

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

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2011

Clerk of the Circuit Court
County of Volusia, Florida
ANNUAL FINANCIAL REPORT
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FINANCIAL SECTION



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, 2011, which collectively comprise the Clerk’s basic financial statements, as 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 misstatement. 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, 2011, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds 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 our report dated January 3, 2012, 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 assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

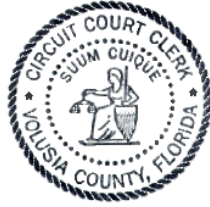
Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Clerk's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 3, 2012

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2011



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, 2011.

Financial Highlights

The assets of the Clerk exceeded its liabilities at the end of the fiscal year by \$8,695,165 (net assets). Of this amount, \$1,895,719 was invested in capital assets, \$7,860,956 was restricted, and \$1,061,510 was obligated to meet the ongoing obligations for accrued compensated absences. The Clerk's total net assets decreased by \$1,127,716 for the fiscal year ended September 30, 2011. As of the close of the fiscal year, the Clerk's governmental funds reported combined ending fund balances of \$7,860,956. This is a decrease of \$1,720,444 from 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, 2011

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 court sessions.
- 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, 2011

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 four governmental funds, the General Fund and three special revenue funds, for the Public Records Modernization Trust Fund. The Public Records Modernization Trust Fund was established under Florida Statute 28.24. This trust fund has been expanded to hold three distinct revenue streams. Three separate special revenue funds have been established to enhance the tracking of distinct elements.

Modernization Trust Fund – Public Records Modernization:

The Clerk collects either a \$1.00 service charge or 50 cent service charge on certain recorded documents for the Modernization Trust Fund – Public Records pursuant to Florida Statute 28.24(12)(d). 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.

Modernization Trust Fund – Court Technology:

The Clerk collects a \$1.90 service charge on certain recorded documents for the Modernization Trust Fund – Court Technology pursuant to Florida Statute 28.24(12)(e). This fund must be used exclusively for the court-related technology needs of the Clerk.

Modernization Trust Fund – 10% Court Related:

The fund receives 10% of all court-related fines pursuant to F.S. 28.37(2) and the fund is to be used for court-related operational needs and program enhancements.

The General Fund and the three special revenue funds are presented as major funds. The 10% Court Related fund does not meet the general requirements of a major fund, but it is included because the Clerk believes that its presentation is of particular interest to the users of the financial statements.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2011

Overview of the Financial Statements - Continued

Governmental Funds: (Continued)

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 Funds. 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 14 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 15 of this report.

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 \$8,695,165 at the end of the fiscal year.

CLERK'S NET ASSETS – Governmental Activities

	2011	2010
Current and other assets	\$ 9,818,255	\$ 12,525,194
Capital assets	1,895,719	1,481,717
Total assets	11,713,974	14,006,911
Long-term liabilities	1,061,510	1,240,236
Other liabilities	1,957,299	2,943,794
Total liabilities	3,018,809	4,184,030
Net Assets:		
Invested in capital assets	1,895,719	1,481,717
Restricted	7,860,956	9,581,400
Unrestricted	(1,061,510)	(1,240,236)
TOTAL NET ASSETS	\$ 8,695,165	\$ 9,822,881

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2011

Government-wide Financial Analysis - Continued

CLERK'S CHANGES IN NET ASSETS – Governmental Activities

	2011	2010
Revenues		
Operating grants	\$ 594,899	\$ 714,108
Subsidy from County Council	1,808,064	1,852,284
Appropriation from State of Florida	11,591,603	11,989,185
Charges for services	3,241,150	3,404,938
Interest	5,685	5,212
Miscellaneous revenues	52,205	25,773
Total revenues	17,293,606	17,991,500
Expenditures		
General government	4,383,366	4,407,179
Court operations	12,226,452	12,197,277
Total expenditures	16,609,818	16,604,456
Increase in net assets before transfers	683,788	1,387,044
Transfers	(1,811,504)	(2,244,910)
Change in net assets	(1,127,716)	(857,866)
Net assets – October 1	9,822,881	10,680,747
Net assets – September 30	\$ 8,695,165	\$ 9,822,881

The funds restricted for the Modernization Trust Funds accounted for \$7,860,956 of the net assets. The Clerk's investment in capital assets was \$1,895,719 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 \$1,353,325 of office and computer equipment during the fiscal year.

There is a deficit in the unrestricted net assets category of \$1,061,510. This amount represents amounts not due within one year and is comprised of \$731,940 in accrued compensated absences and \$329,570 in Other Post Employment Benefits (OPEB) liability. 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 due represents accrued and unpaid sick leave and vacation leave for employees who are currently employed by the Clerk. The Clerk grants postemployment healthcare benefits to its employees after they retire. The balance due represents the unfunded actuarial accrued liability for past service costs. The Clerk is following a pay-as-you go method for funding the OPEB liability.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2011

Government-wide Financial Analysis - Continued

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 will cause operating deficits in future periods.

The Clerk is required under Section 218.36 of the Florida Statutes to submit to the County of Volusia, all excess fees from general government operations by October 31 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 no substantial differences between the original budget and final amended budget.

The Clerk is required to prepare a separate budget for court-related revenues and expenditures, which is reviewed by the Florida Clerks of Court Operations Corporation and submitted to the Legislature and the Supreme Court by December 1 each year. The actual court-related revenues were \$431,330 less than the approved budget. The expenditures were \$1,508,090 less than the approved budget. The main reason why the actual revenues from court-related functions were less than projected was that the Florida statute requires a fourth quarter "true-up" for actual cases versus projected cases. The expenditures were less than the budgeted amounts because of spending decisions related to the operational needs of the Clerk's office.

For the general government portion of the budget, the fees were \$243,616 higher than expected. This was due to an increase in federal grant revenues and higher than expected recording fees. The general government expenditures were \$491,131 lower than the budgeted amount because the Clerk changed spending decisions based on the operational needs of the office.

Economic Factors and Next Year's Budgets

Various factors were considered in preparing the budget for the 2012 fiscal year. The Clerk currently sees an environment that does not indicate growth in state revenues or in the housing market for the coming fiscal year. The general government revenues are expected to be flat.

Clerk of the Circuit Court
County of Volusia, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2011

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.

**Clerk of the Circuit Court
County of Volusia, Florida**
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2011

	MAJOR SPECIAL REVENUE FUNDS				Total	Adjustments (Note 2)	Statement of Net Assets
	General Fund	Modernization Trust Fund Public Records Modernization	Modernization Trust Fund Court Technology	Modernization Trust Fund 10% Court Related			
ASSETS							
Cash and cash equivalents	\$ 1,856,432	\$ 4,782,650	\$ 2,106,134	\$ 972,172	\$ 9,717,388	\$ -	\$ 9,717,388
Accounts receivable	10,609	-	-	-	10,609	-	10,609
Due from County Council	9,406	-	-	-	9,406	-	9,406
Due from other governments	75,540	-	-	-	75,540	-	75,540
Prepays and other assets	5,312	-	-	-	5,312	-	5,312
Capital assets, net	-	-	-	-	-	1,895,719	1,895,719
Total Assets	\$ 1,957,299	\$ 4,782,650	\$ 2,106,134	\$ 972,172	\$ 9,818,255	1,895,719	11,713,974
LIABILITIES							
Accounts payable	\$ 110,448	\$ -	\$ -	\$ -	\$ 110,448	-	110,448
Accrued liabilities	195,285	-	-	-	195,285	-	195,285
Accrued compensated absences:							
Current portion	355,472	-	-	-	355,472	-	355,472
Long-term portion	-	-	-	-	-	731,940	731,940
OPEB Liability	-	-	-	-	-	329,570	329,570
Due to County Council	734,745	-	-	-	734,745	-	734,745
Due to other governments	481,578	-	-	-	481,578	-	481,578
Deposits	79,771	-	-	-	79,771	-	79,771
Total Liabilities	1,957,299	-	-	-	1,957,299	1,061,510	3,018,809
FUND BALANCES / NET ASSETS							
Fund balances:							
Restricted for public record modernization	-	4,782,650	-	-	4,782,650	4,782,650	-
Restricted for court technology	-	-	2,106,134	-	2,106,134	2,106,134	-
Restricted for court programs	-	-	-	972,172	972,172	972,172	-
Total fund balances	-	4,782,650	2,106,134	972,172	7,860,956	7,860,956	-
Total Liabilities and Fund Balances	\$ 1,957,299	\$ 4,782,650	\$ 2,106,134	\$ 972,172	\$ 9,818,255		
Net assets:							
Invested in capital assets						1,895,719	1,895,719
Restricted						7,860,956	7,860,956
Unrestricted (deficit)						(1,061,510)	(1,061,510)
Total Net Assets						\$ 8,695,165	\$ 8,695,165

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, 2011

	General Fund	Modernization Trust Fund Public Records Modernization	Modernization Trust Fund Court Technology	Modernization Trust Fund 10% Court Related	Total	Adjustments (Note 2)	Statement of Activities
Revenues							
General government:							
Operating grants	\$ 594,899	\$ -	\$ -	\$ -	\$ 594,899	\$ -	\$ 594,899
Subsidy from County Council	1,808,064	-	-	-	1,808,064	-	1,808,064
Charges for services	1,992,971	221,328	-	-	2,214,299	-	2,214,299
Interest	2,367	1,687	-	-	4,054	-	4,054
Miscellaneous revenues	52,205	-	-	-	52,205	-	52,205
Court operations:							
Appropriation from State of Florida	11,591,603	-	-	-	11,591,603	-	11,591,603
Charges for services	-	-	612,165	414,686	1,026,851	-	1,026,851
Interest	-	-	1,437	194	1,631	-	1,631
Miscellaneous revenues	-	-	-	-	-	-	-
Total Revenues	<u>16,042,109</u>	<u>223,015</u>	<u>613,602</u>	<u>414,880</u>	<u>17,293,606</u>	<u>-</u>	<u>17,293,606</u>
Expenditures / Expenses							
General government:							
Programs and operations	3,622,769	-	-	-	3,622,769	(178,725)	3,444,044
Depreciation	-	-	-	-	-	939,322	939,322
Capital outlay	92,992	-	-	-	92,992	(92,992)	-
Court operations:							
Programs and operations	10,514,844	-	1,711,608	-	12,226,452	-	12,226,452
Capital outlay	-	53,957	1,206,376	-	1,260,333	(1,260,333)	-
Total Expenditures / Expenses	<u>14,230,605</u>	<u>53,957</u>	<u>2,917,984</u>	<u>-</u>	<u>17,202,546</u>	<u>(592,728)</u>	<u>16,609,818</u>
Excess (deficiency) of revenues over expenditures	1,811,504	169,058	(2,304,382)	414,880	91,060	592,728	683,788
Other Financing Sources / Uses							
Transfers - County Council	(734,745)	-	-	-	(734,745)	-	(734,745)
Transfers - Florida Department of Revenue	(1,076,759)	-	-	-	(1,076,759)	-	(1,076,759)
Total Other Financing Sources/Uses	<u>(1,811,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,811,504)</u>	<u>-</u>	<u>(1,811,504)</u>
Excess (deficiency) of revenues over expenditures and transfers out	-	169,058	(2,304,382)	414,880	(1,720,444)	1,720,444	-
Change in net assets	-	-	-	-	-	(1,127,716)	(1,127,716)
Fund Balances / Net Assets							
Beginning of the year	-	4,613,592	4,410,516	557,292	9,581,400	241,481	9,822,881
End of the year	<u>\$ -</u>	<u>\$ 4,782,650</u>	<u>\$ 2,106,134</u>	<u>\$ 972,172</u>	<u>\$ 7,860,956</u>	<u>\$ 834,209</u>	<u>\$ 8,695,165</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
For The Year Ended September 30, 2011

	General Fund		
	Original Budget	Final Budget	Actual Amounts
Revenues			
General government:			
Operating grants	\$ 563,539	\$ 563,539	\$ 594,899
Subsidy from County Council	1,779,748	1,779,748	1,808,064
Charges for services	1,857,100	1,857,100	1,992,971
Interest	2,000	2,000	2,367
Miscellaneous revenues	4,506	4,506	52,205
Court operations:			
Appropriation from State of Florida	12,022,933	12,022,933	11,591,603
Charges for services	-	-	-
Interest	-	-	-
Miscellaneous revenues	-	-	-
Total Revenues	16,229,826	16,229,826	16,042,109
Expenditures / Expenses			
General government:			
Programs and operations	4,206,892	4,111,572	3,622,769
Capital outlay	-	95,320	92,992
Court operations:			
Programs and operations	12,022,934	12,022,934	10,514,844
Capital outlay	-	-	-
Total Expenditures / Expenses	16,229,826	16,229,826	14,230,605
Net change in fund balance	-	-	1,811,504
Transfers - County Council	-	-	(734,745)
Transfers - Florida Department of Revenue	-	-	(1,076,759)
Budgeted Reserve - Court Operations	-	-	-
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -

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 - MAJOR SPECIAL REVENUE FUNDS
For The Year Ended September 30, 2011

	Special Revenue Fund Modernization Trust Fund Public Records Modernization			Special Revenue Fund Modernization Trust Fund Court Technology			Special Revenue Fund Modernization Trust Fund 10% Court Related		
	Original Budget	Final Budget	Actual Amounts	Original Budget	Final Budget	Actual Amounts	Original Budget	Final Budget	Actual Amounts
Revenues									
General government:									
Charges for services	\$ 225,000	\$ 225,000	\$ 221,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	500	500	1,687	-	-	-	-	-	-
Court operations:									
Charges for services	-	-	-	600,000	600,000	612,165	450,000	450,000	414,686
Interest	-	-	-	2,000	2,000	1,437	1,000	1,000	194
Total Revenues	<u>225,500</u>	<u>225,500</u>	<u>223,015</u>	<u>602,000</u>	<u>602,000</u>	<u>613,602</u>	<u>451,000</u>	<u>451,000</u>	<u>414,880</u>
Expenditures / Expenses									
General government:									
Programs and operations	50,000	50,000	-	-	-	-	-	-	-
Capital outlay	-	200,000	53,957	-	-	-	-	-	-
Court operations:									
Programs and operations	-	-	-	700,000	1,990,000	1,711,608	200,000	200,000	-
Capital outlay	-	-	-	1,000,000	1,210,000	1,206,376	-	-	-
Total Expenditures / Expenses	<u>50,000</u>	<u>250,000</u>	<u>53,957</u>	<u>1,700,000</u>	<u>3,200,000</u>	<u>2,917,984</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	175,500	(24,500)	169,058	(1,098,000)	(2,598,000)	(2,304,382)	251,000	251,000	414,880
Transfers - County Council	-	-	-	-	-	-	-	-	-
Transfers - Florida Department of Revenue	-	-	-	-	-	-	-	-	-
Budgeted Reserve - Court Operations	-	-	-	-	-	-	-	-	-
Fund Balance at Beginning of Year	4,054,332	4,054,332	4,613,592	5,701,612	4,550,612	4,410,516	11,751	11,751	557,292
Fund Balance at End of Year	<u>\$ 4,229,832</u>	<u>\$ 4,029,832</u>	<u>\$ 4,782,650</u>	<u>\$ 4,603,612</u>	<u>\$ 1,952,612</u>	<u>\$ 2,106,134</u>	<u>\$ 262,751</u>	<u>\$ 262,751</u>	<u>\$ 972,172</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, 2011

ASSETS

Cash and cash equivalents	\$ 8,623,391
Accounts receivable	27,419
Due from other governments	-
Total Assets	<u>8,650,810</u>

LIABILITIES

Accounts payable	80,448
Due to County Council	337,320
Due to other governments	2,422,693
Deposits	5,810,349
Total Liabilities	<u>8,650,810</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, 2011

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 500,000 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 inter-relationship. 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. Two of the three special revenue funds meet the requirements to be classified as a major fund. The special revenue fund Modernization Trust Fund 10% Court Related does not meet the general requirements of a major fund, but it is included with the major funds because its presentation is of particular interest to the users of the financial statements. 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.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

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 three Special Revenue Funds: Modernization Trust Fund Public Records Modernization, Modernization Trust Fund Court Technology, and the Modernization Trust Fund 10% Court Related.

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: Court Registry, Documentary Stamps and Intangible Tax, Fine and Forfeiture, Miscellaneous Deposits, Juror and Witness Payments, and Tax Deed Sales.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Capital Assets

Capital assets purchased in the General Fund and Special Revenue Funds 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.

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 preceding the fiscal year of the budget.
- (3) The Clerk was required to submit a budget for court-related revenues and expenditures (for functions elaborated in Section 28.36 of the Florida Statutes) for the State of Florida fiscal year ending June 30, 2012, by October 1, 2010. The budget was submitted to the Florida Clerks of Court Operations Corporation (the "Corporation") in accordance with Section 28.36 of the Florida Statutes. The Corporation must then review the budget requests and make recommendations to the Legislature and the Supreme Court by December 1.
- (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 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 October 31 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 unexpended appropriations (state appropriations received in excess of the approved budgeted expenditures) within 45 days after the State fiscal year end of June 30.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting - Continued

- (8) Formal budgetary integration is employed as a management control device during the year for the Clerk's General Fund and Special Revenue Funds. Appropriations lapse at the close of the fiscal year.
- (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, and that amount was paid in 2006. The settlement agreement was ratified by the Department of Health and Human Services during the fiscal year ended September 30, 2011, and the remaining \$31,753 due for the settlement was paid.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

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

A. Statement of Net Assets

The ending governmental fund balances were \$7,860,956. The total net assets were \$8,695,165. The difference of \$241,481 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	\$ 7,860,956
Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,895,719
Long-term portion of liabilities not due and payable in current period and, therefore, not reported in the funds:	
Accrued compensated absences	(731,940)
OPEB Liability	<u>(329,570)</u>
Total net assets	<u>\$ 8,695,165</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 of revenues over expenditures and transfers out” and “change in net assets” of \$592,728.

Excess (deficiency) of revenues over expenditures and transfers out	\$ (1,720,444)
Depreciation expense	(701,472)
Net disposals of capital assets	(237,850)
Capital outlay expenditures and contributed capital	1,353,325
Decrease in long-term compensated absences	265,186
Increase in OPEB Liability	<u>(86,461)</u>
Change in net assets	<u>\$ (1,127,716)</u>

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

NOTE 3 – CASH AND INVESTMENTS

Deposits

Deposits consist of demand accounts (interest and non-interest bearing). All deposits are insured by the Federal Depository Insurance Corporation (FDIC) insurance up to \$250,000 per bank. For amounts over this limit, the Florida Public Deposit Act (the “Act”) requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral, as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of FDIC insurance and proceeds from the sale of the securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

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, 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 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, 2011.

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, 2011

NOTE 4 – CAPITAL ASSETS

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

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
Equipment	\$ 6,184,206	\$ 1,353,325	\$ 993,940	\$ 6,543,591
Less accumulated depreciation	<u>4,702,489</u>	<u>701,472</u>	<u>756,089</u>	<u>4,647,872</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,481,717</u>	<u>\$ 651,853</u>	<u>\$ 237,851</u>	<u>\$ 1,895,719</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, 2010	Additions	Deletions	Balance September 30, 2011
Accrued compensated absences	<u>\$ 1,377,876</u>	<u>\$ 916,457</u>	<u>\$ 1,206,920</u>	\$ 1,087,413
Less current portion				<u>355,473</u>
Long-term portion				<u>\$ 731,940</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, 2011

NOTE 6 – RETIREMENT SYSTEM – Continued

Beginning July 1, 2002, the FRS became one plan with two options, a defined-benefit option known as the FRS Pension Plan and an alternative defined-contribution option known as the FRS Investment Plan. The FRS Pension Plan provides for vesting of benefits after six years of creditable service. Benefits are based on age, average final compensation, and years-of-service credit. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age.

The FRS Investment Plan is a participant-directed 401(a) program selected by employees in lieu of participation in the defined-benefit option of the FRS. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Members are vested after completing one year of creditable service.

Funding Policy – The FRS has four classes of membership, which are applicable to the Clerk, with descriptions and employer contribution rates in effect during the period ended September 30, 2011, as follows (contribution rates are in agreement with the actuarially-determined rates):

	Period	
	10/1/10 to 6/30/11	7/1/11 to 9/30/11
<u>Regular Class</u> – Members not qualifying for other classes.	10.77%	4.91%
<u>Senior Management Service Class</u> – Members of senior management who do not elect the optional annuity retirement program.	14.57%	6.27%
<u>Elected State Officer (includes County Officials)</u> – Members duly elected by popular vote in a general election.	18.64%	11.14%
<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.	12.25%	4.42%

Beginning with payment dates on or after July 1, 2011, there is an additional 3% employee contribution owed on the compensation of all members, except DROP participants and re-employed retirees who are not eligible for renewed membership. The contribution rate as a percentage of current-year covered payroll is 9.59%. For the years ending September 30, 2011, 2010, and 2009, the total contributions were \$911,715, \$988,327, and \$1,003,642, respectively. The Clerk made 100% of its required contributions each year.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

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 of \$58,496. 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.

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 – RESTRICTED AND UNRESTRICTED NET ASSETS

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 and other post employment benefits liability 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 and other post employment benefits of the Clerk's governmental activities.

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Clerk's postemployment healthcare plan, Clerk of the Circuit Court – Volusia County Postemployment Healthcare Plan, is a single-employer, defined-benefit healthcare plan. It provides medical and dental insurance benefits to eligible retirees and their spouses. Chapter 112.0801 of the Florida Statutes requires the Clerk to extend the same coverage to retirees that it offers to current employees at a premium cost of no more than the premium cost applicable to active employees. The plan does not issue a separate financial report.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN – Continued

Funding Policy

The contribution requirements of plan members and the Clerk are established and may be amended by the Clerk. The required contribution is based on projected pay-as-you-go financing requirements.

For the fiscal year ended September 30, 2011, the total current premiums for health insurance were \$2,437,729. The Clerk contributed \$1,953,575 to the plan for current premiums. Plan members receiving benefits contributed \$484,151, or approximately 19.86% of the premiums through their required contributions. Plan members are required to contribute \$443.82 each month for Florida Health Care HMO retiree-only coverage, or \$861.01 for additional spouse or child coverage. The Triple Option retiree-only coverage requires a monthly payment of \$534.86 for retiree-only coverage, or \$1,037.64 for additional spouse or child coverage. For dental coverage, the retiree amounts are \$17.91 monthly for retiree only, or \$34.09 for additional spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

The Clerk’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). This amount is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Clerk’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Clerk’s net OPEB obligation.

Annual required contribution	\$	106,268
Interest on net OPEB obligation		9,724
Adjustments of annual required contribution		(8,428)
Annual OPEB Cost		107,564
Contributions made		(21,103)
Increase in net OPEB obligation		86,461
Net OPEB obligation – beginning of year		243,109
Net OPEB obligation – end of year	\$	329,570

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN – Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

The Clerk’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The fiscal year ended September 30, 2008, was the initial year for implementation of GASB Statement 45.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/09	\$ 102,000	24.71%	\$ 76,793
9/30/10	100,718	14.28%	86,333
9/30/11	107,564	19.62%	86,461

Funded Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial value of assets was zero. The actuarial accrued liability was \$966,546. The covered payroll (annual payroll of active employees covered by the plan) was \$9,553,371. The unfunded actuarial accrued liability as a percentage of covered payroll was 10.1%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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, consistent with the long-term perspective of the calculations.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2011

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN - Continued

Actuarial Methods and Assumptions - Continued

In the October 1, 2009, actuarial valuation, the entry age actuarial cost method was used. The amortization method was level percentage of projected payroll with closed period. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses). The projected salary increases range from 4.00% to 8.38% per year. These rates include a 3.0% inflation assumption. The payroll growth assumption was 4.0%. The annual healthcare cost trend rate of 11% initially was reduced by decrements to an ultimate trend rate of 5% after ten years. The remaining amortization period at October 1, 2009, was 30 years.

NOTE 11 – FUND BALANCE

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Clerk has classified governmental fund balances as Restricted. These fund balances include amounts in the Major Special Revenue Funds that can only be spent for the specific purposes stipulated by enabling legislation. The fund balances in the Modernization Trust Funds are restricted because they can only be spent in accordance with the requirements of the Florida Statutes. The Clerk does not have a formal fund balance policy. When restricted and unrestricted resources are available to pay an expense, the Clerk's policy is to first apply an expense against unrestricted resources.

The Public Records Modernization fund can only be used to modernize the Clerk's public records system. The Clerk collects a \$1.00 service charge or 50 cent service charge on certain recorded documents for this trust fund, pursuant to Florida Statute 28.24(12)(d).

The Court Technology portion can only be spent on the court-related technology operations of the Clerk. The Clerk collects a \$1.90 service charge on certain recorded documents, pursuant to Florida Statute 28.24(12)(e) for this trust fund.

The 10% Court Related portion can only be spent on the court-related operational needs and program enhancements of the Clerk. The Clerk collects 10% of all court-related fines, pursuant to Florida Statute 28.37(2).

**Clerk of the Circuit Court
County of Volusia, Florida**
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Other Post Employment Benefits Plan

Actuarial Valuation Date (a)	Actuarial Value of Assets (b)	Actuarial Accrued Liability (AAL) (c)	Unfunded AAL (UAAL) (c-b)	Funded Ratio (b/c)	Covered Payroll (d)	UAAL as a % of Covered Payroll ((c-b) / d)
10/1/2007	\$ -	\$ 593,823	\$ 593,823	0.0%	\$ 9,740,605	6.1%
10/1/2008*	-	873,314	873,314	0.0%	9,600,640	9.1%
10/1/2009	-	966,546	966,546	0.0%	9,553,371	10.1%
10/1/2010*	-	1,056,912	1,056,912	0.0%	9,818,846	10.8%

*- 2008 and 2010 were estimated

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, 2011, and issued our report thereon dated January 3, 2012. 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 opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Clerk’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

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*.

We noted certain matters that we have reported to the Clerk's management in a separate letter dated January 3, 2012, in accordance with the Rules of the Auditor General, Section 10.550.

This report is intended solely for the information and use of the Clerk and management, others within the entity, the State of Florida Auditor General, and federal and state awarding agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 3, 2012



**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Clerk of the Circuit Court, County of Volusia, Florida (the "Clerk"), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement*, that are applicable to its major federal program for the year ended September 30, 2011. The Clerk's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Clerk's management. Our responsibility is to express an opinion on the Clerk's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clerk's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Clerk's compliance with those requirements.

In our opinion, the Clerk complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

The management of the Clerk is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Clerk's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over compliance.

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

Internal Control Over Compliance - Continued

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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Orlando, Florida
January 3, 2012

**Clerk of the Circuit Court
County of Volusia, Florida**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2011

<u>Agency/Program</u>	<u>CFDA #</u>	<u>Grant #</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass Through:			
Florida Department of Revenue:			
Child Support Enforcement Title IV-D	93.563	CD-364	\$ <u>594,971</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>594,971</u>

NOTE 1

Grant revenue and expenditures are recorded in accordance with accounting principles generally accepted in the United States of America. Grant revenues are recognized only when allowable program costs have been incurred. This revenue recognition criteria for grants is applied to all funds. In addition, grant revenues are recognized in governmental funds when the availability criteria has been met.

**Clerk of the Circuit Court
County of Volusia, Florida**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended September 30, 2011

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies)? _____ Yes X None reported

Noncompliance material to financial statements noted.

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies)? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.

_____ Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

93.563

HHS Child Support Enforcement Title IV-D

Dollar threshold used to distinguish between Type A and Type B programs:

_____ \$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

Section IV—Status of Prior Year Audit Findings

No findings were reported in the prior year over federal financial assistance programs.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The 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, 2011, and have issued our report thereon dated January 3, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our Report of Independent Certified Public Accountants on Compliance and Internal Control Over Financial Reporting, our Report of Independent Certified Public Accountants on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 3, 2012, 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. There were no significant findings and recommendations reported 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. 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 of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

- Section 10.554(1)(i)5., Rules of the Auditor General, provides 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) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements.
- Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the Clerk complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk materially complied with such requirements. However, we did note an observation that requires reporting and is described below as Item 2011-1. Included in our observation is management's response, which we did not audit and, accordingly, we express no opinion on it.

2011-1 – Performance Measurement Standards

Observation

During our testing of performance data, we noted that the Clerk did not meet all quarterly performance measurement standards developed and certified by the Florida Clerk of Court Operations Corporation (the "Corporation"). Performance deficiencies were noted in the area of collection rates and timeliness. It appears that staffing shortages caused by recent budget reductions were a significant factor contributing to this. As required by Section 28.35, Florida Statutes, the Clerk submitted quarterly corrective action plans to discuss the performance standards not met.

Criteria

The Clerk is required to meet performance measurement standards established by the Corporation.

Recommendation

We recommend that the Clerk continue to take the corrective action previously reported to the Corporation in order to achieve the applicable performance measurement standards.

Management Response

The Clerk will make every reasonable effort to meet the performance measurement standards. We will take corrective actions previously reported to the Corporation and devise new corrective actions if the previous ones prove to be ineffective.

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 require us to indicate that this letter is intended solely for the information and use of the Clerk, management, and the State of Florida Auditor General, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

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Orlando, Florida
January 3, 2012