

Special-Purpose Financial Statements

Clerk of the Circuit Court
Leon County, Florida

*Year ended September 30, 2008
with Independent Auditors' Report*

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

Clerk of the Circuit Court
Leon County, Florida

Special-Purpose Financial Statements

Year ended September 30, 2008

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Independent Auditors' Report

The Honorable Clerk of the Circuit Court
Leon County, Florida

We have audited the accompanying special-purpose financial statements of the Clerk of the Circuit Court of Leon County, Florida (the Clerk), as of and for the fiscal year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Clerk's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements are prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information that is attributable to the transactions of the Clerk. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2008, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each of the major funds and the agency funds of the Clerk of the Circuit Court of Leon County, Florida as of September 30, 2008, and the results of each of the major funds' operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2008, on our consideration of the Clerk's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

December 22, 2008

Clerk of the Circuit Court
Leon County, Florida

Balance Sheet – Governmental Funds

September 30, 2008

	General Fund	Article V Operating Fund	Records Court Modernization Fund	Total Governmental Funds
Assets				
Assets:				
Cash	\$558,288	\$ 3,500	\$ 1,022,991	\$ 1,584,779
Investments	-	-	1,072	1,072
Receivables (net of allowances for uncollectibles):				
Accounts receivable	75,613	870	-	76,483
Intergovernmental	-	125,273	-	125,273
Due from other county units	6,434	-	-	6,434
Due from other funds	2,101	2,548	126,247	130,896
Inventories	28,396	-	-	28,396
Other assets	-	-	-	-
Total assets	\$670,832	\$ 132,191	\$ 1,150,310	\$ 1,953,333
Liabilities and fund equity				
Liabilities:				
Accounts payable and accrued expenses	\$264,591	\$ 5,818	\$ 1,749	\$ 272,158
Due to other funds	28,196	126,247	-	154,443
Due to other county units	228,760	126	-	228,886
Due to other governments	125,252	-	-	125,252
Deposits	24,033	-	-	24,033
Total liabilities	670,832	132,191	1,749	804,772
Fund equity:				
Reserved for records modernization	-	-	1,148,561	1,148,561
Total liabilities and fund equity	\$670,832	\$ 132,191	\$ 1,150,310	\$ 1,953,333

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

Clerk of the Circuit Court
Leon County, Florida

Statement of Revenues, Expenditures and Changes in Fund
Balance – Governmental Funds

Fiscal year ended September 30, 2008

	General Fund	Article V Court Operating Fund	Records Modernization Fund	Total Governmental Funds
Revenues:				
Charges for services	\$ 1,403,520	\$ 7,169,029	\$ 567,539	\$ 9,140,088
Intergovernmental	25,530	385,354	-	410,884
Interest	75,667	7,551	13,717	96,935
Miscellaneous	32,449	-	-	32,449
Total revenues	1,537,166	7,561,934	581,256	9,680,356
Expenditures:				
Current:				
General government:				
Judicial	346,297	6,966,093	631,718	7,944,108
Financial and administrative	2,333,158	-	-	2,333,158
Other general government	551,316	-	321,622	872,938
Total expenditures	3,230,771	6,966,093	953,340	11,150,204
Excess (deficiency) of revenues over (under) expenditures	(1,693,605)	595,841	(372,084)	(1,469,848)
Other financing sources (uses)				
including transfers:				
Operating transfers in	1,922,365	-	-	1,922,365
Operating transfers out	(228,760)	-	-	(228,760)
Remittance to the Florida Department of Revenue	-	(595,841)	-	(595,841)
Total other financing sources (uses)	1,693,605	(595,841)	-	1,097,764
Net change in fund balances	-	-	(372,084)	(372,084)
Fund balance at beginning of year	-	-	1,520,645	1,520,645
Fund balance at end of year	\$ -	\$ -	\$ 1,148,561	\$ 1,148,561

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

Clerk of the Circuit Court
Leon County, Florida

Statement of Fiduciary Assets and Liabilities – Agency Funds

September 30, 2008

Assets

Cash	\$ 4,864,385
Investments	1,607
Accounts receivable	1,666
Governmental	3,164
Due from other funds	28,746
Total assets	<u>\$ 4,899,568</u>

Liabilities

Accounts payable	\$ 36,055
Due to other funds	5,199
Due to other county units	277,796
Due to other governments	1,452,963
Deposits	3,127,555
Total liabilities	<u>\$ 4,899,568</u>

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

Clerk of the Circuit Court
Leon County, Florida

Budgetary Comparison Statement –
General Fund

Fiscal year ended September 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Charges for services	\$ 1,765,803	\$ 1,691,520	\$ 1,403,520	\$ (288,000)
Intergovernmental	14,000	14,000	25,530	11,530
Interest	153,000	153,000	75,667	(77,333)
Miscellaneous	-	-	32,449	32,449
Total revenues	<u>1,932,803</u>	<u>1,858,520</u>	<u>1,537,166</u>	<u>(321,354)</u>
Expenditures				
Current:				
General government:				
Judicial	346,297	346,300	346,297	3
Financial and administrative	2,391,030	2,462,299	2,333,158	129,141
Other general government	719,841	574,286	551,316	22,970
Total expenditures	<u>3,457,168</u>	<u>3,382,885</u>	<u>3,230,771</u>	<u>152,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,524,365)</u>	<u>(1,524,365)</u>	<u>(1,693,605)</u>	<u>(169,240)</u>
Other financing sources (uses):				
Operating transfers in	1,847,365	1,847,365	1,922,365	75,000
Operating transfers out	(323,000)	(323,000)	(228,760)	94,240
Total other financing sources	<u>1,524,365</u>	<u>1,524,365</u>	<u>1,693,605</u>	<u>169,240</u>
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Clerk of the Circuit Court
Leon County, Florida

Budgetary Comparison Statement –
Article V Court Operating Fund

Fiscal year ended September 30, 2008

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for services	\$8,047,011	\$8,047,011	\$7,169,029	\$ (877,982)
Intergovernmental	367,682	367,682	385,354	17,672
Interest	21,539	21,539	7,551	(13,988)
Total revenues	8,436,232	8,436,232	7,561,934	(874,298)
Expenditures				
Current:				
General government:				
Judicial	7,787,087	7,807,267	6,966,093	841,174
Total expenditures	7,787,087	7,807,267	6,966,093	841,174
Excess (deficiency) of revenues over (under) expenditures	649,145	628,965	595,841	(33,124)
Other financing uses including transfers:				
Remittance to the Florida Department of Revenue	(649,145)	(628,965)	(595,841)	33,124
Total other financing sources (uses)	(649,145)	(628,965)	(595,841)	33,124
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

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

Clerk of the Circuit Court
Leon County, Florida

Budgetary Comparison Statement –
Records Modernization Fund

Fiscal year ended September 30, 2008

	<u>Budget Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 736,552	\$ 736,552	\$ 567,539	\$ (169,013)
Interest	-	-	13,717	13,717
Total revenues	<u>736,552</u>	<u>736,552</u>	581,256	(155,296)
Expenditures				
Current:				
Judicial	724,872	724,872	631,718	93,154
Other general government	236,390	336,390	321,622	14,768
Total expenditures	<u>961,262</u>	<u>1,061,262</u>	953,340	107,922
Excess (deficiency) of revenues over (under) expenditures	<u>(224,710)</u>	<u>(324,710)</u>	<u>(372,084)</u>	<u>(47,374)</u>
Other financing sources including transfers:				
Operating transfers in	20,000	20,000	-	20,000
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balances	(204,710)	(304,710)	(372,084)	(67,374)
Fund balance at beginning of year	1,520,645	1,520,645	1,520,645	-
Fund balance at end of year	<u>\$ 1,315,935</u>	<u>\$ 1,215,935</u>	<u>\$ 1,148,561</u>	<u>\$ (67,374)</u>

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

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Basis of Presentation

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

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

1. Summary of Significant Accounting Policies (continued)

Description of Funds

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

Governmental Fund Type

- General Fund - The General Fund is the general operating fund of the Clerk. This fund is used to account for all financial transactions not required to be accounted for in another fund.
- Article V Court Operating Fund - This fund is used to account for specific governmental revenue sources that are legally restricted through Article V of the Florida Constitution to expenditures for court operations.
- Records Modernization Fund - This fund is used to account for specific governmental revenue sources that are legally restricted to expenditures for records modernization.

Fiduciary Fund Type

- Agency Funds - These funds are used to account for the assets held by the Clerk as an agent for individuals, private organizations, and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

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

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

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

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

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

Florida Statutes Chapter 218.35 governs the preparation, adoption, and administration of the Clerk's annual budget. The Clerk establishes an annual budget for his office which clearly reflects the revenues available to the office and the functions for which the money is to be expended.

The Clerk prepares his budget in three parts:

1. The budget relating to the requirements of the Clerk as the Ex Officio Clerk to the Board, County Auditor, County Recorder, and Custodian or Treasurer of all County funds and other county-related duties, and for Chapter 29 obligations;
2. The budget relating to the Florida court system, which is filed with the Clerk of Courts Operations Corporation (CCOC) by August 15 preceding the fiscal year of the budget, in the format required by the CCOC. Section 28.36, *Florida Statutes*, defines the maximum annual budget permitted; and
3. The budget for all other operations.

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

Inventories

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

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

1. Summary of Significant Accounting Policies (continued)

Investments

In accordance with the provisions of GASB Statement No.31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments of the Clerk are reported at amortized cost, which approximates fair value. Prior to November 13, 2007, investments were administered by the Florida State Board of Administration (SBA) as authorized by section 218.415 (17) *Florida Statutes*. Effective November 13, 2007, investments are made in the Special Purpose Investment Account (SPIA) within the Florida Treasury Investment Pool (the Pool), administered by the Florida Department of Financial Services, as authorized by Section 17.61(1), *Florida Statutes*. The Clerk liquidates and reallocates investments throughout the year depending on whether the external pools authorized by *Florida Statutes* or the interest bearing accounts with approved public depositories provide the most favorable interest rates.

Capital Assets

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

Liability for Compensated Absences

The Clerk accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The Clerk does not, nor is he legally required to, accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for the compensated absences is not reported in the governmental funds. However, the current and long-term portion of the liability for compensated absences is reported on the county-wide Statement of Financial Position for Leon County, Florida.

Other Postemployment Benefits

The Clerk through Leon County offers retiree medical and life insurance benefits for qualifying Clerk employees that have retired from a Florida Retirement System (FRS) pension plan.

Use of Estimates

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

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

1. Summary of Significant Accounting Policies (continued)

Distribution of Excess Revenues

Florida Statutes require that the Clerk distribute any excess of revenues over expenditures within the General Fund to the Board within 31 days following the end of the fiscal year. Accordingly, the amount of excess revenues distributed to the Board at the end of the year is presented in the accompanying special-purpose financial statements as “other financing uses.” Excess monies from the Article V Court Operating Special Revenue Fund will be distributed to the Florida Department of Revenue by December 31.

2. Cash and Investments

Cash

Cash consists of demand deposits held at qualified public depositories. At September 30, 2008, the carrying amount of the Clerk’s deposits (including agency funds) was \$6,449,164. Deposits in excess of federal depository insurance are covered by deposits held in banks that are members of the State of Florida’s Collateral Pool.

Investments

Credit Risk

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

1. The Local Government Surplus Funds Trust Fund or any authorized intergovernmental investment pool.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

2. Cash and Investments (continued)

Investments (continued)

In addition, effective July 1, 2004, Section 17.61(1), *Florida Statutes* was amended to permit organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool “Special Purpose Investment Account (SPIA).”

To provide liquidity for operations, during the fiscal year the Clerk invested in both the Local Government Surplus Funds Trust Fund (LGSF) and the Special Purpose Investment Account (SPIA).

1. The LGSF is administered by the Florida State Board of Administration (SBA). The LGSF is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. The LGSF is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Florida Office of the Auditor General performs the operational audit of the activities and investments of the SBA. During the time of investment, the Clerk’s fair value of their position in the pool approximates its value of the pool shares. Investments with the SBA are not evidenced by securities that exist in physical or book entry form.
2. The Chief Financial Officer for the State of Florida (formerly the State Treasurer) has been investing state revenues, excess revenues of state universities and community colleges and certain other public agencies in a commingled investment portfolio for several years. This program is authorized under Section 17.61(1), *Florida Statutes* and is called the Special Purpose Investment Account (SPIA). Historically, the SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality.

On October 31, 2007, the SBA reported 3.4% of the Local Government Investment Pool assets had been downgraded below purchase guidelines. On November 29, 2007, the trustees of the SBA froze the pool after \$13 billion, more than one-third of total assets, had been withdrawn over a two-week period. The SBA portfolio included approximately \$2 billion in assets with exposure to the subprime mortgage crisis. Detailed audits and investigations were followed by significant legislative changes for the operation of the pool. One of the changes included seeking a rating from Standard and Poor’s for the pool. The current rating for the LGSF is AAAM by Standard and Pools.

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

2. Cash and Investments (continued)

Investments (continued)

On November 13, 2007, the Clerk withdrew all funds invested at that date totaling \$1,599,856 from the LGSF due to concerns about the quality of the assets in the pool and a lack of clear communications from the SBA. The funds withdrawn were deposited in a demand deposit account with a qualified public depository earning the target federal funds rates less 5 basis points. Excess funds from the SBA investment liquidation totaling \$1.5 million and an additional \$1 million were invested in the SPIA from June 17, 2008 through September 24, 2008, when \$2,519,245 including interest of \$19,245 was withdrawn and deposited in the qualified public depository. As valued on June 30, 2008, the current rating for the SPIA is AA-f by Standard and Poors and the effective duration is 3.31 years. The financial details and disclosures for the Treasury Investment Pool are made in Note 2 to the State of Florida Comprehensive Annual Financial Report (the CAFR). The CAFR may be obtained from Florida Department of Financial Service website at www.myfloridacfo.com/aadir/statewide_financial_reporting/cafr.htm.

As of September 30, 2008, the Clerk did not have any material investments and maintained funds in an interest bearing account with an approved public depository. Subsequent to year end, on October 1, 2008, the Clerk reinvested \$2,519,245 in the SPIA.

3. Compensated Absences

As discussed in Note 1, the liability associated with compensated absences is reported on the county-wide financial statement level. A summary of the Clerk's liability for compensated absences included at the county-wide financial statement level is as follows:

	Balance October 1, 2007	Additions	Retirements	Balance September 30, 2008
Liability for compensated absences	\$ 714,923	\$ 494,763	\$ 510,990	\$ 698,696

4. Risk Management

The Clerk participates in the Leon County Insurance Service Fund, which accounts for self-insurance activities relating to workers' compensation. This fund is administered by a third party administrator. The Clerk makes payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2008, was \$28,160. Excess payments are recorded as a designation of retained earnings for catastrophic losses on the books of Leon County. Excess coverage with a commercial carrier is also in force for each claim exceeding \$350,000.

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

5. Employees' Retirement Plan

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

Participating employer contributions are based upon actuarially determined blended rates established by the State Legislature that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required.

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

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2008, the contribution rate was 1.11 percent of payroll pursuant to Section 112.363, *Florida Statutes*.

The total retirement contributions for the fiscal years ended September 30, 2008, 2007, and 2006 were \$705,372, \$671,561, and \$541,329, respectively, which is equal to the required contribution for each year.

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

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

6. Other Postemployment Benefits

Plan Description. The Clerk participates in an agent multiple-employer plan administered by Leon County, Florida (the County) under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The Program is considered by the County’s insurance provider to be community-rated and the Program may be amended by the County’s Board of County Commissioners. A stand alone financial report is not issued for the Program.

Funding Policy. Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligation. As described in Note 1, the Clerk is an elected Constitutional Officer of the County. The annual Other Postemployment Benefit (OPEB) obligation of Constitutional Officers is recognized in the county-wide financial statements of the County and the obligation associated with each Constitutional Officer is disclosed within the notes of their respective financial statements. The County’s OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by Governmental Accounting Standard Number 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the Clerk’s share of the County’s annual OPEB cost, its actual contributions and changes in the Clerk’s share of the County’s net OPEB obligation:

Normal cost (service cost for one year)	\$ 43,644
Amortization of unfunded actuarial accrued liability	49,590
Interest on normal cost and amortization	3,729
Annual required contribution	96,963
Interest on net OPEB obligation	—
Adjustment to annual required contribution	—
Annual OPEB cost	96,963
Contributions made	(35,305)
Increase in net OPEB obligation	61,658
Net OPEB obligation at beginning of year	—
Net OPEB Obligation at end of year	\$ 61,658

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

6. Other Postemployment Benefits (continued)

The Clerk's share of the County's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2008	\$ 96,963	\$ 35,305	36.5%	\$ 61,658

Funded status and Funding Progress. As of September 30, 2008, the Clerk's share of the actuarial accrued liability for benefits recognized in the County's financial statements is \$891,804, all of which is unfunded. The Clerk's covered payroll (annual payroll of active employees covered by the plan) was \$5,816,765. The ratio of the Clerk's actuarial accrued liability to the Clerk's covered payroll was 15.33% at September 30, 2008.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation. The actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the October 1, 2007 actuarial valuation, the projected unit credit method of funding was used. The objective under that method is to fund each participant's benefits under plan as they would accrue, taking into consideration the plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included a 4% rate of return based on the estimated long term investments that are expected to be used to finance the payment of the benefits. In addition, the actuarial assumptions included a 3% salary growth rate. The unfunded actuarial liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008, was 30 years.

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

7. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Clerk had no outstanding encumbrances at September 30, 2008.

8. Other Required Individual Fund Disclosures

Individual fund interfund receivable and payable balances at September 30, 2008 are:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 2,101	\$ 28,196
Article V Court Operating Fund	2,548	126,247
Records Modernization	126,247	-
Agency Funds:		
Condemnation Fund	50	1,949
Child Support	37	3,200
Jury and Witness	28,159	-
Recording Registry	-	-
County Court Registry	-	-
Suspense	500	50
Total	<u><u>\$ 159,642</u></u>	<u><u>\$ 159,642</u></u>

9. Interfund Transfers

Florida Statute 72.011(3)(b) requires that the amount of contested assessments including penalties and accrued interest on certain tax related cases be deposited with the registry of the court, and that interest on these deposits be accrued. In order to comply with this statute, \$31,293 was transferred from the governmental funds to the agency funds during the year ended September 30, 2008.

10. Operating Leases

The Clerk leases office equipment and building space under operating leases expiring in various years through 2012.

Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2008, for each of the five years and in the aggregate are as follows:

Clerk of the Circuit Court
Leon County, Florida

Notes to Special-Purpose Financial Statements

10. Operating Leases (continued)

<u>September 30,</u>	
2009	\$ 50,538
2010	46,894
2011	42,540
2012	<u>12,168</u>
Total	<u>\$ 152,141</u>

11. Related Party Transaction

The Clerk has a written agreement to rent office space from the Leon County Tax Collector for its customer service location. Under this agreement the Clerk paid \$36,504 to the Leon County Tax Collector during the year ended September 30, 2008.

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

September 30, 2008

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

The Honorable Clerk of the Circuit Court
Leon County, Florida

We have audited the special-purpose financial statements of the Clerk of the Circuit Court of Leon County, Florida, (the Clerk) as of and for the year ended September 30, 2008, and have issued our report thereon dated December 22, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Clerk's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Clerk's financial statements that is more than inconsequential will not be prevented or detected by the Clerk's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the Clerk in a separate letter dated December 22, 2008.

This report is intended solely for the information and use of the Clerk of the Circuit Court of Leon County, Florida and the State of Florida, Office of the Auditor General and is not intended and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe, P.A.

December 22, 2008

Management Letter

September 30, 2008

Management Letter

To the Honorable Clerk of the Circuit Court
Leon County, Florida

We have audited the special-purpose financial statements of the Clerk of the Circuit Court of Leon County, Florida (the Clerk), as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated December 22, 2008.

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. We have issued our Report on Internal Control over Financial Reporting and Compliance. Disclosures in that report, which is dated December 22, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of the local government entity audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report.

The *Rules of the Auditor General* (Section 10.554(1)(i)1.) require that we address in the management letter, if not already addressed in the auditors' report on internal controls and compliance, whether or not recommendations made in the preceding annual financial audit report have been followed. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report except as noted below under the heading *Prior Year Findings and Recommendations*.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)2.), the scope of our audit included a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the Clerk complied with Section 218.415, *Florida Statutes*.

The *Rules of the Auditor General* (Section 10.554(1)(i)3.) require that we address in the management letter any recommendations to improve financial management. During our testing of voided cash receipts transactions, we noted that the Clerk did not consistently follow proper procedures for handling voided receipts. During the audit period, the Records Services, Central Cashiering and Traffic Remote locations did not require receipting employees to obtain supervisory approval or document the reason for voided receipts. These omissions increase the risk of errors, fraud or misappropriation of funds. We recommend that the Clerk implement controls requiring the documentation of supervisory approval for and reasons for voided receipts.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material, but more than inconsequential. In connection with our audit, we did not identify any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violation of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the fund financial statements. The name or official title and legal authority for the primary government of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Clerk has no component units.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)8.), the scope of our audit included a review of the provisions of Section 28.35, *Florida Statutes*, regarding the budget and performance standards certified by the Florida Clerk of Courts Operations Corporation (CCOC). In connection with our audit, we determined that the Clerk complied with the budget and performance standards pursuant to Section 28.35, *Florida Statutes*, except as described under the heading *Prior Year Findings and Recommendations*.

Prior Year finding and Recommendations

Finding from 2006-2007

During the prior year audit, we noted significant differences between the benchmarking data reported to the CCOC and the actual results. Through discussions with Clerk personnel, we jointly concluded that the process for developing projections and evaluating the significant differences that result was not clearly documented. We recommended that the Clerk formally document the procedures used to develop benchmarking data to compare actual results to estimated benchmarks, and for making modifications to the benchmark methodology. During the current year audit, we again noted that significant differences exist between the benchmarking data reported to CCOC and the actual results. Management indicated that the

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fiscal year 2006-2007 report with the auditors' recommendations was not received until several months into the 2007-2008 fiscal year. Management was therefore unable to implement the auditors' recommendations until the 2008-2009 fiscal year budget process. Auditors were provided with the written policies but were not able to substantiate the implementation due to the budget being projected on an annual basis and the actual results not being available until the September 30, 2009, fiscal year has been completed.

This management letter is intended solely for the information and use of the Clerk of the Circuit Court of Leon County, Florida and management and the State of Florida, Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

December 22, 2008