors who audited the financial statements of the Baker Correctional Development Corporation (the BCDC), as described in our report on the County's financial statements. The financial statements of the BCDC were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instance of reportable noncompliance associated with the BCDC.

Because Baker County, Florida's management has not acquired an actuarial valuation to determine the amount of its OPEB (Other Postemployment Benefits) liability and has not presented such liability in its government-wide financial statements as required by accounting principles generally accepted in the United States of America, we issued a qualified opinion on the governmental activities. The impact of such departure from generally accepted accounting principles on the liabilities, net position and expenditures of the government-wide financial statements of Baker County, Florida is unknown.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Baker County, Florida'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 Baker County, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Baker County, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: Finding 2017-001 and Finding 2017-002.

Compliance and Other Matters

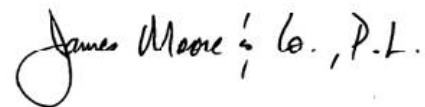
As part of obtaining reasonable assurance about whether Baker County, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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*.

Baker County Florida's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying management's response as listed in the table of contents. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Daytona Beach, Florida
July 18, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND SECTION 215.97, FLORIDA STATUTES, AND CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Board of County Commissioners,
Baker County, Florida:

Report on Compliance for Each Major Federal Program and State Project

We have audited Baker County, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Baker County, Florida's major Federal programs and State projects for the year ended September 30, 2017. Baker County, Florida's major Federal programs and State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs and State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Baker County, Florida's major Federal programs and major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about Baker County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program and major State project. However, our audit does not provide a legal determination of Baker County, Florida's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Baker County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and State projects for the year ended September 30, 2017.

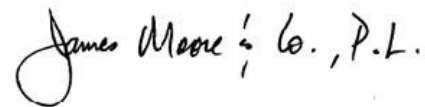
Report on Internal Control over Compliance

Management of Baker County, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Baker County, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal Program and each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and major State project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Baker County, Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a Federal program or State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Xyes ___no
- Significant deficiency(ies) identified? ___yes X none reported

Noncompliance material to financial statements noted?

___yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified? ___yes X none reported

Type of auditors' report issued on compliance for major Federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___yes X no

Identification of major programs:

Federal Program	Federal CFDA Number
Highway Planning and Construction	93.659

Dollar threshold used to distinguish between type A and type B Federal programs:

\$750,000

Auditee qualified as low-risk auditee?

___yes X no

**BAKER COUNTY, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. Summary of Auditors' Results: (Continued)

State Financial Assistance

Internal control over major projects:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(ies) identified? ___yes Xnone reported

Type of auditors' report issued on compliance for major state projects: *Unmodified*

Any audit findings disclosed that are required to be reported related to state financial assistance projects? ___yes Xno

Identification of major state projects:

State Project	State CSFA Number
Small County Outreach Program	55.009
Dollar threshold used to distinguish between type A and type B state projects:	\$300,000

BAKER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

II. Financial Statement Findings: (Continued)

2017-001: Segregation of Duties

Condition and Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Cause: For the year ended September 30, 2017, we noted the following:

- The employee opening the mail and creating the deposit slips for general cash receipts is also able to input those receipts into the County's accounting software.
- There is no employee designated to review journal entries in the accounting software. Journal entries made in the accounting system do not require any approval.

Effect: Assets could potentially be misappropriated. Adjusting journal entries could be posted to the accounting system to conceal fraud.

Recommendation: We recommend that the County implement the following:

- Have mail opened by an employee that does not have access to the accounting software. Have this employee records the cash receipts on a receipt log, give the receipts to the bookkeeper to input into the account software and lastly have this person prepare the deposit.
- Signed checks should also be mailed without allowing them to be returned to the employee responsible for accounts payable.
- Have an individual who does not create journal entries review and approve any journal entries in the accounting system.

2017-002: Reconciliation of Account Balances and Prior Period Adjustment

Condition and Criteria: Internal controls over financial reporting should include year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and expense activities.

Cause: For the year ended September 30, 2017, certain adjustments were required to be made to the accounting records subsequent to the start of the audit process, including various restatements of beginning fund balance / net position. Since these adjustments resulted in a material misstatement of the financial statements, this deficiency is deemed to be a material weakness.

Effect: Financial statements would be materially misstated if significant adjustments were not made.

Recommendation: We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

BAKER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

II. Financial Statement Findings: (Continued)

2017-003: Supervisor Approval for Time Cards

Condition and Criteria: The internal controls surrounding the payroll process require a supervisor to sign off as approved on an employee's time card.

Cause: During our testing over payroll, we noted two instances where there was no approval for an employee's time card. As this is the key control surrounding the payroll process, this deficiency is deemed to be a material weakness.

Effect: Payroll could be calculated and paid incorrectly if an employee is paid for the incorrect amount of hours worked.

Recommendation: We recommend management monitor and require the approval for all time cards, so that the time recorded on the time card is approved and paid for the correct amount.

III. Federal Award Findings and Questioned Costs: None.

IV. State Financial Assistance Findings and Questioned Costs: None

**BAKER COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDING SEPTEMBER 30, 2017**

I. Federal Award Summary Schedule of Prior Year Findings:

Finding 2016-001: Segregation of Duties

Status: The County has not resolved this prior year finding as there is still one employee who maintains overlapping duties regarding the authorization, recordkeeping, and custody of assets. See current year finding 2017-001 for further detail regarding the segregation of duties within the county.

Finding 2016-002: Significant Adjustments and Preparation of Financial Statements

Status: Preparation of financial statements portion of the comment addressed. Significant audit adjustment comment was repeated but continued processes and controls continue to be put in place related to the year-end closing process.

II. Federal Award Summary Schedule of Prior Year Findings: There were no audit findings for the year ended September 30, 2016.

III. State Financial Assistance Summary Schedule of Prior Year Findings: There were no audit findings for the year ended September 30, 2016.

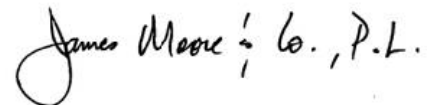
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

The Honorable Board of County Commissioners,
Baker County, Florida:

We have examined the Baker County, Florida's (the County) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the Baker County Board of County Commissioners' compliance with those requirements. Our responsibility is to express an opinion on the Baker County Board of County Commissioners' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the County complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the County's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance 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.

In our opinion, the Baker County Board of County Commissioners complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida
July 18, 2018



STACIE D. HARVEY
CLERK TO BOARD

Baker County Board of Commissioners

55 NORTH THIRD STREET
MACCLENNY, FLORIDA 32063
(904) 259-3613 • (904) 259-7610
www.bakercountyfl.org



BOBBY STEELE
CHAIRMAN

July 20, 2018

James Moore, CPA
121 Executive Circle
Daytona Beach, FL 32114

To whom it may concern:

This letter is in response to the Auditor's Financial Statement Findings for the Baker County Board of County Commissioners' audit for the fiscal year ending September 30, 2017.

2017-001 At this time we are unable to add the necessary staff to adequately segregate duties. However, we are trying to make the finance system stronger by having at least two people looking at transactions.

2017-002 We have noted this statement and will work with the auditors to correct any beginning of the year cut-off entries.

Review 2017-003 - We hired a part time HR Clerk to help collect all pertinent information for time cards. Additionally, we are in the process of setting up timecards electronically.

Sincerely,

Stacie D. Harvey
Clerk to the Board of County Commissioners

SDH/cr

JAMES CROFT
DISTRICT 1

JIMMY ANDERSON
DISTRICT 2

CATHY RHODEN
DISTRICT 3

JAMES G. BENNETT
DISTRICT 4

BOBBY STEELE
DISTRICT 5

"AN EQUAL OPPORTUNITY EMPLOYER"

BAKER COUNTY CLERK OF COURTS
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2017

BAKER COUNTY CLERK OF COURTS
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Stacie D. Harvey, Baker County Clerk of Courts,
Baker County, Florida:

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Baker County Clerk of Courts, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Clerk of Courts' financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

- 1 -

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Tallahassee, FL 32308-4386
Telephone: 850-386-6184

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 for the Baker County Clerk of Courts as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, only for that portion of the major funds, of Baker County, Florida, that is attributable to the Baker County Clerk of Courts. They do not purport to, and do not, present fairly the financial position of Baker County, Florida as of September 30, 2017, the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to those matters.

Other Matters

Required Supplementary Information

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

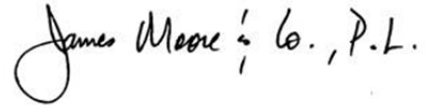
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baker County Clerk of Circuit Court's basic financial statements. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Baker County Clerk of Courts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. 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 Baker County Clerk of Courts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY CLERK OF COURTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Records Modernization Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 358,310	\$ 252,785	\$ 611,095
Due from other governments	14,872	-	14,872
Due from other funds	4,490	-	4,490
Total Assets	<u>\$ 377,672</u>	<u>\$ 252,785</u>	<u>\$ 630,457</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 26,935	\$ 88	\$ 27,023
Due to other funds	-	4,490	4,490
Due to Board of County Commissioners	81,407	-	81,407
Total liabilities	<u>108,342</u>	<u>4,578</u>	<u>112,920</u>
Fund Balances			
Restricted for:			
Title IV D	269,330	-	269,330
Records modernization	-	248,207	248,207
Total fund balances	<u>269,330</u>	<u>248,207</u>	<u>517,537</u>
Total Liabilities and Fund Balances	<u>\$ 377,672</u>	<u>\$ 252,785</u>	<u>\$ 630,457</u>

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

BAKER COUNTY CLERK OF COURTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Records Modernization Fund	Governmental Funds
Revenues			
Intergovernmental	\$ 162,694	\$ -	\$ 162,694
Charges for services	391,429	28,954	420,383
Fines and forfeitures	119,222	30,043	149,265
Investment income	1,162	514	1,676
Miscellaneous	11,273	-	11,273
Total revenues	685,780	59,511	745,291
Expenditures			
Current:			
General government	336,002	-	336,002
Court related	507,267	63,954	571,221
Capital outlay	148	46,080	46,228
Total expenditures	843,417	110,034	953,451
Excess (deficiency) of revenues over (under) expenditures	(157,637)	(50,523)	(208,160)
Other financing sources (uses)			
Transfers in	4,490	-	4,490
Transfers out	-	(4,490)	(4,490)
Appropriations from Board of County Commissioners	237,188	-	237,188
Reversions to Board of County Commissioners	(81,407)	-	(81,407)
Total other financing sources (uses)	160,271	(4,490)	155,781
Net change in fund balances	2,634	(55,013)	(52,379)
Fund balances, beginning of year	266,696	303,220	569,916
Fund balances, end of year	\$ 269,330	\$ 248,207	\$ 517,537

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

**BAKER COUNTY CLERK OF COURTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 135,972</u>
LIABILITIES	
Assets held for others	<u>\$ 135,972</u>

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

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies

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

A. 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. Baker County, including the Office of the Clerk of Courts, was established by Chapter 8516, Laws of Florida in 1921.

The Office is an integral part of Baker County, the reporting entity for financial reporting purposes.

B. Basis of Presentation

The Office’s financial statements are special purpose financial statements that have been prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida (the Rules). In conformity with the Rules, the Office has not presented the government-wide financial statements, the reconciliations to the government-wide statements or management’s discussion and analysis.

C. 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, as appropriate for each fund type. 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.

The Office reports the following major governmental fund; there are no non-major governmental funds:

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

Records Modernization Fund – This fund is used to account for fines and fees collected and associated expenditures related to equipment upgrades, modernization of all official and court records of the County and other court-related expenditures.

Additionally, the Clerk of Courts reports the following fiduciary fund type:

Agency Fund – Agency funds are used to account for assets held in a custodial capacity.

D. Measurement Focus/Basis of Accounting

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. 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.

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus/Basis of Accounting (Continued)

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. The Clerk of Courts considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized when due.

E. Capital Assets and Long-Term Liabilities

Capital assets used by the Office are capitalized (recorded and accounted for) by the Baker County Board of County Commissioners.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current 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.

F. Cash

All cash is 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 State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that all funds are entirely insured throughout the fiscal year.

G. Accounts Payable

Accounts Payable balances in the general fund are primarily payable to third-party vendors for goods provided and services rendered.

H. Fund Balance

Fund balance for governmental funds report classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. In as much as the Clerk of Courts is a county constitutional officer, any funds remaining at the end of the fiscal year are returned to the Board of County Commissioners.

The Clerk of Courts does not have a formal written policy regarding whether restricted or unrestricted amounts are considered to be spent when an expenditure for purposes for which both restricted and unrestricted fund balances are available. However, it has been the Clerk of Courts' general practice when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; the Clerk of Courts considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Clerk of Courts considers amounts to have been spent first out of committed funds, then assigned funds, and lastly unassigned funds, as needed.

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies (Continued)

I. Use of Estimates

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

J. Compensated Absences

The Office allows limited vesting of unused employee leave time. Since the annual and sick leave liability is considered long-term, it is recorded in the government wide financial statements of the County. In the past, compensated absences have been paid out of the General Fund of the Office and this practice is expected to continue in the future. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Fair Value Measurement

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are observable inputs other than quoted market prices; Level 3 inputs are unobservable inputs.

II. Detailed Notes on All Funds

A. Investments

Florida Statutes authorize the Office to invest in bonds, notes or other obligations of the U.S. Government, certificates of deposits, repurchase agreements, certain bonds of any State or local government unit and the State Treasurer's Investment Pool.

Interest Rate Risk. The Office does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The Office places no limit on the amount the Office may invest in any one issuer. At September 30, 2017, the Office had no investments.

B. Risk Management

The County purchased commercial insurance to limit the exposure of the following risks of loss: theft of, damage to, and destruction of assets; natural disasters and injuries to employees. Commercial insurance has been purchased by the Office to cover the risks of loss due to employee errors or omissions and health insurance. Settled claims resulting from all risks have not exceeded insurance coverage in any of the past three years.

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

C. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due within one year</u>
Compensated absences	\$ 41,376	\$	19,570	\$	(30,376)	\$	30,570	\$	24,446

III. Other Information

A. Florida Retirement System

(1) General Information about the Pension Plan:

The Office participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Office's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Office are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS 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. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(1) General Information about the Pension Plan: (Continued)

Plan Description and Administration

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the 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.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(1) General Information about the Pension Plan: (Continued)

Contributions

The Office participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71%
Special Risk	3.00%	23.27%
DROP – Applicable to members above	0.00%	13.26%
Elected Officer Class - County	3.00%	45.50%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll

Actual contributions made for Office employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions – FRS	\$ 65,028	\$ 62,867	\$ 63,244
Contributions – HIS	8,319	7,813	7,527
Employee Contributions – FRS	13,333	11,981	11,144

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At September 30, 2017, the Office reported a liability of \$880,275 for its proportionate share of the net pension liability, \$712,160 related to FRS and \$168,114 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office's proportion of the net pension liability was based on a projection of the Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the Office's FRS proportion was 0.002407628% and 0.002509293%, respectively. At June 30, 2017 and June 30, 2016, the Office's HIS proportion was 0.001572269% and 0.001494876%, respectively. For the year ended September 30, 2017, the Office's recognized pension expense of \$131,700 from FRS and \$8,524 from HIS, for a grand total of \$140,224.

Deferred outflows/inflows related to pensions:

At September 30, 2017, 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	\$ 65,359	\$ (3,945)	\$ -	\$ (350)
Changes of assumptions	239,336	-	23,631	(14,537)
Net different between projected and actual investment earnings	-	(17,649)	93	-
Change in proportionate share	44,371	(23,031)	6,749	(18,585)
Contributions subsequent to measurement date	19,443	-	2,346	-
	<u>\$ 368,509</u>	<u>\$ (44,625)</u>	<u>\$ 32,819</u>	<u>\$ (33,472)</u>

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Office contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 48,530
2019	109,776
2020	70,257
2021	11,328
2022	45,723
Thereafter	15,828
Total	<u>\$ 301,442</u>

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Office calculated using the current discount rates, as well as what the Office's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 1,288,967	\$ 712,160	\$ 233,278
HIS	3.58%	191,841	168,114	148,351

**BAKER COUNTY CLERK OF COURTS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

B. Budgets and Budgetary Accounting

Governmental fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. An annual budget was adopted for the General Fund. All budget amounts presented in the accompanying special purpose financial statements have been adjusted for legally authorized amendments of the annual budget for the year. The annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total budget appropriations at the individual fund level. All appropriations lapse at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

**BAKER COUNTY CLERK OF COURTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 167,459	\$ 153,848	\$ 162,694	\$ 8,846
Charges for services	497,774	497,774	391,429	(106,345)
Fines and forfeitures	3,800	3,800	119,222	115,422
Investment income	400	400	1,162	762
Miscellaneous	-	-	11,273	11,273
Total revenues	<u>669,433</u>	<u>655,822</u>	<u>685,780</u>	<u>29,958</u>
Expenditures				
Current:				
General government	404,512	404,512	336,002	68,510
Court related	502,109	488,498	507,267	(18,769)
Capital outlay	-	-	148	(148)
Total expenditures	<u>906,621</u>	<u>893,010</u>	<u>843,417</u>	<u>49,593</u>
Excess (deficiency) of revenues over expenditures	<u>(237,188)</u>	<u>(237,188)</u>	<u>(157,637)</u>	<u>79,551</u>
Other financing sources (uses)				
Transfers in	-	-	4,490	4,490
Appropriations from Board of County Commissioners	237,188	237,188	237,188	-
Reversions to Board of County Commissioners	-	-	(81,407)	(81,407)
Total other financing sources (uses)	<u>237,188</u>	<u>237,188</u>	<u>160,271</u>	<u>(76,917)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>2,634</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>266,696</u>	<u>266,696</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,330</u>	<u>\$ 269,330</u>

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

BAKER COUNTY CLERK OF COURTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - RECORDS MODERNIZATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 24,000	\$ 24,000	\$ 28,954	\$ 4,954
Fines and forfeitures	30,000	30,000	30,043	43
Investment income	850	850	514	(336)
Total revenues	<u>54,850</u>	<u>54,850</u>	<u>59,511</u>	<u>4,661</u>
Expenditures				
Current:				
Court related	177,450	177,450	63,954	113,496
Capital outlay	17,000	17,000	46,080	(29,080)
Total expenditures	<u>194,450</u>	<u>194,450</u>	<u>110,034</u>	<u>84,416</u>
Excess (deficiency) of revenues over expenditures	<u>(139,600)</u>	<u>(139,600)</u>	<u>(50,523)</u>	<u>89,077</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(4,490)	(4,490)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,490)</u>	<u>(4,490)</u>
Net change in fund balances	<u>(139,600)</u>	<u>(139,600)</u>	<u>(55,013)</u>	<u>84,587</u>
Fund balances, beginning of year	303,220	303,220	303,220	-
Fund balances, end of year	<u>\$ 163,620</u>	<u>\$ 163,620</u>	<u>\$ 248,207</u>	<u>\$ 84,587</u>

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

**BAKER COUNTY CLERK OF COURTS
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. Budgetary Information:

1. An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. All annual appropriations lapse at fiscal year-end.

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

- a) The preparation, adoption and amendment of the budgets are governed by Florida Statutes. Public hearings are conducted to obtain taxpayer comments.
- b) Budget excess expenditures over revenues are funded through appropriations from the Board of County Commissioners and Florida Clerks of Court Operations Corporation.
- c) Formal budgetary integration is employed as a management control device during the year for the Governmental Funds. The legal level of budgetary control is the fund level.
- d) The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**BAKER COUNTY CLERK OF COURTS
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.002407628%	0.002509293%	0.002609848%
Proportionate share of the net pension liability	\$ 712,160	\$ 633,598	\$ 337,097
Covered payroll	501,158	470,666	453,430
Proportionate share of the net pension liability as a percentage of covered payroll	142.10%	134.62%	74.34%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.001572269%	0.001494876%	0.001492114%
Proportionate share of the net pension liability	\$ 168,114	\$ 174,222	\$ 152,172
Covered payroll	501,158	470,666	453,430
Proportionate share of the net pension liability as a percentage of covered payroll	33.55%	37.02%	33.56%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**BAKER COUNTY CLERK OF COURTS
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Contractually required contribution	\$ 65,028	\$ 62,867	\$ 63,244
Contributions in relation to the contractually required contribution	(65,028)	(62,867)	(63,244)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 501,158	\$ 470,666	\$ 453,430
Contributions as a percentage of covered-employee payroll	12.98%	13.36%	13.95%
Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 8,319	\$ 7,813	\$ 7,527
Contributions in relation to the contractually required contribution	(8,319)	(7,813)	(7,527)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 501,158	\$ 470,666	\$ 453,430
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**BAKER COUNTY CLERK OF COURTS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2017**

	<u>Witness Fund</u>	<u>Clerk's Trust Fund</u>	<u>Fine and Forfeiture Fund</u>	<u>Domestic Relations Fund</u>	<u>Registry of the Court Fund</u>	<u>Total Agency Funds</u>
ASSETS						
Cash and cash equivalents	\$ 31,992	\$ 44,573	\$ 3,741	\$ 3,665	\$ 52,001	\$ 135,972
LIABILITIES						
Assets held for others	\$ 31,992	\$ 44,573	\$ 3,741	\$ 3,665	\$ 52,001	\$ 135,972

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

ADDITIONAL INFORMATION

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE
OF THE AUDITOR GENERAL**

The Honorable Stacie D. Harvey, Baker County Clerk of Courts,
Baker County, Florida:

We have audited the special purpose financial statements of the Baker County Clerk of Courts, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 18, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Special Purpose 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 these reports, which are dated July 18, 2018 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Baker County 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. Baker County, including the Office of the Clerk of Courts, was established by Chapter 8516, Laws of Florida in 1921. There are no component units of the Baker County Clerk of Courts to be disclosed as required by accounting principles generally accepted in the United States of America.

Financial Management

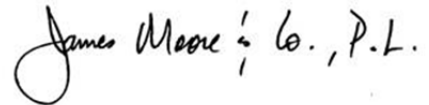
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Baker County Clerk of Courts, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Stacie D. Harvey, Baker County Clerk of Courts,
Baker County, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the general fund of the Baker County Clerk of Courts as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Clerk of Courts' special purpose financial statements, and have issued our report thereon dated July 18, 2018, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

Internal Control over Financial Reporting

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

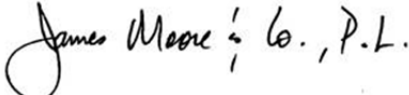
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Baker County Clerk of Courts' special purpose 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Daytona Beach, Florida
July 18, 2018

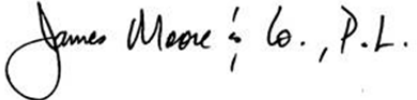
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

The Honorable Stacie D. Harvey, Baker County Clerk of Courts,
Baker County, Florida:

We have examined the Baker County Clerk of Courts' compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, and Sections 28.35, 28.36, 218.415, and 61.181 Florida Statutes, for the year ended September 30, 2017. Management is responsible for the Baker County Clerk of Courts' compliance with those requirements. Our responsibility is to express an opinion on the Baker County Clerk of Courts' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the aforementioned requirements for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the Baker County Clerk of Courts' compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance 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.

In our opinion, the Baker County Clerk of Courts complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY PROPERTY APPRAISER
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2017

**BAKER COUNTY PROPERTY APPRAISER
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2017**

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INDEPENDENT AUDITORS' REPORT

The Honorable Timothy Sweat, Baker County Property Appraiser,
Baker County, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund of the Baker County Property Appraiser, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Property Appraiser's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund for the Baker County Property Appraiser as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, only for that portion of the major funds, of Baker County, Florida, that is attributable to the Baker County Property Appraiser. They do not purport to, and do not, present fairly the financial position of Baker County, Florida as of September 30, 2017, the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Baker County Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. 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 Baker County Property Appraiser's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY PROPERTY APPRAISER
BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2017**

ASSETS

Cash and cash equivalents	<u>\$ 50,033</u>
---------------------------	------------------

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 14,500
Due to other governments	3,027
Due to Board of County Commissioners	<u>32,506</u>
Total liabilities	<u>50,033</u>

Fund Balance:

Unassigned	-
------------	---

Total Liabilities and Fund Balances	<u><u>\$ 50,033</u></u>
--	-------------------------

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

**BAKER COUNTY PROPERTY APPRAISER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Revenues	
Charges for services	\$ 57,606
Miscellaneous	37
Total revenues	57,643
Expenditures	
Current:	
General government	643,668
Excess (deficiency) of revenues over (under) expenditures	(586,025)
Other financing sources (uses)	
Appropriations to constitutional officers	618,531
Reversions from constitutional officers	(32,506)
Total other financing sources (uses)	586,025
Net change in fund balances	-
Fund balances, beginning of year	-
Fund balances, end of year	\$ -

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER

I. Summary of Significant Accounting Policies

The accounting policies of the Baker County Property Appraiser (the “Office”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

The Property Appraiser 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. Baker County, including the Office of the Property Appraiser, was established by Chapter 8516, Laws of Florida in 1921.

The Office is an integral part of Baker County, the reporting entity for financial reporting purposes.

B. Basis of Presentation

The Office’s financial statements are special purpose financial statements that have been prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida (the Rules). In conformity with the Rules, the Office has not presented the government-wide financial statements, the reconciliations to the government-wide statements or management’s discussion and analysis.

C. 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, as appropriate for each fund type. 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.

The Office reports the following major governmental fund; there are no non-major governmental funds:

General Fund – The principal operating fund of the Office. It is used to account for all financial resources.

D. Measurement Focus/Basis of Accounting

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus/Basis of Accounting (Continued)

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. The Property Appraiser considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized when due.

E. Capital Assets and Long-Term Liabilities

Capital assets used by the Office are capitalized (recorded and accounted for) by the Baker County Board of County Commissioners.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current 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.

F. Cash

All cash is 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 State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that all funds are entirely insured throughout the fiscal year.

G. Accounts Payable

Accounts Payable balances in the general fund are primarily payable to third-party vendors for goods provided and services rendered.

H. Fund Balance

Fund balance for governmental funds report classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. In as much as the Property Appraiser is a county constitutional officer, any funds remaining at the end of the fiscal year are returned to the Board of County Commissioners by reducing the subsequent year appropriation.

The Property Appraiser does not have a formal written policy regarding whether restricted or unrestricted amounts are considered to be spent when an expenditure for purposes for which both restricted and unrestricted fund balances are available. However, it has been the Property Appraiser's general practice when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; the Property Appraiser considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Property Appraiser considers amounts to have been spent first out of committed funds, then assigned funds, and lastly unassigned funds, as needed.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER**

I. Summary of Significant Accounting Policies (Continued)

I. Use of Estimates

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

J. Compensated Absences

The Office allows limited vesting of unused employee leave time. Since the annual and sick leave liability is considered long-term, it is recorded in the government-wide financial statements of the County. In the past, compensated absences have been paid out of the General Fund of the Office and this practice is expected to continue in the future.

K. Fair Value Measurement

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are observable inputs other than quoted market prices; Level 3 inputs are unobservable inputs. The Office had no assets or liabilities carried at fair value at September 30, 2017.

II. Detailed Notes on All Funds

A. Investments

Florida Statutes authorize the Office to invest in bonds, notes or other obligations of the U.S. Government, certificates of deposits, repurchase agreements, certain bonds of any State or local government unit and the State Treasurer's Investment Pool.

Interest Rate Risk. The Office does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The Office places no limit on the amount the Office may invest in any one issuer. The Office had all deposits in a checking account with one local financial institution.

B. Risk Management

The County purchased commercial insurance to limit the exposure of the following risks of loss: theft of, damage to, and destruction of assets; natural disasters and injuries to employees. Commercial insurance has been purchased by the Office to cover the risks of loss due to employee errors or omissions and health insurance. Settled claims resulting from all risks have not exceeded insurance coverage in any of the past three years.

C. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due within one year</u>
Compensated absences	\$ 16,126	\$	19,128	\$	(19,059)	\$	16,195	\$	12,951

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER

III. Other Information

A. Florida Retirement System:

General Information about the Pension Plan

Baker County, Florida (The "Office") participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Office's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Office are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS 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. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Plan Description and Administration

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER

III. Other Information (Continued)

A. Florida Retirement System: (Continued)

Plan Description and Administration (Concluded)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER**

III. Other Information (Continued)

A. Florida Retirement System (Continued)

Contributions

The Organization participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71
Special Risk	3.00%	23.27
DROP – Applicable to members above	0.00%	13.26%
Elected Officer Class - County	3.00%	45.50%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for Office employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions – FRS	\$ 62,127	\$ 65,605	\$ 67,993
Contributions – HIS	5,591	1,107	1,148
Employee Contributions – FRS	10,105	10,172	10,332

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions

At September 30, 2017, the Office reported a liability of \$797,135 for its proportionate share of the net pension liability, \$684,148 related to FRS and \$112,987 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office’s proportion of the net pension liability was based on a projection of the Office’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the Office’s FRS proportion was 0.002312927% and 0.002397250%, respectively. At June 30, 2017 and June 30, 2016, the Office’s HIS proportion was 0.001056701% and 0.001098292%, respectively. For the year ended September 30, 2017, the Office’s recognized pension expense of \$143,477 from FRS and \$7,108 from HIS, for a grand total of \$150,585.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER**

III. Other Information (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Continued)

i. Deferred outflows/inflows related to pensions:

At September 30, 2017, the Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 62,788	\$ (3,790)	\$ -	\$ (235)
Changes of assumptions	229,922	-	15,882	(9,770)
Net different between projected and actual investment earnings	-	(16,955)	63	-
Change in proportionate share	87,687	(25,770)	889	(8,908)
Contributions subsequent to measurement date	16,457	-	1,516	-
	<u>\$ 396,854</u>	<u>\$ (46,515)</u>	<u>\$ 18,350</u>	<u>\$ (18,913)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Office contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 65,392
2019	124,234
2020	76,561
2021	10,382
2022	41,339
Thereafter	13,895
Total	<u>\$ 331,803</u>

ii. Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY PROPERTY APPRAISER**

III. Other Information (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Continued)

ii. Actuarial assumptions: (Concluded)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 2.85%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.80%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

iii. Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017
 BAKER COUNTY PROPERTY APPRAISER**

III. Other Information (Concluded)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Concluded)

iv. Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Office calculated using the current discount rates, as well as what the Office's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 1,238,267	\$ 684,148	\$ 224,103
HIS	3.58%	128,934	112,987	99,705

C. Budgets and Budgetary Accounting

Governmental fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. An annual budget was adopted for the General Fund. All budget amounts presented in the accompanying special purpose financial statements have been adjusted for legally authorized amendments of the annual budget for the year. The annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total budget appropriations at the individual fund level. All appropriations lapse at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

**BAKER COUNTY PROPERTY APPRAISER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 57,607	\$ 57,607	\$ 57,606	\$ (1)
Miscellaneous	-	-	37	37
Total revenues	<u>57,607</u>	<u>57,607</u>	<u>57,643</u>	<u>36</u>
Expenditures				
Current:				
General government	641,375	648,005	643,668	4,337
Excess (deficiency) of revenues over expenditures	<u>(583,768)</u>	<u>(590,398)</u>	<u>(586,025)</u>	<u>4,373</u>
Other financing sources (uses)				
Appropriations to constitutional officers	583,768	590,398	618,531	28,133
Reversions from constitutional officers	-	-	(32,506)	(32,506)
Total other financing sources (uses)	<u>583,768</u>	<u>590,398</u>	<u>586,025</u>	<u>(4,373)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budget and actual - general fund is an integral part of this schedule.

**BAKER COUNTY PROPERTY APPRAISER
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. Budgetary Information:

1. An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

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

- a) The preparation, adoption and amendment of the budgets are governed by Florida Statutes. Public hearings are conducted to obtain taxpayer comments.
- b) Budget excess expenditures over revenues are funded through appropriations from the Board of County Commissioners.
- c) Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
- d) The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**BAKER COUNTY PROPERTY APPRAISER
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.002312927%	0.002397250%	0.002549500%
Proportionate share of the net pension liability	\$ 684,148	\$ 605,308	\$ 329,302
Covered payroll	336,819	339,049	353,780
Proportionate share of the net pension liability as a percentage of covered payroll	203.12%	178.53%	93.08%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.001056701%	0.001098292%	0.001166095%
Proportionate share of the net pension liability	\$ 112,987	\$ 128,001	\$ 118,923
Covered payroll	336,819	339,049	353,780
Proportionate share of the net pension liability as a percentage of covered payroll	33.55%	37.75%	33.61%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**BAKER COUNTY PROPERTY APPRAISER
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Contractually required contribution	\$ 62,127	\$ 61,084	\$ 63,268
Contributions in relation to the contractually required contribution	(62,127)	(61,084)	(63,268)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 336,819	\$ 339,049	\$ 353,780
Contributions as a percentage of covered-employee payroll	18.45%	18.02%	17.88%
Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 5,591	\$ 5,628	\$ 5,873
Contributions in relation to the contractually required contribution	(5,591)	(5,628)	(5,873)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 336,819	\$ 339,049	\$ 353,780
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

ADDITIONAL INFORMATION

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE
OF THE AUDITOR GENERAL**

The Honorable Timothy P. Sweat, Baker County Property Appraiser,
Baker County, Florida:

We have audited the special-purpose financial statements of the Baker County Property Appraiser, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 18, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Measurements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on a Special Purpose Audit of the 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 July 18, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Baker County Property Appraiser 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. Baker County, including the Office of the Property Appraiser, was established by Chapter 8516, Laws of Florida in 1921. There are no component units of the Baker County Property Appraiser to be disclosed as required by accounting principles generally accepted in the United States of America.

Financial Management

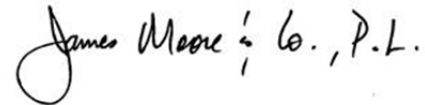
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charges with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Baker County Property Appraiser and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Timothy P. Sweat, Baker County Property Appraiser,
Baker County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the general fund of the Baker County Property Appraiser as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Property Appraiser' special purpose financial statements, and have issued our report thereon dated July 18, 2018, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

Internal Control over Financial Reporting

In planning and performing our audit of the special purpose financial statements, we considered the Baker County Property Appraiser' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the special purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Baker County Property Appraiser' internal control. Accordingly, we do not express an opinion on the effectiveness of the Baker County Property Appraiser' 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 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Baker County Property Appraiser' special purpose 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

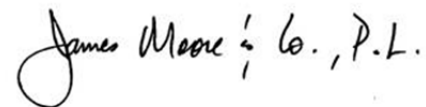
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

The Honorable Timothy P. Sweat, Baker County Property Appraiser,
Baker County, Florida:

We have examined the Baker County Property Appraiser compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the Baker County Property Appraiser's compliance with those requirements. Our responsibility is to express an opinion on the Baker County Property Appraiser's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Baker County Property Appraiser complied with the aforementioned requirements for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the Baker County Property Appraiser's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance 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.

In our opinion, the Baker County Property Appraiser complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida
July 18, 2018

BAKER COUNTY SHERIFF
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2017

BAKER COUNTY SHERIFF
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Scotty Rhoden, Baker County Sheriff,
Baker County, Florida:

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Baker Sheriff, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Sheriff's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

- 1 -

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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 for the Baker County Sheriff as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, only for that portion of the major funds, of Baker County, Florida, that is attributable to the Baker County Sheriff. They do not purport to, and do not, present fairly the financial position of Baker County, Florida as of September 30, 2017, the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

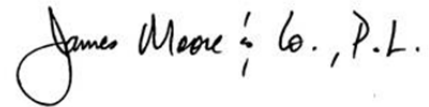
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baker County Sheriffs' basic financial statements. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Baker County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. 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 Baker County Sheriff's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY SHERIFF
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General Fund	911	Special Law	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 275,645	\$ 4,203	\$ 208,643	\$ 89,384	\$ 577,875
Receivables, net	11,432	-	-	-	11,432
Due from other governments	13,469	52,058	-	91,002	156,529
Due from other funds	50,384	-	-	-	50,384
Due from Board of County Commissioners	51,279	50,000	-	-	101,279
Due from Baker County Detention Center	370,847	-	-	-	370,847
Prepaid items	32,826	21,151	-	3,750	57,727
Total Assets	\$ 805,882	\$ 127,412	\$ 208,643	\$ 184,136	\$ 1,326,073
LIABILITIES					
Accounts payable and accrued liabilities	\$ 762,326	\$ 5,084	\$ -	\$ 6,532	\$ 773,942
Unearned revenue	-	16,813	-	-	16,813
Due to other funds	-	25,949	-	24,435	50,384
Due to Board of County Commissioners	9,925	-	-	-	9,925
Due to Baker County Detention Center	15,267	-	-	595	15,862
Total liabilities	787,518	47,846	-	31,562	866,926
FUND BALANCES					
Nonspendable:					
Prepaid items	32,826	21,151	-	3,750	57,727
Restricted for:					
Public safety	-	58,415	208,643	148,824	415,882
Unassigned	(14,462)	-	-	-	(14,462)
Total fund balances	18,364	79,566	208,643	152,574	459,147
Total Liabilities and Fund Balances	\$ 805,882	\$ 127,412	\$ 208,643	\$ 184,136	\$ 1,326,073

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

BAKER COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	911	Special Law	Other Governmental Funds	Total Governmental Funds
Revenues					
Permits and fees	\$ -	\$ 184,875	\$ -	\$ -	\$ 184,875
Intergovernmental	131,290	47,913	-	229,076	408,279
Charges for services	5,317,489	-	-	-	5,317,489
Fines and forfeitures	-	-	-	7,669	7,669
Investment income	25	21	260	152	458
Miscellaneous	4,645	-	3,419	-	8,064
Total revenues	<u>5,453,449</u>	<u>232,809</u>	<u>3,679</u>	<u>236,897</u>	<u>5,926,834</u>
Expenditures					
Public safety	9,222,141	240,299	778	290,268	9,753,486
Court related	260,993	-	-	-	260,993
Total expenditures	<u>9,483,134</u>	<u>240,299</u>	<u>778</u>	<u>290,268</u>	<u>10,014,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,029,685)</u>	<u>(7,490)</u>	<u>2,901</u>	<u>(53,371)</u>	<u>(4,087,645)</u>
Other financing sources (uses)					
Appropriations from Board of County Commissioners	3,752,451	-	-	57,871	3,810,322
Appropriations from City of Macclenny	295,598	-	-	-	295,598
Total other financing sources (uses)	<u>4,048,049</u>	<u>-</u>	<u>-</u>	<u>57,871</u>	<u>4,105,920</u>
Net change in fund balances	<u>18,364</u>	<u>(7,490)</u>	<u>2,901</u>	<u>4,500</u>	<u>18,275</u>
Fund balances, beginning of year	-	87,056	205,742	148,074	440,872
Fund balances, end of year	<u>\$ 18,364</u>	<u>\$ 79,566</u>	<u>\$ 208,643</u>	<u>\$ 152,574</u>	<u>\$ 459,147</u>

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

**BAKER COUNTY SHERIFF
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 28,169
	<u> </u>
LIABILITIES	
Assets held for others	\$ 28,169
	<u> </u>

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

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies

The accounting policies of the Baker County Sheriff (the “Office”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

The Sheriff 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. Baker County, including the Sheriff, was established by Chapter 8516, Laws of Florida in 1921.

The Office is an integral part of Baker County, the reporting entity for financial reporting purposes.

B. Basis of Presentation

The Office’s financial statements are special purpose financial statements that have been prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida (the Rules). In conformity with the Rules, the Office has not presented the government-wide financial statements, the reconciliations to the government-wide statements or management’s discussion and analysis.

C. 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, as appropriate for each fund type. 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.

The Office reports the following major governmental fund; there are no non-major governmental funds:

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

911 Fund – This fund is used to account for the proceeds of 911 charges which are restricted as to their authorized use.

Special Law Fund – This fund is used to account for the proceeds of certain fines and forfeitures which are restricted as to their authorized use.

Additionally, the Sheriff reports the following fiduciary fund type:

Agency Funds – Agency funds are used to account for assets held in a custodial capacity.

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

D. Measurement Focus/Basis of Accounting

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. 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. The Sheriff considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized when due.

E. Capital Assets and Long-Term Liabilities

Capital assets used by the Office are capitalized (recorded and accounted for) by the Baker County Board of County Commissioners.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current 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.

F. Cash

All cash is 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 State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that all funds are entirely insured throughout the fiscal year.

G. Accounts Payable

Accounts Payable balances in the general fund are primarily payable to third-party vendors for goods provided and services rendered.

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies (Continued)

H. Fund Balance

Fund balance for governmental funds report classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. In as much as the Sheriff is a county constitutional officer, any funds remaining at the end of the fiscal year are returned to the Board of County Commissioners.

The Sheriff does not have a formal written policy regarding whether restricted or unrestricted amounts are considered to be spent when an expenditure for purposes for which both restricted and unrestricted fund balances are available. However, it has been the Sheriff's general practice when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; the Sheriff considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Sheriff considers amounts to have been spent first out of committed funds, then assigned funds, and lastly unassigned funds, as needed.

I. Use of Estimates

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

J. Compensated Absences

The Office allows limited vesting of unused employee leave time. Since the annual and sick leave liability is considered long-term, it is recorded in the government wide financial statements of the County. In the past, compensated absences have been paid out of the General Fund of the Office and this practice is expected to continue in the future. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Fair Value Measurement

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are observable inputs other than quoted market prices; Level 3 inputs are unobservable inputs.

II. Detailed Notes on All Funds

A. Investments

Florida Statutes authorize the Office to invest in bonds, notes or other obligations of the U.S. Government, certificates of deposits, repurchase agreements, certain bonds of any State or local government unit and the State Treasurer's Investment Pool.

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

A. Investments (continued)

Interest Rate Risk. The Office does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The Office places no limit on the amount the Office may invest in any one issuer. At September 30, 2017, the Office had no investments.

B. Risk Management

The County purchased commercial insurance to limit the exposure of the following risks of loss: theft of, damage to, and destruction of assets; natural disasters and injuries to employees. Commercial insurance has been purchased by the Office to cover the risks of loss due to employee errors or omissions and health insurance. Settled claims resulting from all risks have not exceeded insurance coverage in any of the past three years.

C. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Compensated absences	\$ 616,653	\$ 512,547	\$ (639,753)	\$ 489,447	\$ 391,405

D. Changes in Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 3,628,785	\$ 294,486	\$ (427,552)	\$ 3,495,719
Less: accumulated depreciation	(2,950,008)	(302,727)	427,552	(2,825,183)
Total capital assets being depreciated, net	<u>\$ 678,777</u>	<u>\$ (8,241)</u>	<u>\$ -</u>	<u>\$ 670,536</u>

Depreciation expense of \$302,727 was charged to the public safety function of the County.

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information:

A. Florida Retirement System

(1) General Information about the Pension Plan:

The Office participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Office's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Office are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS 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. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Plan Description and Administration

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the 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.

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(1) General Information about the Pension Plan: (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(1) General Information about the Pension Plan: (Continued)

Contributions

The Office participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71%
Special Risk	3.00%	23.27%
DROP – Applicable to members above	0.00%	13.26%
Elected Officer Class - County	3.00%	45.50%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll

Actual contributions made for Office employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions – FRS	\$ 997,738	\$ 967,427	\$ 908,624
Contributions – HIS	101,007	98,629	101,638
Employee Contributions – FRS	164,083	163,279	169,162

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At September 30, 2017, the Office reported a liability of \$12,388,312 for its proportionate share of the net pension liability, \$10,347,165 related to FRS and \$2,041,147 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office's proportion of the net pension liability was based on a projection of the Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the Office's FRS proportion was 0.034981068% and 0.035759357%, respectively. At June 30, 2017 and June 30, 2016, the Office's HIS proportion was 0.019089591% and 0.019246301%, respectively. For the year ended September 30, 2017, the Office's recognized pension expense of \$1,565,851 from FRS and \$134,940 from HIS, for a grand total of \$1,700,791.

Deferred outflows/inflows related to pensions:

At September 30, 2017, the Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 949,621	\$ (57,318)	\$ -	\$ (4,250)
Changes of assumptions	3,477,378	-	286,915	(176,500)
Net different between projected and actual investment earnings	-	(256,429)	1,132	-
Change in proportionate share	223,458	(552,656)	31,236	(119,626)
Contributions subsequent to measurement date	276,481	-	29,323	-
	<u>\$ 4,926,938</u>	<u>\$ (866,403)</u>	<u>\$ 348,606</u>	<u>\$ (300,376)</u>

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Office contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 392,488
2019	1,282,390
2020	990,273
2021	239,243
2022	680,051
Thereafter	218,516
Total	<u>\$ 3,802,961</u>

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Office calculated using the current discount rates, as well as what the Office's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 18,727,744	\$ 10,347,165	\$ 3,389,365
HIS	3.58%	2,329,219	2,041,147	1,801,199

**BAKER COUNTY SHERIFF
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

B. Budgets and Budgetary Accounting

Governmental fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. An annual budget was adopted for the Governmental Funds. All budget amounts presented in the accompanying special purpose financial statements have been adjusted for legally authorized amendments of the annual budget for the year. The annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total budget appropriations at the individual fund level. All appropriations lapse at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

BAKER COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 131,290	\$ 131,290
Charges for services	5,338,403	5,338,403	5,317,489	(20,914)
Investment income	-	-	25	25
Miscellaneous	-	-	4,645	4,645
Total revenues	<u>5,338,403</u>	<u>5,338,403</u>	<u>5,453,449</u>	<u>115,046</u>
Expenditures				
Public safety	9,058,633	9,108,432	9,222,141	(113,709)
Court related	278,020	278,020	260,993	17,027
Total expenditures	<u>9,336,653</u>	<u>9,386,452</u>	<u>9,483,134</u>	<u>(96,682)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,998,250)</u>	<u>(4,048,049)</u>	<u>(4,029,685)</u>	<u>18,364</u>
Other financing sources (uses)				
Appropriations from Board of County Commissioners	3,702,652	3,752,451	3,752,451	-
Appropriations from City of Macclenny	295,598	295,598	295,598	-
Reversions to Board of County Commissioners	-	-	-	-
Total other financing sources (uses)	<u>3,998,250</u>	<u>4,048,049</u>	<u>4,048,049</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>18,364</u>	<u>18,364</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,364</u>	<u>\$ 18,364</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balances - budget and actual - governmental funds is an integral part of this statement.

BAKER COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 911 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Permits and fees	\$ 153,406	\$ 192,386	\$ 184,875	\$ (7,511)
Intergovernmental	47,913	47,913	47,913	-
Investment income	-	-	21	21
Total revenues	<u>201,319</u>	<u>240,299</u>	<u>232,809</u>	<u>(7,490)</u>
Expenditures				
Public safety	201,319	240,299	240,299	-
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(7,490)</u>	<u>(7,490)</u>
Fund balances, beginning of year	87,056	87,056	87,056	-
Fund balances, end of year	<u>\$ 87,056</u>	<u>\$ 87,056</u>	<u>\$ 79,566</u>	<u>\$ (7,490)</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balances - budget and actual - governmental funds is an integral part of this statement.

BAKER COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL LAW FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ 260	\$ 260
Miscellaneous	300,000	300,000	3,419	(296,581)
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>3,679</u>	<u>(296,321)</u>
Expenditures				
Public safety	300,000	300,000	778	299,222
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,901</u>	<u>2,901</u>
Fund balances, beginning of year	205,742	205,742	205,742	-
Fund balances, end of year	<u>\$ 205,742</u>	<u>\$ 205,742</u>	<u>\$ 208,643</u>	<u>\$ 2,901</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balances - budget and actual - governmental funds is an integral part of this statement.

**BAKER COUNTY SHERIFF
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. Budgetary Information:

1. An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. All annual appropriations lapse at fiscal year-end.

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

- a) The preparation, adoption and amendment of the budgets are governed by Florida Statutes. Public hearings are conducted to obtain taxpayer comments.
- b) Budget excess expenditures over revenues are funded through appropriations from the Board of County Commissioners.
- c) Formal budgetary integration is employed as a management control device during the year for the governmental funds. The legal level of budgetary control for expenditures is the fund level.
- d) The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

BAKER COUNTY SHERIFF
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.034981068%	0.035759357%	0.034346566%
Proportionate share of the net pension liability	\$ 10,347,165	\$ 9,029,266	\$ 4,436,320
Covered payroll	6,084,759	5,941,486	6,122,773
Proportionate share of the net pension liability as a percentage of covered payroll	170.05%	151.97%	72.46%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.019089591%	0.019246301%	0.020181669%
Proportionate share of the net pension liability	\$ 2,041,147	\$ 2,243,077	\$ 2,058,213
Covered payroll	6,084,759	5,941,486	6,122,773
Proportionate share of the net pension liability as a percentage of covered payroll	33.55%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**BAKER COUNTY SHERIFF
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Contractually required contribution	\$ 997,738	\$ 967,427	\$ 908,624
Contributions in relation to the contractually required contribution	(997,738)	(967,427)	(908,624)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,084,759	\$ 5,941,486	\$ 6,122,773
Contributions as a percentage of covered-employee payroll	16.40%	16.28%	14.84%
Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 101,007	\$ 98,629	\$ 101,638
Contributions in relation to the contractually required contribution	(101,007)	(98,629)	(101,638)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,084,759	\$ 5,941,486	\$ 6,122,773
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

ADDITIONAL INFORMATION

**BAKER COUNTY SHERIFF
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Second Dollar Fund	School Crossing Guards Fund	Emergency Management Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,592	\$ 52,779	\$ 32,013	\$ 89,384
Due from other governments	464	-	90,538	91,002
Prepaid items	-	-	3,750	3,750
Total Assets	<u>\$ 5,056</u>	<u>\$ 52,779</u>	<u>\$ 126,301</u>	<u>\$ 184,136</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 1,435	\$ 5,097	\$ 6,532
Due to other funds	-	-	24,435	24,435
Due to Baker County Detention Center	-	-	595	595
Total liabilities	<u>-</u>	<u>1,435</u>	<u>30,127</u>	<u>31,562</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	-	-	3,750	3,750
Restricted for:				
Public safety	5,056	51,344	92,424	148,824
Total fund balances	<u>5,056</u>	<u>51,344</u>	<u>96,174</u>	<u>152,574</u>
Total Liabilities and Fund Balances	<u>\$ 5,056</u>	<u>\$ 52,779</u>	<u>\$ 126,301</u>	<u>\$ 184,136</u>

See accompanying notes to financial statements.

**BAKER COUNTY SHERIFF
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Second Dollar Fund	School Crossing Guards Fund	Emergency Management Fund	Total Nonmajor Governmental Funds
Revenues				
Intergovernmental	\$ -	\$ 79,757	\$ 149,319	\$ 229,076
Fines and forfeitures	7,669	-	-	7,669
Investment income	5	60	87	152
Total revenues	<u>7,674</u>	<u>79,817</u>	<u>149,406</u>	<u>236,897</u>
Expenditures				
Public safety	2,618	65,438	222,212	290,268
Excess (deficiency) of revenues over (under) expenditures	<u>5,056</u>	<u>14,379</u>	<u>(72,806)</u>	<u>(53,371)</u>
Other financing sources (uses)				
Appropriations from Board of County Commissioners	-	-	57,871	57,871
Net change in fund balances	<u>5,056</u>	<u>14,379</u>	<u>(14,935)</u>	<u>4,500</u>
Fund balances, beginning of year	-	36,965	111,109	148,074
Fund balances, end of year	<u>\$ 5,056</u>	<u>\$ 51,344</u>	<u>\$ 96,174</u>	<u>\$ 152,574</u>

See accompanying notes to financial statements.

**BAKER COUNTY SHERIFF
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2017**

	Bond Fund	Individual Deposits Fund	Evidence Escrow Fund	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 5,933	\$ 355	\$ 21,881	\$ 28,169
LIABILITIES				
Assets held for others	\$ 5,933	\$ 355	\$ 21,881	\$ 28,169

See accompanying notes to financial statements.

**ADDITIONAL ELEMENTS REQUIRED BY THE
RULES OF THE AUDITOR GENERAL**

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
 CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE
 OF THE AUDITOR GENERAL**

The Honorable Scotty Rhoden, Baker County Sheriff,
 Baker County, Florida:

We have audited the special purpose financial statements of the Baker County Sheriff, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 18, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Special Purpose 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 these reports, which are dated July 18, 2018 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.

Description	Current Year Finding #	2015-16 FY Finding #	2014-15 FY Finding #
Capital Assets	n/a - corrected	2016-002	2015-002
Preparation of Financial Statements	n/a – corrected	2016-003	**
Segregation of Duties	n/a – corrected	2016-001	**

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 Baker County Sheriff 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. Baker County, including the Sheriff, was established by Chapter 8516, Laws of Florida in 1921. There are no component units of the Baker County Sheriff to be disclosed as required by accounting principles generally accepted in the United States of America.

Financial Management

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted the following:

2017-001 Budgetary Control

Condition and Criteria: Florida Statutes, Chapter 30.49 (2)(a), The proposed budget must show the estimated amounts of all proposed expenditures for operating and equipping the sheriff's office and jail.

Cause: Expenditures related to certain intergovernmental and charges for services revenue sources were not included in the budget.

Effect: Expenditures exceeded appropriations for the fiscal year.

Recommendation: We recommend the office include expenditures from all funding sources within the budget in accordance with Florida Statutes, Chapter 30.49.

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 Baker County Sheriff, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Daytona Beach, Florida
July 18, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Scotty Rhoden, Baker County Sheriff,
Baker County, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the general fund of the Baker County Sheriff as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Sheriff's special purpose financial statements, and have issued our report thereon dated July 18, 2018, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

Internal Control over Financial Reporting

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

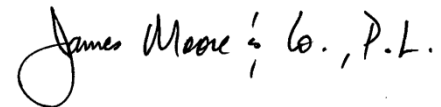
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Baker County Sheriff's special purpose 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 did not disclose any instances of noncompliance or other matters that is 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Daytona Beach, Florida
July 18, 2018

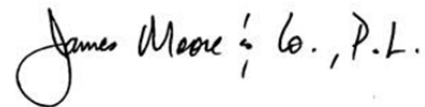
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

The Honorable Scotty Rhoden, Baker County Sheriff,
Baker County, Florida

We have examined the Baker County Sheriff's compliance with Section 365.172, Florida Statutes, *Emergency Communications Number "E911"*, Section 365.173, Florida Statutes, *Communications Number E911 System Fund*, and Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the Baker County Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Baker County Sheriff's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Baker County Sheriff complied with Section 365.172, Florida Statutes, *Emergency Communications Number "E911"*, Section 365.173, Florida Statutes, *Communications Number E911 System Fund*, and Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the Baker County Sheriff's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance 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.

In our opinion, the Baker County Sheriff complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida
July 18, 2018

MANAGEMENT'S RESPONSE TO FINDINGS

Finding 2017-001, Budgetary Control, is duly noted and has been corrected for subsequent periods. The 2016-2017 budget presented in June 2016 did not include all the expected revenue and expenses of the Sheriff's Office. This finding was corrected in June 2017 when the Sheriff's Office submitted the 2017-2018 budget which contained all of the expected revenue and expenses for the fiscal year. Also, the Sheriff's budget for the 2018-2019 fiscal year was submitted in June 2018 and contains all of the revenue and expenses we expect to receive during the fiscal year. As you can see, we have taken the necessary steps to eliminate this finding.

BAKER COUNTY SUPERVISOR OF ELECTIONS

**SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2017

BAKER COUNTY SUPERVISOR OF ELECTIONS

**SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Nita D. Crawford, Baker County Supervisor of Elections,
Baker County, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund of the Baker County Supervisor of Elections, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Supervisor of Elections' financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund for the Baker County Supervisor of Elections as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, only for that portion of the major funds, of Baker County, Florida, that is attributable to the Baker County Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Baker County, Florida as of September 30, 2017, the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Baker County Supervisor of Elections' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Special Purpose Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. 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 Baker County Supervisor of Elections' internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY SUPERVISOR OF ELECTIONS
BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2017**

ASSETS

Cash and cash equivalents	\$ 28,097
---------------------------	-----------

LIABILITIES AND FUND BALANCE

Liabilities:

Unearned revenue	\$ 5,069
Due to Board of County Commissioners	23,028
Total liabilities	<u>28,097</u>

Fund Balance:

Unassigned	-
------------	---

Total Liabilities and Fund Balances	<u>\$ -</u>
--	-------------

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

**BAKER COUNTY SUPERVISOR OF ELECTIONS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Revenues	
Intergovernmental	\$ 3,462
Investment income	45
Total revenues	3,507
Expenditures	
Current:	
General government	396,699
Excess (deficiency) of revenues over (under) expenditures	(393,192)
Other financing sources (uses)	
Appropriations to constitutional officers	416,220
Reversions from constitutional officers	(23,028)
Total other financing sources (uses)	393,192
Net change in fund balances	-
Fund balances, beginning of year	-
Fund balances, end of year	\$ -

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY SUPERVISOR OF ELECTIONS

I. Summary of Significant Accounting Policies

The accounting policies of the Baker County Supervisor of Elections (the “Office”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

The Supervisor of Elections 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. Baker County, including the Office of the Supervisor of Elections, was established by Chapter 8516, Laws of Florida in 1921.

The Office is an integral part of Baker County, the reporting entity for financial reporting purposes.

B. Basis of Presentation

The Office’s financial statements are special purpose financial statements that have been prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida (the Rules). In conformity with the Rules, the Office has not presented the government-wide financial statements, the reconciliations to the government-wide statements or management’s discussion and analysis.

C. 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, as appropriate for each fund type. 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.

The Office reports the following major governmental fund; there are no non-major governmental funds:

General Fund – The principal operating fund of the Office. It is used to account for all financial resources.

D. Measurement Focus/Basis of Accounting

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. 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. The Supervisor of Elections considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY SUPERVISOR OF ELECTIONS

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus/Basis of Accounting (Continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized when due.

E. Capital Assets and Long-Term Liabilities

Capital assets used by the Office are capitalized (recorded and accounted for) by the Baker County Board of County Commissioners.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current 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.

F. Cash

All cash is 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 State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that all funds are entirely insured throughout the fiscal year.

G. Accounts Payable

Accounts Payable balances in the general fund are primarily payable to third-party vendors for goods provided and services rendered.

H. Fund Balance

Fund balance for governmental funds report classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. In as much as the Supervisor of Elections is a county constitutional officer, any funds remaining at the end of the fiscal year are returned to the Board of County Commissioners. Unassigned fund balance represents funds available for spending at the government's discretion.

The Supervisor of Elections does not have a formal written policy regarding whether restricted or unrestricted amounts are considered to be spent when an expenditure for purposes for which both restricted and unrestricted fund balances are available. However, it has been the Supervisor of Elections' general practice when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; the Supervisor of Elections considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Supervisor of Elections considers amounts to have been spent first out of committed funds, then assigned funds, and lastly unassigned funds, as needed.

I. Use of Estimates

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

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017
 BAKER COUNTY SUPERVISOR OF ELECTIONS**

I. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

The Office allows limited vesting of unused employee leave time. Since the annual and sick leave liability is considered long-term, it is recorded in the government-wide financial statements of the County. In the past, compensated absences have been paid out of the General Fund of the Office and this practice is expected to continue in the future.

K. Fair Value Measurement

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are observable inputs other than quoted market prices; Level 3 inputs are unobservable inputs. The Office had no assets or liabilities carried at fair value at September 30, 2017.

II. Detailed Notes on All Funds

A. Investments

Florida Statutes authorize the Office to invest in bonds, notes or other obligations of the U.S. Government, certificates of deposits, repurchase agreements, certain bonds of any State or local government unit and the State Treasurer’s Investment Pool.

Interest Rate Risk. The Office does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The Office places no limit on the amount the Office may invest in any one issuer. The Office had all deposits in a checking account with one local financial institution.

B. Risk Management

The County purchased commercial insurance to limit the exposure of the following risks of loss: theft of, damage to, and destruction of assets; natural disasters and injuries to employees. Commercial insurance has been purchased by the Office to cover the risks of loss due to employee errors or omissions and health insurance. Settled claims resulting from all risks have not exceeded insurance coverage in any of the past three years.

C. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due within one year</u>
Compensated absences	\$ 91,621	\$	1,615	\$	(10,929)	\$	82,307	\$	65,821

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY SUPERVISOR OF ELECTIONS

III. Other Information

a. Florida Retirement System:

General Information about the Pension Plan

Baker County, Florida (The “Office”) participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Office’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Office are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS 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. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Plan Description and Administration

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY SUPERVISOR OF ELECTIONS

Other Information (Continued)

A. Florida Retirement System: (Continued)

Plan Description and Administration (Concluded)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY SUPERVISOR OF ELECTIONS**

III. Other Information (Continued)

A. Florida Retirement System (Continued)

ii. Contributions

The Organization participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71%
Special Risk	3.00%	23.27%
DROP – Applicable to members above	0.00%	13.26%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for Office employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions – FRS	\$ 27,376	\$ 23,024	\$ 44,778
Contributions – HIS	3,242	2,792	2,965
Employee Contributions – FRS	1,794	1,458	3,978

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions

At September 30, 2017, the Office reported a liability of \$376,210 for its proportionate share of the net pension liability, \$310,700 related to FRS and \$65,510 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office’s proportion of the net pension liability was based on a projection of the Office’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the Office’s FRS proportion was 0.001050397% and 0.000943500%, respectively. At June 30, 2017 and June 30, 2016, the Office’s HIS proportion was 0.000612672% and 0.000544791%, respectively. For the year ended September 30, 2017, the Office’s recognized pension expense of \$61,660 from FRS and \$5,502 from HIS, for a grand total of \$67,162.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY SUPERVISOR OF ELECTIONS**

III. Other Information (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Continued)

Deferred outflows/inflows related to pensions:

At September 30, 2017, the Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,515	\$ (1,721)	\$ -	\$ (136)
Changes of assumptions	104,417	-	9,208	(5,665)
Net different between projected and actual investment earnings	-	(7,700)	36	-
Change in proportionate share	85,175	(89,118)	9,094	(4,997)
Contributions subsequent to measurement date	7,085	-	833	-
	<u>\$ 225,192</u>	<u>\$ (98,539)</u>	<u>\$ 19,121</u>	<u>\$ (10,798)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Office contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 27,625
2019	54,346
2020	27,590
2021	(7,391)
2022	16,020
Thereafter	8,918
Total	<u>\$ 127,108</u>

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
BAKER COUNTY SUPERVISOR OF ELECTIONS**

III. Other Information (Continued)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Continued)

Actuarial assumptions: (Concluded)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 2.85%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.80%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017
 BAKER COUNTY SUPERVISOR OF ELECTIONS**

III. Other Information (Concluded)

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions (Concluded)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Office calculated using the current discount rates, as well as what the Office's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 562,349	\$ 310,700	\$ 101,774
HIS	3.58%	74,755	65,510	57,809

C. Budgets and Budgetary Accounting

Governmental fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. An annual budget was adopted for the General Fund. All budget amounts presented in the accompanying special purpose financial statements have been adjusted for legally authorized amendments of the annual budget for the year. The annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total budget appropriations at the individual fund level. All appropriations lapse at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

**BAKER COUNTY SUPERVISOR OF ELECTIONS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 3,462	\$ 3,462
Investment income	-	-	45	45
Total revenues	<u>-</u>	<u>-</u>	<u>3,507</u>	<u>3,507</u>
EXPENDITURES				
Current:				
General government	415,220	415,220	396,699	18,521
Excess (deficiency) of revenues over expenditures	<u>(415,220)</u>	<u>(415,220)</u>	<u>(393,192)</u>	<u>22,028</u>
Other financing sources (uses)				
Appropriations to constitutional officers	415,220	415,220	416,220	1,000
Reversions from constitutional officers	-	-	(23,028)	(23,028)
Total other financing sources (uses)	<u>415,220</u>	<u>415,220</u>	<u>393,192</u>	<u>(22,028)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budget and actual - general fund is an integral part of this schedule.

**BAKER COUNTY SUPERVISOR OF ELECTIONS
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. Budgetary Information:

1. An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

The Supervisor of Elections follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The preparation, adoption and amendment of the budgets are governed by Florida Statutes. Public hearings are conducted to obtain taxpayer comments.
- b) Budget excess expenditures over revenues are funded through appropriations from the Board of County Commissioners.
- c) Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
- d) The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**BAKER COUNTY SUPERVISOR OF ELECTIONS
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.001050397%	0.000943500%	0.001863745%
Proportionate share of the net pension liability	\$ 310,700	\$ 238,234	\$ 240,728
Covered payroll	195,288	168,178	178,602
Proportionate share of the net pension liability as a percentage of covered payroll	159.10%	141.66%	134.78%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.000612672%	0.000544791%	0.000588708%
Proportionate share of the net pension liability	\$ 65,510	\$ 63,493	\$ 60,039
Covered payroll	195,288	168,178	178,602
Proportionate share of the net pension liability as a percentage of covered payroll	33.55%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**BAKER COUNTY PROPERTY APPRAISER
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Contractually required contribution	\$ 27,376	\$ 23,024	\$ 44,778
Contributions in relation to the contractually required contribution	(27,376)	(23,024)	(44,778)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 195,288	\$ 168,178	\$ 178,602
Contributions as a percentage of covered-employee payroll	14.02%	13.69%	25.07%
Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 3,242	\$ 2,792	\$ 2,965
Contributions in relation to the contractually required contribution	(3,242)	(2,792)	(2,965)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 195,288	\$ 168,178	\$ 178,602
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

ADDITIONAL INFORMATION

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE
OF THE AUDITOR GENERAL**

The Honorable Nita D. Crawford, Baker County Supervisor of Elections,
Baker County, Florida:

We have audited the special-purpose financial statements of the Baker County Supervisor of Elections, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 18, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*, Schedule of Findings, 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 these reports, which are dated July 18, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial 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 Baker County Supervisor of Elections 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. Baker County, including the Office of the Supervisor of Elections, was established by Chapter 8516, Laws of Florida in 1921. There are no component units of the Baker County Supervisor of Elections to be disclosed as required by accounting principles generally accepted in the United States of America.

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 have the following recommendation:

2017-001 Journal Entry Documentation – The current process for reviewing adjusting journal entries requires all adjusting journal entries be reviewed and approved by the Supervisor. We recommend the office further enhance this process with the Supervisor documenting their approval as evidenced by signature on all approved adjusting journal entries to the accounting system through a subsequent review of all posted general journal entries on a monthly or bi monthly basis.

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.

Baker County Supervisor of Elections' Response to Findings

Baker County Supervisor of Elections' response to the findings identified in our audit is described in the accompanying corrective action plan. Baker County Supervisor of Elections' response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 Baker County Supervisor of Elections, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida
July 18, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Nita D. Crawford, Baker County Supervisor of Elections,
Baker County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the general fund of the Baker County Supervisor of Elections as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Supervisor of Elections' special purpose financial statements, and have issued our report thereon dated July 18, 2018, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

Internal Control over Financial Reporting

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

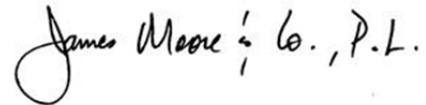
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Baker County Supervisor of Elections' special purpose 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

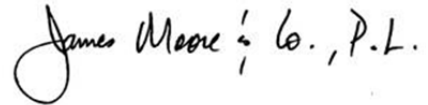
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

The Honorable Nita D. Crawford, Baker County Supervisor of Elections,
Baker County, Florida:

We have examined the Baker County Supervisor of Elections' compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the Baker County Supervisor of Election's compliance with those requirements. Our responsibility is to express an opinion on the Baker County Supervisor of Election's compliance based on our examination.

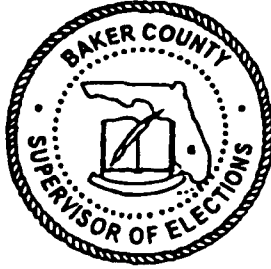
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Baker County Supervisor of Elections complied with the aforementioned requirements for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the Baker County Supervisor of Elections' compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance 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.

In our opinion, the Baker County Supervisor of Elections complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida
July 18, 2018

Supervisor of Elections



NITA D. CRAWFORD • Baker County

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P.O. Box 505
Macclenny, Florida 32063
E-mail: vote@bakercountyfl.org

July 17, 2018

Wayne J. Durrett, CPA
James Moore Certified
Public Accountants and Consultants
2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308

Dear Wayne:

This letter is a response to the findings of 2016-2017 audit of our office.

2017-001 All adjusting journal entries are reviewed by the Supervisor before posting. The Office will review its procedures related to journal entries and will implement changes to the process as necessary.

Cordially,

A handwritten signature in black ink that reads "Nita D. Crawford".

Nita D. Crawford
Supervisor of Elections

/djc



***** *YOUR VOTE IS YOUR VOICE IN AMERICA*

BAKER COUNTY TAX COLLECTOR
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2017

BAKER COUNTY TAX COLLECTOR
SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Amy Dugger, Baker County Tax Collector,
Baker County, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund and the aggregate remaining fund information of the Baker County Tax Collector, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Tax Collector's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

- 1 -

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Telephone: 850-386-6184

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information for the Baker County Tax Collector as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, only for that portion of the major funds, of Baker County, Florida, that is attributable to the Baker County Tax Collector. They do not purport to, and do not, present fairly the financial position of Baker County, Florida as of September 30, 2017, the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to those matters.

Other Matters

Required Supplementary Information

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

Additional Information

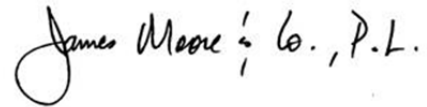
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baker County, Florida's basic financial statements. The additional information, combining statement of fiduciary net position – fiduciary funds, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Baker County Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. 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 Baker County Tax Collector's internal control over financial reporting and compliance.

Daytona Beach, Florida
July 18, 2018

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

**BAKER COUNTY TAX COLLECTOR
BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2017**

ASSETS	
Cash and cash equivalents	<u>\$ 148,439</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 126
Due to Board of County Commissioners	<u>148,313</u>
Total liabilities	148,439
FUND BALANCES	
Total fund balances	-
Total Liabilities and Fund Balances	<u>\$ -</u>

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

**BAKER COUNTY TAX COLLECTOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Revenues	
Charges for services	\$ 641,015
Investment income	140
Total revenues	641,155
Expenditures	
Current:	
General government	685,932
Excess (deficiency) of revenues over (under) expenditures	(44,777)
Other financing sources (uses)	
Appropriations from Board of County Commissioners	193,090
Reversions to Board of County Commissioners	(148,313)
Total other financing sources (uses)	44,777
Net change in fund balances	-
Fund balances, beginning of year	-
Fund balances, end of year	\$ -

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

**BAKER COUNTY TAX COLLECTOR
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 317,221
LIABILITIES	
Assets held for others	\$ 317,221

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

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies

The accounting policies of the Baker County Tax Collector (the “Office”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

The Tax Collector 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. Baker County, including the Office of the Tax Collector, was established by Chapter 8516, Laws of Florida in 1921.

The Office is an integral part of Baker County, the reporting entity for financial reporting purposes.

B. Basis of Presentation

The Office’s financial statements are special purpose financial statements that have been prepared for the purpose of complying with the Rules of the Auditor General of the State of Florida (the Rules). In conformity with the Rules, the Office has not presented the government-wide financial statements, the reconciliations to the government-wide statements or management’s discussion and analysis.

C. 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, as appropriate for each fund type. 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.

The Office reports the following major governmental fund; there are no non-major governmental funds:

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

Additionally, the Tax Collector reports the following fiduciary fund type:

Agency Funds - Used to account for assets held by the Office as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Tax Collector’s Agency Funds are used to account for the collection and distribution of property taxes, sales tax, vehicle tags and titles, boat registrations and titles, fishing licenses, and driver’s licenses.

D. Measurement Focus/Basis of Accounting

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. 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.

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus/Basis of Accounting (Continued)

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. The Tax Collector considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized when due.

E. Capital Assets and Long-Term Liabilities

Capital assets used by the Office are capitalized (recorded and accounted for) by the Baker County Board of County Commissioners.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current 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.

F. Cash

All cash is 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 State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that all funds are entirely insured throughout the fiscal year.

G. Accounts Payable

Accounts Payable balances in the general fund are primarily payable to third-party vendors for goods provided and services rendered.

H. Fund Balance

Fund balance for governmental funds report classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. In as much as the Tax Collector is a county constitutional officer, any funds remaining at the end of the fiscal year are returned to the Board of County Commissioners.

The Tax Collector does not have a formal written policy regarding whether restricted or unrestricted amounts are considered to be spent when an expenditure for purposes for which both restricted and unrestricted fund balances are available. However, it has been the Tax Collector's general practice when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; the Tax Collector considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Tax Collector considers amounts to have been spent first out of committed funds, then assigned funds, and lastly unassigned funds, as needed.

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

I. Summary of Significant Accounting Policies (Continued)

I. Use of Estimates

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

J. Compensated Absences

The Office allows limited vesting of unused employee leave time. Since the annual and sick leave liability is considered long-term, it is recorded in the government wide financial statements of the County. In the past, compensated absences have been paid out of the General Fund of the Office and this practice is expected to continue in the future. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Fair Value Measurement

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are observable inputs other than quoted market prices; Level 3 inputs are unobservable inputs.

II. Detailed Notes on All Funds

A. Investments

Florida Statutes authorize the Office to invest in bonds, notes or other obligations of the U.S. Government, certificates of deposits, repurchase agreements, certain bonds of any State or local government unit and the State Treasurer's Investment Pool.

Interest Rate Risk. The Office does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The Office places no limit on the amount the Office may invest in any one issuer. At September 30, 2017, the Office had no investments.

B. Risk Management

The County purchased commercial insurance to limit the exposure of the following risks of loss: theft of, damage to, and destruction of assets; natural disasters and injuries to employees. Commercial insurance has been purchased by the Office to cover the risks of loss due to employee errors or omissions and health insurance. Settled claims resulting from all risks have not exceeded insurance coverage in any of the past three years.

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

II. Detailed Notes on All Funds (Continued)

C. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due within one year</u>
Compensated absences	\$ 36,029	\$	13,246	\$	(19,024)	\$	30,251	\$	24,191

III. Other Information

A. Florida Retirement System

(1) General Information about the Pension Plan:

The Office participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Office's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Office are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS 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. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(1) General Information about the Pension Plan: (Continued)

Plan Description and Administration

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the 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.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(1) General Information about the Pension Plan: (Continued)

Contributions

The Office participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71%
Special Risk	3.00%	23.27%
DROP – Applicable to members above	0.00%	13.26%
Elected Officer Class - County	3.00%	45.50%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll

Actual contributions made for Office employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions – FRS	\$ 70,033	\$ 67,817	\$ 67,753
Contributions – HIS	7,077	6,721	6,708
Employee Contributions – FRS	11,456	10,700	11,101

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At September 30, 2017, the Office reported a liability of \$929,302 for its proportionate share of the net pension liability, \$786,287 related to FRS and \$143,015 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office's proportion of the net pension liability was based on a projection of the Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the Office's FRS proportion was 0.002658232% and 0.002775509%, respectively. At June 30, 2017 and June 30, 2016, the Office's HIS proportion was 0.001337531% and 0.001311468%, respectively. For the year ended September 30, 2017, the Office's recognized pension expense of \$160,620 from FRS and \$10,569 from HIS, for a grand total of \$171,189.

Deferred outflows/inflows related to pensions:

At September 30, 2017, 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	\$ 72,162	\$ (4,356)	\$ -	\$ (298)
Changes of assumptions	264,248	-	20,103	(12,367)
Net different between projected and actual investment earnings	-	(19,486)	79	-
Change in proportionate share	87,237	(21,500)	2,902	(3,194)
Contributions subsequent to measurement date	18,049	-	1,730	-
	<u>\$ 441,696</u>	<u>\$ (45,342)</u>	<u>\$ 24,814</u>	<u>\$ (15,859)</u>

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Office contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 72,491
2019	140,117
2020	90,248
2021	15,912
2022	49,804
Thereafter	16,958
Total	<u>\$ 385,530</u>

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

A. Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Office calculated using the current discount rates, as well as what the Office’s net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	7.10%	\$ 1,423,133	\$ 786,287	\$ 257,560
HIS	3.58%	163,199	143,015	126,203

**BAKER COUNTY TAX COLLECTOR
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

III. Other Information: (Continued)

B. Budgets and Budgetary Accounting

Governmental fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. An annual budget was adopted for the General Fund. All budget amounts presented in the accompanying special purpose financial statements have been adjusted for legally authorized amendments of the annual budget for the year. The annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total budget appropriations at the individual fund level. All appropriations lapse at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

**BAKER COUNTY TAX COLLECTOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for services	\$ 476,400	\$ 503,480	\$ 641,015	\$ 137,535
Investment income	-	-	140	140
Total revenues	<u>476,400</u>	<u>503,480</u>	<u>641,155</u>	<u>137,675</u>
Expenditures				
Current:				
General government	669,490	696,570	685,932	10,638
Excess (deficiency) of revenues over expenditures	<u>(193,090)</u>	<u>(193,090)</u>	<u>(44,777)</u>	<u>148,313</u>
Other financing sources (uses)				
Appropriations to constitutional officers	193,090	193,090	193,090	-
Reversions from constitutional officers	-	-	(148,313)	(148,313)
Total other financing sources (uses)	<u>193,090</u>	<u>193,090</u>	<u>44,777</u>	<u>(148,313)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balances - budget and actual - governmental funds is an integral part of this schedule.

**BAKER COUNTY TAX COLLECTOR
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. Budgetary Information:

1. An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

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

- a) The preparation, adoption and amendment of the budgets are governed by Florida Statutes. Public hearings are conducted to obtain taxpayer comments.
- b) Budget excess expenditures over revenues are funded through appropriations from the Board of County Commissioners.
- c) Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
- d) The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

BAKER COUNTY TAX COLLECTOR
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.002658232%	0.002775509%	0.002839168%
Proportionate share of the net pension liability	\$ 786,287	\$ 700,818	\$ 366,717
Covered payroll	426,340	404,866	404,110
Proportionate share of the net pension liability as a percentage of its covered payroll	192.56%	173.10%	90.75%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.001337531%	0.001311468%	0.001332033%
Proportionate share of the net pension liability	\$ 143,015	\$ 152,846	\$ 135,846
Covered payroll	426,340	404,866	404,110
Proportionate share of the net pension liability as a percentage of its covered payroll	32.89%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**BAKER COUNTY TAX COLLECTOR
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30
(UNAUDITED)**

	For the Plan Year Ended June 30,		
	2017	2016	2015
Florida Retirement System (FRS)			
Contractually required contribution	\$ 70,033	\$ 67,817	\$ 67,753
Contributions in relation to the contractually required contribution	(70,033)	(67,817)	67,753
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 426,340	\$ 404,866	\$ 404,110
Contributions as a percentage of covered-employee payroll	16.43%	16.75%	16.77%
Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 7,077	\$ 6,721	\$ 6,708
Contributions in relation to the contractually required contribution	(7,077)	(6,721)	(6,708)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 426,340	\$ 404,866	\$ 404,110
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**BAKER COUNTY TAX COLLECTOR
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2017**

	<u>Tax Fund</u>	<u>Tag Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	<u>\$ 249,442</u>	<u>\$ 67,779</u>	<u>\$ 317,221</u>
LIABILITIES			
Assets held for others	<u>\$ 249,442</u>	<u>\$ 67,779</u>	<u>\$ 317,221</u>

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
 CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE
 OF THE AUDITOR GENERAL**

The Honorable Amy Dugger, Baker County Tax Collector,
 Baker County, Florida:

We have audited the special purpose financial statements of the Baker County Tax Collector, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 18, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*, Schedule of Findings, 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 these reports and schedule, which are dated July 18, 2018 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the table below.

Tabulation of Uncorrected Audit Findings			
Description	Current Year Finding #	2015-16 FY Finding #	2014-15 FY Finding #
Segregation of Duties	2017-001	2016-001	2015-001

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 Baker County Tax Collector 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. Baker County, including the Office of the Tax Collector, was established by Chapter 8516, Laws of Florida in 1921. There are no component units of the Baker County Tax Collector to be disclosed as required by accounting principles generally accepted in the United States of America.

Financial Management

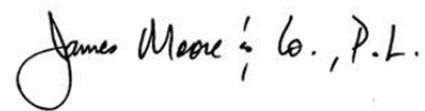
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Baker County Tax Collector, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "James Moore & Co., P.L." The signature is written in black ink and is positioned to the right of the main body of text.

Daytona Beach, Florida
July 18, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Amy Dugger, Baker County Tax Collector,
Baker County, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the general fund of the Baker County Tax Collector as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Baker County Tax Collector's special purpose financial statements, and have issued our report thereon dated July 18, 2018, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 *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. 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2017-001 to be a material weakness.

Compliance and Other Matters

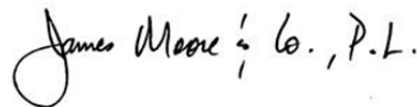
As part of obtaining reasonable assurance about whether the Baker County Tax Collector's special purpose financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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*.

Baker County Tax Collector's Response to Findings

Baker County Tax Collector's response to the findings identified in our audit is described in the accompanying corrective action plan. Baker County Tax Collector's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
July 18, 2018

**BAKER COUNTY TAX COLLECTORBAKER COUNTY, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. Financial Statement Findings:

2017-001: Segregation of Duties

Condition and Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Cause: For the year ended September 30, 2017, we noted the following:

- The same individual who records payroll transactions in the accounting system also processes payroll and initiates direct deposits.
- In certain situations, the same employee receives bills, generates checks and records payment in the accounting system, and authorizes payment.
- The same individual generates and posts adjusting journal entries to the accounting system without a formal review process.

Effect: Assets could potentially be misappropriated. Financial statements could be materially misstated.

Recommendation: We recommend that the Tax Collector implement the following:

- Designate an individual to approve the payroll transactions before payments are processed.
- Designate an individual to approve the disbursements who does not also record the disbursements in the accounting system.
- Designate an individual to review and approve adjusting journal entries, who is not responsible for creating and posting adjusting journal entries.

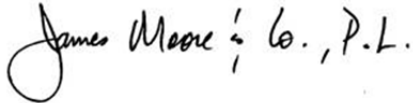
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

The Honorable Amy Dugger, Baker County Tax Collector,
Baker County, Florida

We have examined the Baker County Tax Collector's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the Baker County Tax Collector's compliance with those requirements. Our responsibility is to express an opinion on the Baker County Tax Collector's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Baker County Tax Collector complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the Baker County Tax Collector's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance 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.

In our opinion, the Baker County Tax Collector complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida
July 18, 2018

MANAGEMENT'S RESPONSE TO FINDINGS



AMY DUGGER, C.F.C.
BAKER COUNTY TAX COLLECTOR

32 N. 5th Street • Macclenny, FL 32063
(904) 259-6880 Fax (904) 259-2279

July 12, 2018

James Moore & Co., P.L.
121 Executive Circle
Daytona Beach, FL 32114

To Whom It May Concern:

This is in response to the findings in the 2017-2018 audit of this office conducted by James Moore and Co, received June 28, 2018.

Comment is noted with regards to 2017-001; Segregation of Duties. We recognize that weaknesses do exist in the Internal Structure due to limited number of personnel. And although, we are unable to add the necessary staff to segregate these duties, we are in the process of implementing some changes in our procedures based upon the recommendation of the auditors that will provide the additional segregation of duties that rectify the finding.

Should you have any questions, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads "Amy Dugger".

Amy Dugger, Tax Collector,
Baker County, Florida