

Special-Purpose Financial Statements

Clerk of the Circuit Court  
Leon County, Florida

*Year ended September 30, 2011  
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, 2011

**Contents**

<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Audited Special-Purpose Financial Statements</b>	
Balance Sheet – Governmental Funds.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	4
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	5
Budgetary Comparison Statement – General Fund .....	6
Budgetary Comparison Statement – Article V Court Operating Fund .....	7
Budgetary Comparison Statement – Records Modernization Fund .....	8
Notes to Special-Purpose Financial Statements.....	9
<b>Report of Independent Auditors 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 <i>Government Auditing Standards</i> .....</b>	<b>20</b>
<b>Management Letter .....</b>	<b>22</b>

## 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, 2011, 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, 2011, 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, 2011, the results of each of the major funds' operations, and the respective budgetary comparison statements of the major funds for the year then ended, on the basis of accounting described in Note 1.

Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2011, 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.

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

Thomas Howell Ferguson P.C.

December 12, 2011

Clerk of the Circuit Court  
Leon County, Florida

Balance Sheet - Governmental Funds

September 30, 2011

	<u>General Fund</u>	<u>Article V Court Operating Fund</u>	<u>Records Modernization Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 747,752	\$ 97,278	\$ 710,663	\$ 1,555,693
Investments	-	-	794,173	794,173
Receivables (net of allowances for uncollectibles):				
Accounts receivable	13,213	-	1,300	14,513
Intergovernmental	-	57,906	-	57,906
Due from other county units	396	-	-	396
Inventories	14,560	-	-	14,560
Total assets	<u>\$ 775,921</u>	<u>\$ 155,184</u>	<u>\$ 1,506,136</u>	<u>\$ 2,437,241</u>
<b>Liabilities and fund equity</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 538,121	\$ 1,029	\$ -	\$ 539,150
Due to other county units	105,840	-	-	105,840
Due to other governments	107,780	-	-	107,780
Deposits	24,180	-	-	24,180
Deferred revenue	-	154,155	-	154,155
Total liabilities	<u>775,921</u>	<u>155,184</u>	<u>-</u>	<u>931,105</u>
Fund equity:				
Reserved for records modernization	-	-	1,506,136	1,506,136
Total liabilities and fund equity	<u>\$ 775,921</u>	<u>\$ 155,184</u>	<u>\$ 1,506,136</u>	<u>\$ 2,437,241</u>

*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  
Balances - Governmental Funds

Fiscal year ended September 30, 2011

	<u>General Fund</u>	<u>Article V Court Operating Fund</u>	<u>Records Modernization Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Charges for services	\$ 1,005,153	\$ -	\$ 731,842	\$ 1,736,995
Intergovernmental	30,882	7,106,118	210,836	7,347,836
Interest	663	-	11,559	12,222
Miscellaneous	4,818	-	-	4,818
Total revenues	<u>1,041,516</u>	<u>7,106,118</u>	<u>954,237</u>	<u>9,101,871</u>
<b>Expenditures</b>				
Current:				
General government:				
Judicial	380,208	6,547,229	517,984	7,445,421
Financial and administrative	1,950,990	-	-	1,950,990
Other general government	447,353	-	442,140	889,493
Total expenditures	<u>2,778,551</u>	<u>6,547,229</u>	<u>960,124</u>	<u>10,285,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,737,035)</u>	<u>558,889</u>	<u>(5,887)</u>	<u>(1,184,033)</u>
Other financing sources (uses)				
including transfers:				
Operating transfers in	1,931,921	-	597,188	2,529,109
Operating transfers out	(194,886)	(190,305)	(311,219)	(696,410)
Remittance to the Florida Department of Revenue	-	(368,584)	-	(368,584)
Total other financing sources (uses)	<u>1,737,035</u>	<u>(558,889)</u>	<u>285,969</u>	<u>1,464,115</u>
Net change in fund balances	-	-	280,082	280,082
Fund balance at beginning of year	-	-	1,226,054	1,226,054
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,506,136</u>	<u>\$ 1,506,136</u>

*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, 2011

**Assets**

Cash	\$ 3,336,077
Investments	817,062
Accounts receivable	1,279
Total assets	<u>\$ 4,154,418</u>

**Liabilities**

Accounts payable and other liabilities	\$ 65,327
Due to other county units	509,958
Due to other governments	2,115,933
Deposits	1,463,200
Total liabilities	<u>\$ 4,154,418</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, 2011

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Charges for services	\$ 1,034,799	\$ 1,034,799	\$ 1,005,153	\$ (29,646)
Intergovernmental	5,700	5,700	30,882	25,182
Interest	14,858	14,858	663	(14,195)
Miscellaneous	-	-	4,818	4,818
Total revenues	<u>1,055,357</u>	<u>1,055,357</u>	<u>1,041,516</u>	<u>(13,841)</u>
<b>Expenditures</b>				
Current:				
General government:				
Judicial	429,232	515,708	380,208	135,500
Financial and administrative	2,054,597	2,009,717	1,950,990	58,727
Other general government	512,908	471,312	447,353	23,959
Total expenditures	<u>2,996,737</u>	<u>2,996,737</u>	<u>2,778,551</u>	<u>218,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,941,380)</u>	<u>(1,941,380)</u>	<u>(1,737,035)</u>	<u>204,345</u>
Other financing sources (uses)				
including transfers:				
Operating transfers in	1,941,380	1,941,380	1,931,921	(9,459)
Operating transfers out	-	-	(194,886)	(194,886)
Total other financing sources (uses)	<u>1,941,380</u>	<u>1,941,380</u>	<u>1,737,035</u>	<u>(204,345)</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, 2011

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$6,644,350	\$6,770,452	\$7,106,118	\$ 335,666
Total revenues	6,644,350	6,770,452	7,106,118	335,666
<b>Expenditures</b>				
Current:				
General government:				
Judicial	6,674,784	6,770,452	6,547,229	223,223
Total expenditures	6,674,784	6,770,452	6,547,229	223,223
Excess (deficiency) of revenues over (under) expenditures	(30,434)	-	558,889	558,889
Other financing sources (uses) including transfers:				
Operating transfers in	30,434	-	-	-
Operating transfers out	-	-	(190,305)	(190,305)
Remittance to the Florida Department of Revenue	-	-	(368,584)	(368,584)
Total other financing sources (uses)	30,434	-	(558,889)	(558,889)
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, 2011

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 721,305	\$ 721,305	\$ 731,842	\$ 10,537
Intergovernmental	-	-	210,836	210,836
Interest	11,000	11,000	11,559	559
Total revenues	<u>732,305</u>	<u>732,305</u>	<u>954,237</u>	<u>221,932</u>
<b>Expenditures</b>				
Current:				
General government:				
Judicial	585,208	615,642	517,984	97,658
Other general government	<u>682,390</u>	<u>682,390</u>	<u>442,140</u>	<u>240,250</u>
Total expenditures	<u>1,267,598</u>	<u>1,298,032</u>	<u>960,124</u>	<u>337,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(535,293)</u>	<u>(565,727)</u>	<u>(5,887)</u>	<u>559,840</u>
Other financing sources (uses) including transfers:				
Operating transfers in	242,366	272,800	597,188	324,388
Operating transfers out	<u>(272,800)</u>	<u>(272,800)</u>	<u>(311,219)</u>	<u>(38,419)</u>
Total other financing sources (uses)	<u>(30,434)</u>	<u>-</u>	<u>285,969</u>	<u>285,969</u>
Net change in fund balances	(565,727)	(565,727)	280,082	845,809
Fund balance at beginning of year	<u>1,226,054</u>	<u>1,226,054</u>	<u>1,226,054</u>	<u>-</u>
Fund balance at end of year	<u>\$ 660,327</u>	<u>\$ 660,327</u>	<u>\$ 1,506,136</u>	<u>\$ 845,809</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

Fiscal Year Ended September 30, 2011

**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, *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 government-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 special-purpose 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**

During the 2009 legislative session, the Florida legislature reduced statewide funding for Clerk's Court budgets. The legislature changed any future budget to a State fiscal year of July 1 to June 30. The Clerk's Court funding process was also changed to an appropriation from the State of Florida rather than the existing revenue model. All court revenues will be collected and disbursed monthly to the state as a part of the Agency Fund. The fiscal year for the Clerk continues to be from October 1 to September 30, and any unexpended appropriation for the court's budget is rolled into the new fiscal year.

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, except for the Clerk's Courts Funds, which lapse at the end of the state year in June.

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

*Florida Statutes*, Section 218.35 governs the preparation, adoption, and administration of the 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 money is 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). With the 2009 legislative changes, CCOC will submit a Legislative Budget Request for all clerks that will result in an appropriation by the legislature; 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.

Clerk of the Circuit Court  
Leon County, Florida

Notes to Special-Purpose Financial Statements

**1. Summary of Significant Accounting Policies (continued)**

**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.

**Investments**

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 pool 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 Net Assets 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) retirement 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.”

**2. Cash and Investments**

**Cash**

Cash consists of demand deposits held at qualified public depositories. At September 30, 2011, the carrying amount of the Clerk’s deposits (including agency funds) was \$4,891,770. 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*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

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 Florida PRIME (formerly the Local Government Surplus Funds Trust Fund) administered by the State Board of Administration 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.

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

Clerk of the Circuit Court  
Leon County, Florida

Notes to Special-Purpose Financial Statements

**2. Cash and Investments (continued)**

**Investments (continued)**

To provide liquidity for operations, during the fiscal year the Clerk invested in the SPIA.

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 SPIA. Historically, the SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The financial details and disclosures for the Treasury Investment Pool are made in Note 2 of the State of Florida Comprehensive Annual Financial Report (CAFR). At September 30, 2011, the Clerk had \$1,611,235 invested in SPIA and reported at fair market value.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of investments. One method of managing interest rate risk is the duration method, which measures a debt investment's exposure to fair value changes arising from changing interest rates. The longer the effective duration of the investment the greater the potential variability of the investment's fair value as a result of future changes in interest rates.

The effective duration of the Treasury Investment Pool at September 30, 2011, is 2.21 years.

**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:

	<b>Balance October 1, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance September 30, 2011</b>
Liability for compensated absences	\$ 761,790	\$ 679,239	\$ 844,272	\$ 596,757

Clerk of the Circuit Court  
Leon County, Florida

Notes to Special-Purpose Financial Statements

**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, 2011, was \$15,407. 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 \$500,000.

**5. Employees' Retirement Plan**

All full-time employees of the Clerk, except those excluded pursuant to Section 121.4501, *Florida Statutes*, 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 Leon County, Florida Comprehensive Annual Financial Report. 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. Beginning July 1, 2011, a three percent employee contribution is required by active employees.

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, 2011, the contribution rate was 1.11% of payroll pursuant to Section 112.363, *Florida Statutes*.

The total retirement contributions for the fiscal years ended September 30, 2011, 2010, and 2009 were \$615,513, \$670,386, and \$672,110, respectively, which is equal to the required contribution for each year.

Clerk of the Circuit Court  
Leon County, Florida

Notes to Special-Purpose Financial Statements

**5. Employees' Retirement Plan (continued)**

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.

**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 30 years.

Clerk of the Circuit Court  
Leon County, Florida

Notes to Special-Purpose Financial Statements

**6. Other Postemployment Benefits (continued)**

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)	\$ 41,206
Amortization of unfunded actuarial accrued liability	61,711
Interest on normal cost and amortization	4,117
Annual required contribution	107,034
Interest on net OPEB obligation	9,002
Adjustment to annual required contribution	(13,015)
Annual OPEB cost	103,021
Contributions made	(22,406)
Increase in net OPEB obligation	80,615
Net OPEB obligation at beginning of year	225,054
Net OPEB Obligation at end of year	\$ 305,669

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 2011 and the preceding two years is as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Amount Contributed</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
September 30, 2011	\$ 103,021	\$ 22,406	22%	\$ 305,669
September 30, 2010	\$ 107,939	\$ 28,120	26%	\$ 225,054
September 30, 2009	\$ 109,429	\$ 25,852	24%	\$ 145,235

*Funded Status and Funding Progress.* As of September 30, 2011, the Clerk's share of the actuarial accrued liability for benefits recognized in the County's financial statements is \$1,109,800, all of which is unfunded. The Clerk's covered payroll (annual payroll of active employees covered by the plan) was \$6,555,804. The ratio of the Clerk's actuarial accrued liability to the Clerk's covered payroll was 17% at September 30, 2011.

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.

Clerk of the Circuit Court  
Leon County, Florida

Notes to Special-Purpose Financial Statements

**6. Other Postemployment Benefits (continued)**

*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, 2010 actuarial valuation, the projected unit credit method of funding was used. The objective under that method is to fund each participant's benefits under the 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, 2011, was 30 years.

**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, 2011.

**8. Operating Leases**

The Clerk leases office equipment and building space under operating leases expiring in various years through 2015.

Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2011, for each of the five years and in the aggregate are as follows:

<u>September 30,</u>	
2012	\$ 24,936
2013	13,428
2014	12,681
2015	<u>2,820</u>
Total	<u>\$ 53,865</u>

Clerk of the Circuit Court  
Leon County, Florida

Notes to Special-Purpose Financial Statements

**9. 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, 2011.

**10. Commitments**

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract are \$713,750. As of September 30, 2011, a total of \$354,150 has been paid. The remaining balance is expected to be paid within the 2011-2012 fiscal year.

**11. Fund Balance**

The Governmental Accounting Standards Board's Statement No. 54, effective for fiscal years beginning after June 15, 2010, requires that all fund balances be classified into one of the following four categories: nonspendable, restricted, committed, assigned, and unassigned. As described in Note 1, the financial statements of the Clerk are fund statements considered to be special purpose financial statements consistent with accounting practices prescribed by the Office of the Auditor General, State of Florida. Accordingly, the reclassification of fund balances is made at the county-wide financial statement level rather than in these special-purpose financial statements. Had the fund balance been reclassified in the special-purpose financial statements, the fund balances at September 30, 2011 for the General and Special Revenue Funds would be:

	<b>General</b>	<b>Special Revenue</b>
Nonspendable fund balance	\$ 27,773	\$ 1,300
Restricted fund balance	-	359,600
Committed fund balance	-	602,500
Assigned fund balance	-	542,736
Unassigned fund balance	(27,773)	-
Fund balance total	<u>\$ -</u>	<u>\$1,506,136</u>

Report of Independent Auditors 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, 2011*

## Report of Independent Auditors 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, 2011 and have issued our report thereon dated NEED DATE. 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**

Management of the Clerk is responsible for establishing and maintaining effective 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Per inspection of *Florida Statute* 40.32(3), jurors and witnesses shall be paid by the clerk of the court either in cash or by warrant within 20 days after completion of jury service or of completion of service as a witness. During our testing of compliance with this statute, we noted that payments for one jury service date were not made within the statutory requirement. We recommend that the Clerk's office comply with the statute and implement a procedure to monitor such compliance.

### **Management Response**

This was one group of payments that were made three days late. This occurred when a major jury selection was being processed and should not occur again.

We did not audit the Clerk's response above and, accordingly, we express no opinion on it.

\*\*\*\*\*

We have issued a management letter to the Clerk of the Circuit Court of Leon County, Florida dated December 12, 2011, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.800.

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 to be, and should not be, used by anyone other than these specified parties.

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

Thomas Howell Ferguson P.C.

December 12, 2011

Management Letter

*September 30, 2011*

## 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, 2011, and have issued our report thereon dated December 12, 2011.

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 of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated December 12, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of the local governmental 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 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 significant findings and recommendations made in the preceding annual financial report except as noted below under the heading Prior Year Findings and Recommendations.

### **Prior Year Findings and Recommendations**

Per inspection of *Florida Statute* 40.32(3), jurors and witnesses shall be paid by the clerk of the court either in cash or by warrant within 20 days after completion of jury service or of completion of service as a witness. During our testing of compliance with this statute in the prior year, we noted that for a portion of the year, payments were not made within the statutory requirement. We noted no instances of noncompliance after March 2010.

During our testing of compliance with this statute during the current year, we noted that payments for one jury service date were not made within the statutory requirement. We recommend that the Clerk's office comply with the statute and implement a procedure to monitor such compliance.

### **Management Response**

This was one group of payments that were made three days late. This occurred when a major jury selection was being processed and should not occur again.

The *Rules of the Auditor General* (Section 10.554(1)(i)2.) require our audit to include 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. In connection with our audit we did not have any such recommendations.

The *Rules of the Auditor General* (Section 10.554(1)(i)4.) require that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)5) provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)6.) 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.

The *Rules of the Auditor General* (Section 10.554(1)(i)8.), require a statement as to whether or not the clerk of the courts complied with the requirements of Sections 28.35 and 28.36, *Florida Statutes*. In connection with our audit, we determined that the clerk complied with such requirements.

\*\*\*\*\*

Pursuant to Chapter 119, *Florida Statutes*, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

December 12, 2012