

**Diane M. Matousek**  
**Clerk of the Circuit Court**  
**Volusia County, Florida**



**Annual Financial Report**  
**Year Ended**  
**September 30, 2007**

**Clerk of the Circuit Court  
County of Volusia, Florida**

**ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2007**

**Clerk of the Circuit Court**  
**County of Volusia, Florida**  
**ANNUAL FINANCIAL REPORT**  
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Year Ended September 30, 2007

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**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The Honorable Clerk of the Circuit Court  
County of Volusia, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clerk of the Circuit Court, County of Volusia, Florida (the "Clerk"), a component unit of the County of Volusia, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Clerk's basic financial statements, listed in the table of contents. These financial statements are the responsibility of the Clerk's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clerk, as of September 30, 2007, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund and special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2007 on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida  
November 23, 2007

**Clerk of the Circuit Court  
County of Volusia, Florida**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2007



As management of the Clerk of the Circuit Court in Volusia County, Florida (the "Clerk"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Clerk for the year ended September 30, 2007.

**Financial Highlights**

The assets of the Clerk exceeded its liabilities at the end of the fiscal year by \$11,056,116 (net assets). Of this amount, \$1,504,733 was invested in capital assets, \$10,553,511 was restricted, and \$1,002,128 was obligated to meet the ongoing obligations for accrued compensated absences. The Clerk's total net assets increased by \$1,680,083 for the fiscal year ended September 30, 2007. As of the close of the fiscal year, the Clerk's governmental funds reported combined ending fund balances of \$10,553,511. This is an increase of \$2,057,567 over the prior year.

**Overview of the Financial Statements**

The Clerk's basic financial statements are composed of the following: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the Clerk's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the Clerk's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the Clerk's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, expenses are reported in this statement for some items that will not result in changes to cash flows until future periods.

The governmental activities of the Clerk include a wide range of recordkeeping, financial management, and information management services related to the court system and the public records of Volusia County.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2007

**Overview of the Financial Statements - Continued**

Functions of the Clerk as relates to the Circuit and County Courts:

- Maintains custody and control of all court files.
- Attends each session of court.
- Files indictments, pleadings and verdicts.
- Summons jurors, witnesses and defendants.
- Prepares the appellate record.
- Conducts mortgage foreclosure sales.
- Assists victims of abuse in completing the paperwork necessary to seek injunctions for protection.
- Assists plaintiffs in completing the paperwork necessary to file for a simplified divorce.
- Assists plaintiffs in completing the paperwork necessary to file a small claims lawsuit.
- Administers oaths.
- Compiles and reports statistical and financial data.

Functions of the Clerk as relates to General Government functions of County Recorder:

- Records and indexes deeds, mortgages and real estate transactions.
- Processes tax deed applications and conducts tax deed sales.
- Records public defender liens and all judgments rendered by the court.
- Maintains public land records.
- Processes marriage licenses and passports.
- Performs marriage ceremonies.

Fund Financial Statements:

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

**Clerk of the Circuit Court  
County of Volusia, Florida**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2007

**Overview of the Financial Statements - Continued**

Governmental Funds:

Governmental funds are used to account for the same functions reported as government activities in the government-wide financial statements. But, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. The focus of governmental funds is narrower than that of government-wide financial statements. Both the governmental fund statement of net assets and the governmental fund statement of activities provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The Clerk maintains two individual governmental funds, the General Fund and the Public Records Modernization Trust Fund. Both are considered to be major funds. Information for these funds is presented separately in the governmental fund statement of assets and in the governmental fund statement of activities. The Clerk adopts annual appropriated budgets for its General Fund and Public Records Modernization Trust Fund. The annual budgets serve as the foundation for the Clerk's financial planning and control. A budgetary comparison statement has been provided for both funds to demonstrate compliance with the budget.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of the State of Florida, the County of Volusia, and other parties outside the Clerk. The fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Clerk.

The fiduciary funds financial statement can be found on page 11 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 12 of this report.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2007

**Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of financial position. In the case of the Clerk, assets exceeded liabilities by \$11,056,116 at the end of the fiscal year.

CLERK'S NET ASSETS – Governmental Activities

	2007	2006
Current and other assets	\$ 15,020,803	\$ 13,996,682
Capital assets	1,504,733	1,608,199
Total assets	16,525,536	15,604,881
Long-term liabilities	1,002,128	728,110
Other liabilities	4,467,292	5,500,738
Total liabilities	5,469,420	6,228,848
Net Assets:		
Invested in capital assets	1,504,733	1,608,199
Restricted	10,553,511	8,495,944
Unrestricted	(1,002,128)	(728,110)
<b>TOTAL NET ASSETS</b>	<b>\$ 11,056,116</b>	<b>\$ 9,376,033</b>

CLERK'S CHANGES IN NET ASSETS – Governmental Activities

	2007	2006
<b>Revenues</b>		
Operating grants	\$ 475,875	\$ 524,967
Subsidy from County Council	1,742,400	1,599,166
Subsidy from Clerk of Court Trust Fund	1,125,984	867,326
Charges for services	18,230,826	19,560,440
Interest	766,169	534,407
Miscellaneous revenues	4,519	39,891
Total revenues	22,345,773	23,126,197
<b>Expenditures</b>		
General government	5,287,075	4,902,220
Court operations	11,893,587	10,940,514
Total expenditures	17,180,662	15,842,734
Increase in net assets before transfers	5,165,111	7,283,463
Transfers	(3,485,028)	(4,569,408)
Increase in net assets	1,680,083	2,714,055
Net assets – October 1	9,376,033	6,661,978
Net assets – September 30	<b>\$ 11,056,116</b>	<b>\$ 9,376,033</b>

**Clerk of the Circuit Court  
County of Volusia, Florida**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2007

**Government-wide Financial Analysis - Continued**

The funds restricted for the Public Records Modernization Trust Fund accounted for \$10,553,511 of the net assets. The Clerk collects an additional service charge on certain recorded documents for this fund pursuant to Florida Statute 28.24 (12) (d) and (e). The fund must be used exclusively for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the public records system of the Clerk.

The Clerk's investment in capital assets was \$1,504,733 at the end of the fiscal year. This amount reflects the Clerk's investment in office and computer equipment, which are used to provide services to the citizens of Volusia County. Consequently, these assets are not available for future spending. The Clerk purchased \$619,372 of office and computer equipment during the fiscal year.

There is a deficit in the unrestricted net assets category of \$1,002,128. This amount represents accrued compensated absences of the Clerk which are not due within one year. It is the Clerk's policy to grant all full-time and provisional employees annual leave based upon the number of years of employment with the Clerk. Unused annual leave accrued is payable upon termination, retirement or through an attendance incentive plan. The amount of the deficit represents the amount that was accrued sick leave and vacation leave for employees who are currently employed by the Clerk. These amounts are expected to be paid out over a number of years from current operating resources. The Clerk does not anticipate that the payments for accrued leave will cause operating deficits in future periods.

As a fee officer, the Clerk is required under Florida Statute 218.36 to submit to the County of Volusia, all excess fees from general government operations by October 31<sup>st</sup> after the close of the fiscal year. The excess fee calculation is based upon the fund financial statements; therefore, the Clerk does not have the opportunity to accumulate net assets in the general fund to pay the accrued compensated absences.

**General Fund Budgetary Highlights**

The General Fund is the chief operating fund of the Clerk. There were substantial differences between the original budget and final amended budget. The primary reason for these differences was the change in fee structure brought about by State constitutional amendments to Article V relating to the court system.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2007

**General Fund Budgetary Highlights - Continued**

The Clerk is required to adopt a separate budget for court-related revenues and expenditures, which is approved by the Florida Clerks of Court Operations Corporation. The actual court-related revenues were \$471,408 more than the approved budget. The expenditures were \$231,563 less than the approved budget. The main reason why the actual revenues from court-related functions were higher than projected was that case filings were higher than expected. This resulted in greater revenues for filing fees and court costs. The Clerk was able to keep expenditures under the budgeted amounts by making changes in spending decisions related to the operational needs of the Clerk's office.

For the general government portion of the budget, the recording fees were lower than expected. Therefore, this portion of the budget was amended, as necessary, to reflect the decreased fee revenues.

**Economic Factors and Next Year's Budgets**

Various factors were considered in preparing the budget for the 2008 fiscal year. The Clerk currently sees an environment that does not indicate stability in the housing market for the coming fiscal year. The general government revenues are expected to be flat.

The court operations revenues are expected to increase due to the increase in mortgage foreclosures and tenant evictions. Even so, the court operations are expected to continue operating at a deficit in the 2008 fiscal year. The Clerk is retaining all court-related fines, fees, service charges, and costs. The projected revenue deficit has been approved by the Florida Clerks of Court Operations Corporation and certified by the Department of Revenue. The projected deficit will be funded from the Department of Revenue Clerks of the Court Trust Fund.

**Requests for Information**

This financial report is designed to provide a general overview of the Clerk of the Circuit Court's finances for all those with an interest in the Clerk's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Director of Fiscal Operations, Clerk of the Circuit Court, P.O. Box 6043, DeLand, Florida 32721-6043.

## **FINANCIAL SECTION**

**Clerk of the Circuit Court**  
**County of Volusia, Florida**  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
September 30, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,346,349	\$ 10,553,511	\$ 14,899,860	\$ -	\$ 14,899,860
Accounts receivable	24,765	-	24,765	-	24,765
Due from County Council	4,987	-	4,987	-	4,987
Due from other governments	78,751	-	78,751	-	78,751
Prepays and other assets	12,440	-	12,440	-	12,440
Capital assets, net	-	-	-	1,504,733	1,504,733
<b>Total Assets</b>	<u>\$ 4,467,292</u>	<u>\$ 10,553,511</u>	<u>\$ 15,020,803</u>	<u>1,504,733</u>	<u>16,525,536</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 39,206	-	\$ 39,206	-	39,206
Accrued liabilities	460,525	-	460,525	-	460,525
Accrued compensated absences:					
Current portion	331,626	-	331,626	-	331,626
Long-term portion	-	-	-	1,002,128	1,002,128
Due to County Council	2,782,056	-	2,782,056	-	2,782,056
Due to other governments	781,150	-	781,150	-	781,150
Deposits	72,729	-	72,729	-	72,729
<b>Total Liabilities</b>	<u>4,467,292</u>	<u>-</u>	<u>4,467,292</u>	<u>1,002,128</u>	<u>5,469,420</u>
<b>FUND BALANCES / NET ASSETS</b>					
Fund balances:					
Reserved for public record modernization	-	10,553,511	10,553,511	10,553,511	-
Unreserved	-	-	-	-	-
Total fund balances	<u>-</u>	<u>10,553,511</u>	<u>10,553,511</u>	<u>10,553,511</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,467,292</u>	<u>\$ 10,553,511</u>	<u>\$ 15,020,803</u>		
Net assets:					
Invested in capital assets				1,504,733	1,504,733
Restricted				10,553,511	10,553,511
Unrestricted (deficit)				(1,002,128)	(1,002,128)
<b>Total Net Assets</b>				<u>\$ 11,056,116</u>	<u>\$ 11,056,116</u>

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

**Clerk of the Circuit Court**  
**County of Volusia, Florida**  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For The Year Ended September 30, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
<b>Revenues</b>					
General government:					
Operating grants	\$ 475,875	\$ -	\$ 475,875	\$ -	\$ 475,875
Subsidy from County Council	1,742,400	-	1,742,400	-	1,742,400
Charges for services	4,958,943	2,096,144	7,055,087	-	7,055,087
Interest	65,971	405,363	471,334	-	471,334
Miscellaneous revenues	4,519	-	4,519	-	4,519
Court operations:					
Subsidy from Clerk of Court Trust Fund	1,125,984	-	1,125,984	-	1,125,984
Charges for services	11,175,739	-	11,175,739	-	11,175,739
Interest	294,835	-	294,835	-	294,835
Total Revenues	<u>19,844,266</u>	<u>2,501,507</u>	<u>22,345,773</u>	<u>-</u>	<u>22,345,773</u>
<b>Expenditures / Expenses</b>					
General government:					
Programs and operations	4,138,630	151,589	4,290,219	274,018	4,564,237
Depreciation	-	-	-	722,838	722,838
Capital outlay	327,021	292,351	619,372	(619,372)	-
Court operations:					
Programs and operations	11,893,587	-	11,893,587	-	11,893,587
Total Expenditures / Expenses	<u>16,359,238</u>	<u>443,940</u>	<u>16,803,178</u>	<u>377,484</u>	<u>17,180,662</u>
Excess (deficiency) of revenues over expenditures	3,485,028	2,057,567	5,542,595	(377,484)	5,165,111
<b>Other Financing Sources / Uses</b>					
Transfers - County Council	(2,782,056)	-	(2,782,056)	-	(2,782,056)
Transfers - Florida Department of Revenue	(702,972)	-	(702,972)	-	(702,972)
Total Other Financing Sources/Uses	<u>(3,485,028)</u>	<u>-</u>	<u>(3,485,028)</u>	<u>-</u>	<u>(3,485,028)</u>
Excess (deficiency) of revenues over expenditures and transfers out	-	2,057,567	2,057,567	(2,057,567)	-
Change in net assets	-	-	-	1,680,083	1,680,083
<b>Fund Balances / Net Assets</b>					
Beginning of the year	-	8,495,944	8,495,944	880,089	9,376,033
End of the year	<u>\$ -</u>	<u>\$ 10,553,511</u>	<u>\$ 10,553,511</u>	<u>\$ 502,605</u>	<u>\$ 11,056,116</u>

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

**Clerk of the Circuit Court**  
**County of Volusia, Florida**  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND AND SPECIAL REVENUE FUND  
For The Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<b>GENERAL FUND</b>			
<b>Revenues</b>			
General government:			
Operating grants	\$ 584,076	\$ 584,076	\$ 475,875
Subsidy from County Council	1,742,400	1,742,400	1,742,400
Charges for services	5,358,100	5,358,100	4,958,943
Interest	276,336	276,336	65,971
Miscellaneous revenues	10,908	10,908	4,519
Court operations:			
Subsidy from Clerk of Court Trust Fund	1,125,979	1,125,979	1,125,984
Charges for services	10,838,711	10,838,711	11,175,739
Interest	160,460	160,460	294,835
Total Revenues	<u>20,096,970</u>	<u>20,096,970</u>	<u>19,844,266</u>
<b>Expenditures / Expenses</b>			
General government:			
Programs and operations	4,301,280	4,301,280	4,138,630
Capital outlay	-	600,000	327,021
Court operations:			
Programs and operations	<u>12,125,150</u>	<u>12,125,150</u>	<u>11,893,587</u>
Total Expenditures / Expenses	<u>16,426,430</u>	<u>17,026,430</u>	<u>16,359,238</u>
Net change in fund balance	3,670,540	3,070,540	3,485,028
Transfers - County Council	(3,670,540)	(3,070,540)	(2,782,056)
Transfers - Florida Department of Revenue	-	-	(702,972)
Budgeted Reserve - Court Operations	-	-	-
Fund Balance at Beginning of Year	-	-	-
<b>Fund Balance at End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>SPECIAL REVENUE FUND</b>			
<b>Revenues</b>			
Charges for services	\$ 2,500,000	\$ 2,500,000	\$ 2,096,144
Interest	250,000	250,000	405,363
Total Revenues	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,501,507</u>
<b>Expenditures</b>			
General government:			
Programs and operations	<u>175,000</u>	<u>175,000</u>	<u>151,589</u>
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>292,351</u>
Total Expenditures	<u>675,000</u>	<u>675,000</u>	<u>443,940</u>
Net change in fund balance	<u>2,075,000</u>	<u>2,075,000</u>	<u>2,057,567</u>
Fund Balance at Beginning of Year	<u>8,495,944</u>	<u>8,495,944</u>	<u>8,495,944</u>
<b>Fund Balance at End of Year</b>	<u>\$ 10,570,944</u>	<u>\$ 10,570,944</u>	<u>\$ 10,553,511</u>

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

**Clerk of the Circuit Court**  
**County of Volusia, Florida**  
STATEMENT OF FIDUCIARY NET ASSETS -  
AGENCY FUNDS  
September 30, 2007

**ASSETS**

Cash and cash equivalents	\$ 9,072,390
Accounts receivable	32,596
Due from other governments	-
<b>Total Assets</b>	<u>9,104,986</u>

**LIABILITIES**

Accounts payable	473,145
Due to County Council	386,907
Due to other governments	2,235,798
Deposits	6,009,136
<b>Total Liabilities</b>	<u>9,104,986</u>

**NET ASSETS**

\$ -

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

**Clerk of the Circuit Court**  
**County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

The County of Volusia, Florida (the “County”), implemented a County Home Rule Charter on January 1, 1971, as provided by Section 125.60 of the Laws of Florida. The County operates under an elected County Council (7 members) and provides services to its more than 494,000 residents in many areas, including law enforcement, community enrichment and development, and human services.

Section 503 of the Charter specifically excludes the office of the Clerk of the Circuit Court (the “Clerk”) and its related activities, as it is a separate governmental unit governed by the Constitution and Laws of Florida. The Clerk’s annual financial report does not include the financial statements of the County Council Charter government (the “County of Volusia, Florida”) representing the County Council, Supervisor of Elections, Sheriff and Property Appraiser.

As described above, the Clerk is a legally-separate entity from the County of Volusia, Florida. However, in applying the criteria set forth in Governmental Accounting Standards Board Statement Number 14, *The Reporting Entity*, it would be misleading to exclude the Clerk from the Comprehensive Annual Financial Report (“CAFR”) of the County of Volusia, Florida, because of their interrelationship. Therefore, the Clerk, for financial reporting purposes, is considered a component unit of the County of Volusia, Florida. The financial statements of the Clerk are included in the County of Volusia, Florida’s CAFR under a discrete presentation format.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements report information on all of the non-fiduciary activities of the Clerk. Fund financial statements are presented for the Clerk’s general and special revenue funds. Both of these funds are considered to be major funds. The Clerk does not engage in any business-type activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds, based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Separate financial statements are provided for fiduciary funds, even though they are excluded from the government-wide financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Cont.**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Clerk considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Governmental Funds Types

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

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The Clerk has one Special Revenue Fund: the Public Records Modernization Trust Fund.

Fiduciary Fund Type

Agency Funds – Agency funds are used to account for assets held by the Clerk in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds. The Clerk has seven agency funds. A separate financial statement is provided for agency funds. They are excluded from the government-wide financial statements. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Clerk's agency funds are: Documentary Stamps and Intangible Tax, Foreclosures and Other Court Deposits, Fines and Forfeitures, Uniform Support, Court Registry, Juror and Witness Payroll Advance, and Tax Deed Sales.

**D. Capital Assets**

Capital assets purchased in the General Fund and Public Records Modernization Trust Fund are recorded as expenditures at the time of purchase. Such assets are comprised entirely of equipment and are capitalized at cost or estimated historical cost. Donated assets are recorded at fair market value at time of donation. Land and buildings used in the Clerk's operations are included in the County of Volusia, Florida's CAFR. Depreciation has been provided on fixed assets using the straight-line method over the estimated useful life of five years for office furniture, fixtures and equipment.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**E. Budgets and Budgetary Accounting**

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

- (1) Section 218.35 of the Florida Statutes requires the Clerk, as a fee officer, to establish an annual budget reflecting resources available and functions for which funds are to be expended.
- (2) The proposed budget is to be filed with the Clerk of the County Council by September 1<sup>st</sup> preceding the fiscal year of the budget.
- (3) The Clerk must submit a budget for court-related revenues and expenditures (for functions elaborated in Section 28.35(4) of the Florida Statutes) by August 1<sup>st</sup> to the Florida Clerks of Court Operations Corporation in accordance with Section 28.36 of the Florida Statutes. The proposed budget may include a contingency reserve not to exceed 10% of the total budget. The corporation must then certify to the President of the Senate, the Speaker of the House of Representatives, the Chief Financial Officer, and the Department of Revenue by October 15<sup>th</sup> of each year, the amount of the proposed budget certified for each Clerk.
- (4) The Clerk can amend the general government budget (recorded in the General Fund), as deemed necessary, during the year. Budgetary control is at the total revenue and expenditure level.
- (5) The Clerk must request approval from the Florida Clerks of Court Operations Corporation in order to amend the court-related budget. Budgetary control is at the total revenue and expenditure level.
- (6) The Clerk must remit to the General Fund of the County of Volusia, Florida, the excess revenues over expenditures for general government operations in the Clerk's General Fund. This must be done by December 31<sup>st</sup> after the close of the fiscal year, in accordance with Section 218.36 of the Florida Statutes.
- (7) The Clerk must remit to the State of Florida General Revenue Fund the cumulative excess of all court-related revenues over the amounts needed to meet the approved budgeted expenditures. This must be done by January 1<sup>st</sup> after the close of the fiscal year, in accordance with Section 28.37 of the Florida Statutes.
- (8) Formal budgetary integration is employed as a management control device during the year for the Clerk's General Fund and Special Revenue Fund. Appropriations lapse at the close of the fiscal year.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**E. Budgets and Budgetary Accounting - Continued**

(9) The budgets for the Clerk's General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

**F. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, checking accounts and money market accounts.

**G. Compensated Absences**

It is the Clerk's policy to grant all full-time and provisional employees annual leave based upon the number of years of employment with the Clerk. Annual leave may be accrued up to a maximum of 270 hours. Unused annual leave accrued is payable upon termination or retirement.

Sick leave is accumulated at the rate of one working day per calendar month of continuous employment. After six years of service, employees are entitled to 50% of unused accrued sick leave upon termination up to 480 hours.

A liability for unused accrued annual leave and sick leave is reported in the General Fund for the estimated current portion of these compensated absences.

**H. Grants**

Revenues received or used from grants for governmental funds are recognized as current revenues when they become susceptible to accrual, that is both measurable and available (modified accrual basis).

A federal audit report issued by the Administration for Children and Families to the Florida Department of Revenue contains certain findings relating to costs submitted for reimbursement. To address this finding, the federal agency determined that the results of a time study would be used to retrospectively determine if additional amounts are owed to the Clerks or if repayment must be made to the federal office. The Clerk participated in the study and prepared revised reimbursement invoices for the period from July 1, 1998 to June 30, 2005. The recasting resulted in an estimated expenditure and related liability of \$369,266 being recorded in the fiscal year ended September 30, 2005. During 2006, the estimated liability was paid. The results of the time study have not yet been accepted by the federal agency.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND  
FUND FINANCIAL STATEMENTS**

**A. Statement of Net Assets**

The ending governmental fund balances were \$10,553,511. The total net assets were \$11,056,116. The difference of \$502,605 is primarily due to the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Ending fund balances	\$10,553,511
Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,504,733
Long-term portion of accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(1,002,128)</u>
Total net assets	<u>\$11,056,116</u>

**B. Statement of Activities**

“Total Expenditures” for governmental funds differs from “Total Expenses” for governmental activities. Adjustments were made to include depreciation expense, eliminate capital outlay expenditures and record the increase in long-term compensated absences on the statement of activities. When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These items resulted in a net difference between “excess revenues over expenditures and transfers out” and “change in net assets” of \$377,484.

Excess revenues over expenditures and transfers out	\$2,057,567
Depreciation expense	(620,165)
Net disposals of capital assets	(102,673)
Increase in long-term compensated absences	(274,018)
Capital outlay expenditures and contributed capital	<u>619,372</u>
Change in net assets	<u>\$ 1,680,083</u>

**Clerk of the Circuit Court**  
**County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 3 – CASH AND INVESTMENTS**

Deposits

Deposits consist of demand accounts (interest and non-interest bearing). All deposits are entirely insured by federal depository insurance or by the multiple financial institution collateral pool, pursuant to the Florida Security for Public Deposits Act.

Investments

Florida Statutes authorize the Clerk to invest in the Local Government Surplus Funds Trust Fund; obligations of the U.S. Government; U.S. Government Instrumentalities; interest-bearing time deposits and savings accounts in banks and savings and loans, provided such deposits are collateralized as described above; mutual funds investing in U.S. Government securities; and repurchase agreements. During the current fiscal year, the Clerk held no such investments.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. The Clerk had no interest rate risk as of September 30, 2007.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. The Clerk's investment policy does not specifically address custodial credit risk. The entire amount of the bank balance of deposits is covered by federal depository insurance or collateral with the State of Florida under the Florida Security for Public Deposits Act. The Act established guidelines for qualification and participation by banks and savings associations, and procedures for the administration of the collateral requirements. Under the Act, Clerk deposits in qualified depositories are totally insured.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
Equipment	\$ 5,535,266	\$ 619,372	\$ 747,150	\$ 5,407,488
Less accumulated depreciation	<u>3,927,067</u>	<u>620,165</u>	<u>644,477</u>	<u>3,902,755</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,608,199</u>	<u>\$ ( 793)</u>	<u>\$ 102,673</u>	<u>\$ 1,504,733</u>

**NOTE 5 – CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt during the fiscal year:

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
Accrued compensated absences	<u>\$ 1,053,512</u>	<u>\$ 280,242</u>	<u>\$ -</u>	\$ 1,333,754
Less current portion				<u>331,626</u>
Long-term portion				<u>\$ 1,002,128</u>

**NOTE 6 – RETIREMENT SYSTEM**

The Clerk’s employees participate in the Florida Retirement System (“FRS”), a defined-benefit, cost-sharing, multiple-employer, public employee retirement system, administered by the Florida Department of Administration. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes, Chapter 121, as may be amended from time to time by the State Legislature, provides the methodology for determining contribution rates for the various membership classes of the FRS. The FRS issues a publicly-available financial report that includes financial statements, 10-year historical trend information and other required supplementary information. That report may be obtained by writing to the Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 6 – RETIREMENT SYSTEM – Continued**

Funding Policy – The FRS has four classes of membership, which are applicable to the Clerk, with descriptions and contribution rates in effect during the period ended September 30, 2007, as follows (contribution rates are in agreement with the actuarially-determined rates):

	Period	
	<u>10/1/06 to 6/30/07</u>	<u>7/1/07 to 9/30/07</u>
<u>Regular Class</u> – Members not qualifying for other classes.	9.85%	9.85%
<u>Senior Management Service Class</u> – Members of senior management who do not elect the optional annuity retirement program.	13.12%	13.12%
<u>Elected State Officer (includes County Officials)</u> – Members duly elected by popular vote in a general election.	16.53%	16.53%
<u>Deferred Retirement Option Program (“DROP”)</u> – Members who meet the criteria are allowed to defer the receipt of benefits, allowing them to accumulate and earn interest within the FRS Trust Fund, while the member continues their employment.	10.91%	10.91%

The contribution rate as a percentage of current-year covered payroll is 10.16%. For the years ending September 30, 2007, 2006 and 2005, total contributions were \$999,955, \$827,496, and \$720,241, respectively. The Clerk made 100% of its required contributions each year.

**NOTE 7 – TRANSACTIONS WITH PRIMARY GOVERNMENT**

During the current year, the Clerk recorded fees from services provided to the County of Volusia, Florida in the amount \$56,498. This amount has been included in the charges for services in the statement of revenues, expenditures, and changes in fund balance – budget and actual in the general fund.

**Clerk of the Circuit Court  
County of Volusia, Florida**  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended September 30, 2007

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Intergovernmental Grants

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time.

**NOTE 9 – RESERVED FUND BALANCES, RESTRICTED AND UNRESTRICTED NET ASSETS**

Special Revenue Fund – Reserved Fund Balance

Reserves of fund balances of governmental funds represent portions of the fund balance that are not available to be appropriated for expenditures or which have been segregated for specific future uses. The fund balance reserved in governmental funds at September 30, 2007, is stated on the face of the balance sheet for governmental funds.

Restricted Net Assets – Governmental Activities

The balance of restricted net assets in the governmental funds represents funds for public records modernization purposes and are restricted by enabling legislation.

Unrestricted Net Assets – Deficit

Unrestricted net assets - deficit represents accrued compensated absences of the Clerk, which are not due within one year. The excess fee calculation is based upon the fund financial statements and does not permit the Clerk to accumulate net assets in the general fund to pay long-term accrued compensated absences of the Clerk's governmental activities.

## **COMPLIANCE SECTION**



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Clerk of the Circuit Court  
County of Volusia, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clerk of the Circuit Court, County of Volusia, Florida (the “Clerk”), as of and for the year ended September 30, 2007, and issued our report thereon dated November 23, 2007. 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 the 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 material weaknesses, as defined above.

The Honorable Clerk of the Circuit Court  
County of Volusia, Florida

***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*.

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

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida  
November 23, 2007



## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

Honorable Clerk of the Circuit Court  
County of Volusia, Florida

We have audited the financial statements of the Clerk of the Circuit Court, County of Volusia, Florida (the "Clerk"), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated November 23, 2007.

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 Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters, Disclosures in that report, which is dated November 23, 2007, 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 local governmental entity audits performed in the state of Florida and, unless required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant 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 audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires 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.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions, recommendations or contracts and grant agreements or abuse 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.

Honorable Clerk of the Circuit Court  
County of Volusia, Florida

- 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) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; (3) 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; (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.
- Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the Clerk complied with Section 28.35., Florida Statutes, regarding the budget and performance standards certified by the Florida Clerk of Courts Operation Corporation. In connection with our audit, we determined that the Clerk complied with the budget and performance standards pursuant to Section 28.35, Florida Statutes.

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

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida  
November 23, 2007