

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL REPORTS**

**YEAR ENDED SEPTEMBER 30, 2013**

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HIGHLANDS COUNTY, FLORIDA  
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HIGHLANDS COUNTY, FLORIDA  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Robert W. Germaine  
Clerk of the Courts  
Highlands County, Florida

### **Report on the Special-Purpose Financial Statements**

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Clerk of the Courts of Highlands County, Florida (Clerk) as of and for the year ended September 30, 2013, and the related notes to the special-purpose financial statements, which collectively comprise the entity's financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of accounting practices specified by the Rules of the Auditor General, State of Florida for financial statements of constitutional officers. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to error or fraud.

### ***Auditors' Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Robert W. Germaine  
Clerk of the Courts  
Highlands County, Florida

### ***Opinions***

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Clerk as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows and budgetary comparisons for the general fund, court services fund (120), and court services fund (121) thereof for the year then ended in accordance with the financial reporting provisions of the Rules of the Auditor General, State of Florida as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared on the basis of the financial reporting provisions of the Rules of the Auditor General, State of Florida, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Rules of the Auditor General, State of Florida. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the special-purpose financial statements that collectively comprise the Clerk's financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clerk's internal control over financial reporting and compliance.

The Honorable Robert W. Germaine  
Clerk of the Courts  
Highlands County, Florida

**Restriction on Use**

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Sebring, Florida  
January 2, 2014

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	General	Court Fund	Public Records Modernization Trust	Court Operations Modernization Trust
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 132,757	\$ 40,608	\$ 171,795	\$ 153,925
Investments	-	-	40,831	25,519
Accounts Receivable	-	-	75	-
Due from Other Governmental Units	6,941	42,525	-	-
Due from Constitutional Officers	92,413	26,546	-	-
Prepaid Items	138,385	-	-	-
	<u>\$ 370,496</u>	<u>\$ 109,679</u>	<u>\$ 212,701</u>	<u>\$ 179,444</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Vouchers Payable	\$ 244,414	\$ 2,707	\$ -	\$ 2,643
Due to Other Governmental Units	2,432	26,546	-	26,112
Due to Others	-	49,275	-	-
Due to Constitutional Officers	34,219	25,763	-	-
Accrued Payroll and Related Liabilities	89,431	5,388	-	2,091
Total Liabilities	<u>370,496</u>	<u>109,679</u>	<u>-</u>	<u>30,846</u>
<b>FUND BALANCES</b>				
Nonspendable	138,385	-	-	-
Restricted	-	-	207,449	148,598
Assigned	-	-	5,252	-
Unassigned	(138,385)	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>212,701</u>	<u>148,598</u>
Total Liabilities and Fund Balances	<u>\$ 370,496</u>	<u>\$ 109,679</u>	<u>\$ 212,701</u>	<u>\$ 179,444</u>

See accompanying Notes to Special-Purpose Financial Statements.

Court Services Fund (120)	Court Services Fund (121)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 172,507	\$ -	\$ 100,025	\$ 771,617
-	-	-	66,350
-	-	-	75
-	-	-	49,466
-	-	-	118,959
1,193	-	6,537	146,115
<u>\$ 173,700</u>	<u>\$ -</u>	<u>\$ 106,562</u>	<u>\$ 1,152,582</u>

\$ 2,695	\$ -	\$ 281	\$ 252,740
81,923	-	-	137,013
-	-	-	49,275
-	-	-	59,982
63,064	-	4,431	164,405
147,682	-	4,712	663,415

1,193	-	6,537	146,115
26,018	-	95,313	477,378
-	-	-	5,252
(1,193)	-	-	(139,578)
26,018	-	101,850	489,167
<u>\$ 173,700</u>	<u>\$ -</u>	<u>\$ 106,562</u>	<u>\$ 1,152,582</u>

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2013**

	<u>General</u>	<u>Court Fund</u>	<u>Public Records Modernization Trust</u>	<u>Court Operations Modernization Trust</u>
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
Appropriation from Board of County Commissioners	\$ 3,233,890	\$ -	\$ -	\$ -
<b>Miscellaneous Revenues:</b>				
Recording Fees	-	-	46,126	-
Intergovernmental	-	168,700	-	-
Court Related Service Charge	-	-	-	123,299
Fines and Forfeitures	-	-	-	-
Interest Earnings	-	83	738	606
Other Miscellaneous Revenues	-	-	2,700	-
Total Revenues	<u>3,233,890</u>	<u>168,783</u>	<u>49,564</u>	<u>123,905</u>
<b>EXPENDITURES</b>				
<b>General Government:</b>				
<b>Financial and Administrative:</b>				
Personal Services	2,205,091	-	-	-
Operating Expenditures	735,978	-	-	-
Capital Outlay	39,471	-	-	-
Total Financial and Administrative	<u>2,980,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Court Related:</b>				
Personal Services	173,261	130,420	-	30,095
Operating Expenditures	8,187	12,425	-	10,997
Capital Outlay	37,683	175	-	4,635
Total Court Related	<u>219,131</u>	<u>143,020</u>	<u>-</u>	<u>45,727</u>
Total Expenditures	<u>3,199,671</u>	<u>143,020</u>	<u>-</u>	<u>45,727</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	34,219	25,763	49,564	78,178
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Unexpended Budget Balance Reverting to Board of County Commissioners	(34,219)	(25,763)	-	-
Distribution of Excess Fees to State of Florida	-	-	-	(26,112)
Total Other Financing Sources (Uses)	<u>(34,219)</u>	<u>(25,763)</u>	<u>-</u>	<u>(26,112)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	49,564	52,066
Fund Balance - October 1, 2012	<u>-</u>	<u>-</u>	<u>163,137</u>	<u>96,532</u>
<b>FUND BALANCE - SEPTEMBER 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,701</u>	<u>\$ 148,598</u>

See accompanying Notes to Special-Purpose Financial Statements.

<u>Court Services Fund (120)</u>	<u>Court Services Fund (121)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 3,233,890
-	-	133,923	180,049
26,017	1,397,226	-	1,591,943
259,984	95,339	27,393	506,015
132,443	53,338	-	185,781
208	82	251	1,968
-	-	3,000	5,700
<u>418,652</u>	<u>1,545,985</u>	<u>164,567</u>	<u>5,705,346</u>
-	-	-	2,205,091
-	-	-	735,978
-	-	-	39,471
-	-	-	<u>2,980,540</u>
440,894	1,338,380	125,272	2,238,322
18,576	58,802	18,905	127,892
-	-	1,223	43,716
<u>459,470</u>	<u>1,397,182</u>	<u>145,400</u>	<u>2,409,930</u>
<u>459,470</u>	<u>1,397,182</u>	<u>145,400</u>	<u>5,390,470</u>
(40,818)	148,803	19,167	314,876
148,759	-	-	148,759
-	(148,759)	-	(148,759)
-	-	-	(59,982)
<u>(81,923)</u>	<u>(44)</u>	<u>-</u>	<u>(108,079)</u>
<u>66,836</u>	<u>(148,803)</u>	<u>-</u>	<u>(168,061)</u>
26,018	-	19,167	146,815
-	-	82,683	342,352
<u>\$ 26,018</u>	<u>\$ -</u>	<u>\$ 101,850</u>	<u>\$ 489,167</u>

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2013**

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
Appropriation from Board of County Commissioners	\$ 3,213,890	\$ 3,233,890	\$ 3,233,890	\$ -
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Financial and Administrative:				
Personal Services	2,254,785	2,205,091	2,205,091	-
Operating Expenditures	735,017	770,197	735,978	34,219
Capital Outlay	40,000	39,471	39,471	-
Total Financial and Administrative	<u>3,029,802</u>	<u>3,014,759</u>	<u>2,980,540</u>	<u>34,219</u>
<b>Court Related:</b>				
Personal Services	135,973	173,261	173,261	-
Operating Expenditures	9,115	8,187	8,187	-
Capital Outlay	39,000	37,683	37,683	-
Total Court Related	<u>184,088</u>	<u>219,131</u>	<u>219,131</u>	<u>-</u>
Total Expenditures	<u>3,213,890</u>	<u>3,233,890</u>	<u>3,199,671</u>	<u>34,219</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	34,219	34,219
<b>OTHER FINANCING USES</b>				
Unexpended Budget Balance Reverting to Board of County Commissioners	-	-	<u>(34,219)</u>	<u>(34,219)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - October 1, 2012	-	-	-	-
<b>FUND BALANCE - SEPTEMBER 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Special-Purpose Financial Statements.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COURT SERVICES FUND (120)  
YEAR ENDED SEPTEMBER 30, 2013**

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Miscellaneous Revenues:</b>				
Intergovernmental	\$ 43,178	\$ 69,195	\$ 26,017	\$ (43,178)
Court Related Service Charge	283,150	283,150	259,984	(23,166)
Fines and Forfeitures	132,900	133,094	132,443	(651)
Interest Earnings	50	50	208	158
Total Revenues	<u>459,278</u>	<u>485,489</u>	<u>418,652</u>	<u>(66,837)</u>
<b>EXPENDITURES</b>				
<b>Court Related:</b>				
Personal Services	440,084	440,894	440,894	-
Operating Expenditures	19,194	44,595	18,576	26,019
Total Expenditures	<u>459,278</u>	<u>485,489</u>	<u>459,470</u>	<u>26,019</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	-	-	(40,818)	(40,818)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	-	148,759	148,759
Distribution of Excess Fees to State of Florida	-	-	(81,923)	(81,923)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>66,836</u>	<u>66,836</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	26,018	26,018
Fund Balance - October 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - SEPTEMBER 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,018</u>	<u>\$ 26,018</u>

See accompanying Notes to Special-Purpose Financial Statements.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COURT SERVICES FUND (121)  
YEAR ENDED SEPTEMBER 30, 2013**

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Miscellaneous Revenues:</b>				
Intergovernmental	\$ 1,723,090	\$ 1,397,226	\$ 1,397,226	\$ -
Court Related Service Charge	-	-	95,339	95,339
Fines and Forfeitures	-	-	53,338	53,338
Interest Earnings	-	-	82	82
Total Revenues	<u>1,723,090</u>	<u>1,397,226</u>	<u>1,545,985</u>	<u>148,759</u>
<b>EXPENDITURES</b>				
<b>Court Related:</b>				
Personal Services	1,627,116	1,338,380	1,338,380	-
Operating Expenditures	95,974	58,802	58,802	-
Total Expenditures	<u>1,723,090</u>	<u>1,397,182</u>	<u>1,397,182</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	44	148,803	148,759
<b>OTHER FINANCING USES</b>				
Transfer Out	-	-	(148,759)	(148,759)
Distribution of Excess Fees to State of Florida	-	(44)	(44)	-
Total Other Financing Uses	<u>-</u>	<u>(44)</u>	<u>(148,803)</u>	<u>(148,759)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - October 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - SEPTEMBER 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Special-Purpose Financial Statements.

**CLERK OF THE COURTS**  
**HIGHLANDS COUNTY, FLORIDA**  
**SPECIAL-PURPOSE STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPE**  
**SEPTEMBER 30, 2013**

	Governmental Activities - Internal Service Fund
	Compensated Absences
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 338,163
Investments	103,975
Total Assets	442,138
<b>LIABILITIES</b>	
Due to Others	37
Accrued Compensated Absences Payable	442,101
Total Liabilities	442,138
<b>NET POSITION</b>	
Unrestricted	\$ -

*See accompanying Notes to Special-Purpose Financial Statements.*

**CLERK OF THE COURTS**  
**HIGHLANDS COUNTY, FLORIDA**  
**SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND TYPE**  
**YEAR ENDED SEPTEMBER 30, 2013**

	Governmental Activities - Internal Service Fund <hr/> Compensated Absences <hr/>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 106,900
<b>OPERATING EXPENSES</b>	
Compensated Absences Expense	<hr/> 114,348
<b>OPERATING LOSS</b>	(7,448)
<b>NONOPERATING REVENUES</b>	
Net Change in Fair Value of Investments	<hr/> 7,448
<b>CHANGE IN NET POSITION</b>	-
Net Position - October 1, 2012	<hr/> -
<b>NET POSITION - SEPTEMBER 30, 2013</b>	<hr/> <hr/> \$ -

*See accompanying Notes to Special-Purpose Financial Statements.*

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED SEPTEMBER 30, 2013**

	Governmental Activities - Internal Service Fund <hr/> Compensated Absences <hr/>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Charges for Services	\$ 106,109
Cash Paid to Employees for Services	(114,225)
Net Cash Used by Operating Activities	<hr/> (8,116) <hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(666)
Sale of Investments	66,817
Investment Income	1,539
Net Cash Provided by Investing Activities	<hr/> 67,690 <hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	59,574
Cash and Cash Equivalents - October 1, 2012	<hr/> 278,589 <hr/>
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2013</b>	<hr/> <b>\$ 338,163</b> <hr/>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (7,448)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Due to Others	1
Decrease in Compensated Absences	(669)
Net Cash Used by Operating Activities	<hr/> <b>\$ (8,116)</b> <hr/>

*See accompanying Notes to Special-Purpose Financial Statements.*

**CLERK OF THE COURTS**  
**HIGHLANDS COUNTY, FLORIDA**  
**SPECIAL-PURPOSE STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND**  
**SEPTEMBER 30, 2013**

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,430,231
Due from Others	41
Due from Other Governmental Units	2,473
Total Assets	\$ 1,432,745
 <b>LIABILITIES</b>	
Due to Others	\$ 218,445
Due to Other Governmental Units	150,214
Due to Constitutional Officers	67,109
Deposits	996,977
Total Liabilities	\$ 1,432,745

*See accompanying Notes to Special-Purpose Financial Statements.*

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Highlands County is a non-charter County established on April 23, 1921, under the laws of the State of Florida, Chapter 8513. The Clerk of the Courts (Clerk) is one of six constitutional officers elected to serve within the County and receives a significant portion of its revenue from the Board of County Commissioners, Highlands County, Florida.

The Clerk is elected every four years to serve as Clerk of the Circuit Court as well as the County Courts. In addition, the Clerk is the ex-officio Clerk to the Board of County Commissioners of Highlands County (Board). As Clerk to the Board, the Clerk is the auditor, recorder and custodian of all County funds.

The Clerk is a budget officer in that non-court functions of the Clerk are funded by revenues that are received from the Board in the form of an appropriation. The Clerk is required to submit to the Board excess revenues over expenditures as of September 30 of each year for the non-court related budget.

Court related fees collected by the Clerk in carrying out his duties are used to fund the court functions of the Clerk of Courts. Excess fees are remitted per s. 28.36, F.S. and s. 28.37, F.S.

The accompanying summary of significant accounting policies is presented to assist the reader in interpreting the special-purpose financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the special-purpose financial statements. The following is a summary of the more significant policies:

**Basis of Presentation**

These financial statements have been prepared for the purpose of complying with Section 218.39(2), Florida Statutes, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, which requires the Clerk to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including management’s discussion and analysis, these financial statements do not constitute a complete presentation of financial position of the Clerk as of September 30, 2013 and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The accounts of the Clerk are organized on the basis of funds types, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. 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.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting**

The purpose of the Clerk's various funds is as follows:

**Major Governmental Funds**

**General Fund** – The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Clerk of Circuit Courts that are not required either legally or by generally accepted accounting principles to be accounted for in another fund.

**Court Fund** – The Court Fund is a special revenue fund used to account for Title IV-D reimbursements, child support activity, and bond estreature activity.

**Public Records Modernization Trust Fund** – The Public Records Modernization Trust Fund is a special revenue fund used to account for the additional service charges on recorded instruments used exclusively for modernizing the official recordkeeping systems in the Clerk's office per s 28.24(12)(d)FS.

**Court Operations Modernization Trust Fund** – The Court Operations Modernization Trust Fund is a special revenue fund used to account for retainage of 10% of all court-related fines collected by the Clerk to be used exclusively for additional Clerk court-related operational needs and program enhancements.

**Court Services Fund (120)** – The Court Services Fund (120) is a special revenue fund used to account for state appropriated court related operations for the three-month transitional period of July 1, 2013 through September 30, 2013.

**Court Services Fund (121)** – The Court Services Fund (121) is a special revenue fund used to account for state appropriated court related operations for the period of October 1, 2012 through June 30, 2013.

**Nonmajor Governmental Funds**

**Court Related Technology Modernization Trust Fund** – The Court Related Technology Modernization Trust Fund is a special revenue fund used to account for the recording fees used to fund court related technology information needs for the Clerk of Courts.

**Teen Court Fund** – The Teen Court Fund is a special revenue fund used to account for assessment of mandatory court costs for the operation and administration of the Highlands County Court Program per section 938.19 FS.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Proprietary Fund**

**Internal Service Fund** – The Internal Service Fund is used to account for the accumulation of funded compensated absences.

**Fiduciary Funds**

**Agency Funds** – Agency Funds are used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Capital Assets**

All capital assets purchased are recorded as expenditures in the governmental funds at the time of purchase. The Clerk notifies the Board of County Commissioners of capital assets purchased and the original cost is recorded in the capital asset records of Highlands County as a whole. The Clerk may not dispose of any capital assets in his custody. The Clerk is to notify the Board of County Commissioners of any unused or obsolete assets and it is the Board's responsibility to dispose of these assets in accordance with the various Florida Statutes.

**Measurement Focus**

**Governmental Fund Types** – Governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported unassigned fund balances (net current assets) are considered a measure of "available, spendable or appropriable resources." Governmental Fund type operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Proprietary Fund Types** – The Internal Service Fund is accounted for on a cost of services measurement focus which is referred to as a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included in the statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

The accrual basis of accounting is utilized by the fiduciary fund and proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Budgets and Budgetary Data**

The following are the procedures followed in establishing the budget for the Clerk's office.

The Clerk is required to prepare two budgets. One budget relates to the Clerk's court related functions and is filed with the Clerks of Court Operations Corporation (CCOC). The other budget relates to the requirement of the Clerk as Clerk to the Board and is filed with the Board.

**Clerk to the Board Budget**

1. On or before June 1 of each year, the Clerk submits to the Board of County Commissioners a tentative budget for the ensuing fiscal year.
2. Within 15 days after certification of the ad valorem tax roll by the Property Appraiser, the County Budget Officer submits to the Board a proposed county-wide operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
3. By Board resolution, a tentative budget is submitted to the public. Public hearings are held to obtain taxpayers' comments.
4. Within 20 days after adoption of the tentative budget, a final budget is submitted for review and adoption at a final public hearing.
5. Prior to, or on, September 30, the County's operating budget is legally enacted through passage of a resolution.
6. The Clerk receives his budgeted revenues from the Board in monthly installments beginning in October.
7. Section 129.07, Florida Statutes, provides that only expenditures in excess of total fund budgets are unlawful. However, because the Clerk acts on all budget changes between departments, this becomes the level of control.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Data (Continued)**

**Clerk to the Board Budget (Continued)**

8. Formal budgetary integration is employed as a management control device during the year for all Governmental Fund Types.
9. Annual appropriated budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
10. All appropriations lapse at the close of the fiscal year.
11. The Court Fund, Public Records Modernization Trust Fund, Court Related Technology Modernization Trust Fund, Court Operations Modernization Trust Fund and Teen Court Fund are not legally required to have budgets.

**Clerk's Court Related Budget**

The original budget presented in the Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance for the Court Fund (Fund 121) represents the original budget approved by the CCOC for the State Fiscal Year July 1, 2012 through June 30, 2013. The amounts reported as final budget and actual expenditures represent activity for the first three quarters of the County fiscal year (October 1, 2012 – June 30, 2013). Effective July 1, 2013, the Clerk's court related budget reverted from the state fiscal year back to the county fiscal year. The original budget presented in the Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance for the Court Fund (Fund 120) represents the original budget approved by the CCOC for the three month transitional period July 1, 2013 through September 30, 2013. The amounts reported as final budget and actual expenditures represent the activity for that three-month period.

**Cash and Cash Equivalents**

Cash and cash equivalents are cash on hand as well as demand deposits and investments with original maturities of three months or less from the date of acquisition.

**Investments**

The Clerk invests surplus public funds in accordance with Section 218.415, Florida Statutes. Investments in the current year are held in certificates of deposits and the Fund B Surplus Trust Fund.

**Compensated Absences**

Employees of the Clerk earn paid-time-off in varying amounts. Upon retirement, death, resignation, or separation in good standing, employees are eligible to receive payment, at their current rates of pay, up to 100% of accumulated paid-time-off based on years of service. However, employees having less than one year of service will not be paid for any accumulated paid time off. Employees of the Clerk are limited to no more than 500 hours of paid-time-off carryover at year-end.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

Paid-time-off for the Clerk's employees have been fully funded and are recorded as an expense in the internal service fund. No liability has been recorded for the nonvesting accumulating rights to receive paid-time-off benefits.

**Fund Balance**

Governmental funds report fund balances as either spendable or nonspendable. Spendable fund balances are further classified based on the extent to which there are external and internal constraints on the spending of the fund balances. The classifications of fund balances are described as follows:

**Nonspendable Fund Balance** – Amounts that cannot be spent because they are either not in spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

**Restricted Fund Balance** – Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The Clerk is reporting restricted fund balances in the Public Records Modernization Trust Fund, Court Operations Modernization Trust Fund, Court Services Fund (120), Court Related Technology Modernization Trust fund, and Teen Court Fund.

**Committed Fund Balance** – Amounts that can be spent only for specific purposes determined by a formal action of the Clerk's highest level of decision-making authority.

**Assigned Fund Balance** – Amounts the Clerk intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

**Unassigned Fund Balance** – Amounts that are available for any purpose; these amounts can be reported only in the Clerk's General Fund.

When both restricted and unrestricted resources are available for use, it is the Clerk's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. The Board of County Commissioners adopted a fund balance policy for the county as a whole. The Clerk does not have a separate fund balance policy.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unexpended Budget Balance Reverting to Board of County Commissioners**

Section 218.36(2), Florida Statutes, requires that any excess of revenues over expenditures in the General Fund held by the Clerk at the end of each fiscal year for non-court functions shall be remitted to the Board of County Commissioners. Therefore, the excess of revenues over expenditures in the General Fund at the end of each fiscal year is reflected as unexpended budget balance reverting to the Board of County Commissioners on the statement of revenues, expenditures and changes in fund balance, and the related liability is included in due to constitutional officers.

**Use of Estimates**

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

**Other Post Employment Benefit Obligations**

Other postemployment benefit obligations are reported in conformity with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. The Clerk's employees are included as part of the Other Postemployment Health Benefits Plan (OPEB plan) administered by the Board and the Constitutional Officers of the County. The OPEB plan currently covers certain eligible retirees of the Board and the Constitutional Officers of the County. Retirees participating in the group insurance plans offered by the County are required to contribute 100% of the active premiums. Accounting for OPEB under GASB No. 45 results in the County reporting a significant actuarially-based liability for benefits.

**Implementation of New Accounting Standards**

During the year the Clerk implemented *GASBS 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, supersedes GASBS 20*. *GASBS 20* gave governments the choice to elect to follow only GASB's authoritative literature, or to follow FASB and AICPA pronouncements that did not conflict with GASB pronouncements. Upon adoption of *GASBS 62*, all governmental accounting guidance is codified into the GASB literature.

During the year the Clerk implemented *GASBS 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. *GASBS 63* provides guidance on deferred outflows and inflows of resources. It also renames the residual amounts from "net assets" to "net position". These financial statements include the statement of net position, which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Implementation of New Accounting Standards (Continued)**

During the year the Clerk implemented *GASBS 65, Items Previously Reported as Assets and Liabilities*. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS**

At September 30, 2013, the Clerk's deposits consisted of the following:

Deposits	\$ 2,111,982
Certificates of Deposit	<u>142,908</u>
Total	<u><u>\$ 2,254,890</u></u>

The entire amount of the demand deposits is deposited in a State of Florida qualified depository and, therefore, is fully collateralized.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Clerk's monies must be deposited in banks designated as qualified public depositories by the Florida Department of Insurance and State Treasurer. Therefore, the Clerk's total deposits are insured by the Florida Depository Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, Florida Department of Insurance. The law requires the State Treasurer to ensure that funds are entirely collateralized throughout the fiscal year.

Collateral is provided for demand deposits through the Florida Security for Public Deposits Act. This law establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under this law, the qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance.

Additional collateral, up to a maximum of 125%, may be required if deemed necessary under the conditions set forth in this law. Eligible collateral consists of obligations of the United States and its agencies and obligations of states and their local political subdivisions and unaffiliated corporations.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the State Treasurer. On a monthly basis, the State Treasurer determines that the collateral has a market value adequate to cover the deposits under the provisions of this law.

The Clerk invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2013, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three-month LIBOR rates. These investments represented 25.5% of Florida PRIME's portfolio at September 30, 2013.

Florida PRIME is considered to be in a Rule 2a7-like pool and is reported, at amortized cost, as a cash equivalent. On September 30, 2013, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating. The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2013 was 44 days.

The Clerk also has funds invested in the Fund B Surplus Trust Fund (Fund B). Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2013 was 1.13262284. As of September 30, 2013, the Clerk has \$27,417 invested in Fund B. The weighted average life (WAL) of Fund B at September 30, 2013 was 4.04 years.

Investments at September 30, 2013 consist of:

Florida PRIME	\$ 421,027
Fund B	27,417
Total	<u>\$ 448,444</u>

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

A reconciliation of deposits and investments to amounts shown on the balance sheet, statement of net position, and statement of fiduciary net position is as follows:

Deposits	\$ 2,254,890
Petty Cash and Change in Funds	7,002
Investments	448,444
Total	<u>\$ 2,710,336</u>
Special-Purpose Balance Sheet:	
Cash and Cash Equivalents	\$ 771,617
Investments	66,350
Special-Purpose Statement of Net Position:	
Cash and Cash Equivalents	338,163
Investments	103,975
Special-Purpose Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	1,430,231
Total Cash, Cash Equivalents and Investments	<u>\$ 2,710,336</u>

**NOTE 3 PERSONNEL COMMITMENTS**

Employees of the Clerk earn paid-time-off in varying amounts. In the event of retirement or termination of employment, an employee is paid for a portion of paid-time-off credits unused.

The following shows the change in compensated absences for the fiscal year ended September 30, 2013:

Accrued Compensated Absences - September 30, 2012	442,770
Leave Earned by Employees	113,556
Payments to Employees	(114,225)
Accrued Compensated Absences - September 30, 2013	<u>\$ 442,101</u>

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 PENSION PLAN**

Substantially all full-time employees of the Clerk are participants in the Florida Retirement System (the System), a multiple-employer cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers approximately 655,000 full-time employees of various governmental units within the State of Florida.

For employees enrolled prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to regular employees who retire at or after age 62 with 6 or more years of service or has 30 years of service, regardless of age. Early retirement is available after a member is vested and is within 20 years of normal retirement age; however, there is a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years of service credit where average compensation is computed as the average of an individual's five highest years of earnings.

For employees enrolled in the System on or after July 1, 2011, vesting of benefits begins after eight years of creditable service. Normal retirement benefits are available to these employees who retire at or after age 65 with 8 or more years of service or has 33 years of services, regardless of age. Early retirement is available after a member is vested and is within 20 years of normal retirement age; however, there is a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's eight highest years of earnings.

Effective with the State fiscal year 2002, the State created a new retirement plan within the System: the Public Employee Optional Retirement Program (the FRS Investment Plan). Any regular member not in the Deferred Retirement Option Program (DROP) is eligible to participate in the FRS Investment Plan. Employer contributions are made to the FRS Investment Plan, which holds the contributions in individual investment accounts for each participating employee. The employee directs the investment funds available through the Plan. Investment accounts vest after one year of service and may be withdrawn by the employee 90 days after termination or retirement from a participating employer in the System. Alternately, the funds may remain in the investment account until the employee reaches normal retirement age or some earlier date, at the employee's choosing. Employees are not required to contribute to the FRS Investment Plan.

The Clerk has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 1317 Winewood Blvd., Building 8, Tallahassee, FL 32399-1560.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 PENSION PLAN (CONTINUED)**

Participating employer contributions are based upon statewide rates established by the State of Florida. These rates were applied to employee salaries as follows: regular employees, 5.18% and 4.91%; senior management, 6.3% and 6.27%; elected officers, 10.23% and 11.14%; and DROP employees, 5.44% and 4.42% for the System's years ended June 30, 2013 and 2012, respectively. Effective July 1, 2013, the rates were changed as follows: regular employees, 6.95%; senior management, 18.31%; elected officers, 33.03%; and DROP employees, 12.84%. In addition, all employees (except for those in DROP) were required to make contributions of 3% on a pretax basis, deductible from their gross salaries for each payroll beginning in July 2011. The Clerk's contributions made during the years ended September 30, 2013, 2012, and 2011 were \$231,734, \$186,934, and \$331,408, respectively, equal to the actuarially determined contribution requirements for each year.

**NOTE 5 RELATED PARTY TRANSACTION**

Transactions with the Highlands County Board of Commissioners and the Constitutional Officers of Highlands County, Florida, for the year ended September 30, 2013 were as follows:

**Budget Appropriation**

The General Fund of the Clerk received payments from the Board of County Commissioners in the amount of \$3,233,890 for the year ended September 30, 2013. Excess fees payable to the Board at September 30, 2013 was \$34,219.

**Various Services**

The Board of County Commissioners provides various services to the Clerk. The charges for these services for the fiscal year ended September 30, 2013 amounted to \$499,720.

The Clerk provides information technology support, communication and freight services, and other miscellaneous services to the Board of County Commissioners. The Clerk received \$192,995 for these services for the fiscal year ended September 30, 2013.

The Clerk provides miscellaneous services to the Sheriff's office. The Clerk received \$6,237 for these services for the fiscal year ended September 30, 2013.

The Clerk provides communication and freight services and other miscellaneous services to the Supervisor of Elections. The Clerk received \$16,750 for these services for the fiscal year ended September 30, 2013.

The Clerk provides information technology support and miscellaneous services to the Tax Collector. The Clerk received \$37,107 for these services for the fiscal year ended September 30, 2013.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 6 RISK MANAGEMENT**

The Clerk is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of Preferred Governmental Insurance Trust (PGIT), a governmental insurance carrier. PGIT administers insurance activities relating to property, general liability, public official's and employment practices liability, automobile, crime, and worker compensation. The County is liable for deductibles on certain coverage. Transactions related to activities related to PGIT are presented in the statements of Highlands County as a whole.

**NOTE 7 CAPITAL ASSETS**

The Clerk's capital assets include furniture, equipment, computer equipment, vehicles and software. The Clerk, pursuant to Florida Statutes, records no capital assets for which the Clerk is custodian. The threshold for capitalizing all capital assets, except software, is \$5,000. The threshold for capitalizing software is \$15,000 for internally generated software and \$25,000 for purchased software. Capital assets are recorded at cost, or estimated historical cost. Contributed assets are recorded at estimated fair value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Detailed information concerning capital assets is recorded and reported in the government-wide financial statements of the County.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

The following is a summary of the changes in capital assets for which the Clerk is custodian during fiscal year 2013:

	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets, Not Being Depreciated/ Amortized:				
Software Conversion in Process	\$ -	\$ 68,455	\$ -	\$ 68,455
Capital Assets, Being Depreciated/ Amortized:				
Equipment	2,535,138	37,068	-	2,572,206
Computer Software	719,873	-	-	719,873
Total Capital Assets Being Depreciated/Amortized	3,255,011	37,068	-	3,292,079
Less: Accumulated Depreciation/ Amortization:				
Equipment	(1,471,276)	(275,827)	-	(1,747,103)
Computer Software	(418,552)	(121,411)	-	(539,963)
Total Accumulated Depreciation/Amortization	(1,889,828)	(397,238)	-	(2,287,066)
Total Capital Assets, Being Depreciated/Amortized, Net	1,365,183	(360,170)	-	1,005,013
Total Capital Assets, Net	<u>\$ 1,365,183</u>	<u>\$ (291,715)</u>	<u>\$ -</u>	<u>\$ 1,073,468</u>

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING SPECIAL-PURPOSE BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	Court Related Technology Modernization Trust	Teen Court Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 84,705	\$ 15,320	\$ 100,025
Prepaid Items	6,537	-	6,537
Total Assets	\$ 91,242	\$ 15,320	\$ 106,562
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Vouchers Payable	\$ -	\$ 281	\$ 281
Accrued Payroll and Related Liabilities	3,193	1,238	4,431
Total Liabilities	3,193	1,519	4,712
 <b>FUND BALANCES</b>			
Nonspendable	6,537	-	6,537
Restricted	81,512	13,801	95,313
Total Fund Balances	88,049	13,801	101,850
 Total Liabilities and Fund Balances	 \$ 91,242	 \$ 15,320	 \$ 106,562

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING SPECIAL-PURPOSE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2013**

	Court Related Technology Modernization Trust	Teen Court Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
<b>Miscellaneous Revenues:</b>			
Recording Fees	\$ 133,923	\$ -	\$ 133,923
Court Related Service Charge	-	27,393	27,393
Interest Earnings	194	57	251
Other Miscellaneous Revenues	3,000	-	3,000
Total Revenues	137,117	27,450	161,567
<b>EXPENDITURES</b>			
<b>Court Related:</b>			
Personal Services	93,255	32,017	125,272
Operating Expenditures	15,015	3,890	18,905
Capital Outlay	1,223	-	1,223
Total Expenditures	109,493	35,907	145,400
<b>NET CHANGE IN FUND BALANCE</b>	27,624	(8,457)	19,167
Fund Balance - October 1, 2012	60,425	22,258	82,683
<b>FUND BALANCES - SEPTEMBER 30, 2013</b>	<b>\$ 88,049</b>	<b>\$ 13,801</b>	<b>\$ 101,850</b>

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
AGENCY FUND DESCRIPTIONS  
YEAR ENDED SEPTEMBER 30, 2013**

The Clerk maintains the following Agency Funds:

**Child Support** – To account for child support and/or alimony payments collected by the Clerk and remitted to the appropriate recipients.

**Suspense** – Used by the Clerk to account for documentary stamp fees and recording fees, jury and witness payments and fines and forfeitures collected through the court system and remitted to other governmental agencies.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING SPECIAL-PURPOSE STATEMENT OF FIDUCIARY NET POSITION  
ALL AGENCY FUNDS  
SEPTEMBER 30, 2013**

	Agency Funds		Total
	Child Support	Suspense	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,456	\$ 1,425,775	\$ 1,430,231
Due from Others	-	41	41
Due from Other Governmental Units	-	2,473	2,473
	<u>4,456</u>	<u>2,473</u>	<u>2,473</u>
Total Assets	<u>\$ 4,456</u>	<u>\$ 1,428,289</u>	<u>\$ 1,432,745</u>
<b>LIABILITIES</b>			
Due to Others	\$ 4,456	\$ 213,989	\$ 218,445
Due to Other Governmental Units	-	150,214	150,214
Due to Constitutional Officers	-	67,109	67,109
Deposits	-	996,977	996,977
	<u>4,456</u>	<u>996,977</u>	<u>996,977</u>
Total Liabilities	<u>\$ 4,456</u>	<u>\$ 1,428,289</u>	<u>\$ 1,432,745</u>

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
COMBINING SPECIAL-PURPOSE STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2013**

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013
<b>CHILD SUPPORT FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,055	\$ 365,356	\$ 363,955	\$ 4,456
<b>LIABILITIES</b>				
Due to Others	\$ 3,055	\$ 369,429	\$ 368,028	\$ 4,456
<b>SUSPENSE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 765,261	\$ 12,019,317	\$ 11,358,803	\$ 1,425,775
Investments	233,984	-	233,984	-
Due from Others	119	882	960	41
Due from Other Governmental Units	1,561	11,309	10,397	2,473
Total Assets	<u>\$ 1,000,925</u>	<u>\$ 12,031,508</u>	<u>\$ 11,604,144</u>	<u>\$ 1,428,289</u>
<b>LIABILITIES</b>				
Due to Others	\$ 123,353	\$ 3,885,303	\$ 3,794,667	\$ 213,989
Due to Other Governmental Units	316,527	5,696,008	5,862,321	150,214
Due to Constitutional Officers	48,794	1,080,237	1,061,922	67,109
Deposits	512,251	1,196,915	712,189	996,977
Total Liabilities	<u>\$ 1,000,925</u>	<u>\$ 11,858,463</u>	<u>\$ 11,431,099</u>	<u>\$ 1,428,289</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 768,316	\$ 12,384,673	\$ 11,722,758	\$ 1,430,231
Investments	233,984	-	233,984	-
Due from Others	119	882	960	41
Due from Other Governmental Units	1,561	11,309	10,397	2,473
Total Assets	<u>\$ 1,003,980</u>	<u>\$ 12,396,864</u>	<u>\$ 11,968,099</u>	<u>\$ 1,432,745</u>
<b>LIABILITIES</b>				
Due to Others	\$ 126,408	\$ 4,254,732	\$ 4,162,695	\$ 218,445
Due to Other Governmental Units	316,527	5,696,008	5,862,321	150,214
Due to Constitutional Officers	48,794	1,080,237	1,061,922	67,109
Deposits	512,251	1,196,915	712,189	996,977
Total Liabilities	<u>\$ 1,003,980</u>	<u>\$ 12,227,892</u>	<u>\$ 11,799,127</u>	<u>\$ 1,432,745</u>

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

The Honorable Robert W. Germaine  
Clerk of the Courts  
Highlands County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Clerk of the Courts of Highlands County, Florida (Clerk), as of and for the year ended September 30, 2013, and the related notes to the special-purpose financial statements, which collectively comprise the Clerk's financial statements, and have issued our report thereon dated January 2, 2014.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2013-001 to be a material weakness.

The Honorable Robert W. Germaine  
Clerk of the Courts  
Highlands County, Florida

### **Compliance and Other Matters**

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

### **Clerk of the Court's Response to Findings**

The Clerk's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 2, 2014

## MANAGEMENT LETTER

The Honorable Robert W. Germaine  
Clerk of the Courts  
Highlands County, Florida

We have audited the special-purpose financial statements of the Clerk of the Courts of Highlands County, Florida (Clerk), as of and for the fiscal year ended September 30, 2013 and have issued our report thereon dated January 2, 2014.

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 and Chapter 10.550 Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated January 2, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- 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 noncompliance with the provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See finding 2013-002 in the accompanying schedule of findings and responses.

The Honorable Robert W. Germaine  
Clerk of the Courts  
Highlands County, Florida

- Section 10.554(1)(i)5., 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 special-purpose financial statements. See Note 1 in the notes to special-purpose financial statements.
- Section 10.554(1)(i)7., Rules of the Auditor General, requires a statement as to whether or not the clerk of the courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the clerk complied with such requirements.

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



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 2, 2014

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2013**

**PRIOR YEAR**

Prior Year Findings		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2012-01 - Court Operations Performance Measures	Compliance	X		

**CURRENT YEAR**

**2013-001 – Child Support Fees**

**Criteria:**

Pursuant to Section 61.181, Florida Statutes the Clerk’s office collects fees on child support payments collected in their office. All court-related fines, fees, service charges, and costs collected between July 1, 2009 and May 31, 2013 were considered state funds and were to be remitted by the Clerk to the State.

**Condition:**

During the current year the Clerk’s office identified that child support fees had been retained, rather than remitted to the state. The amounts retained from July 2012 through the date the error was identified were returned to the state; however, a liability was not recorded for the amounts collected between July 2009 and June 2012. A material adjustment to record the liability was identified during the course of the audit.

**Context:**

Substantive testing of the Clerk’s revenue identified the audit adjustment.

**Effect:**

Liabilities at September 30, 2013 were understated by the amount due to the state.

**Cause:**

The court system has gone through several changes in fee collection and remittance procedures in the past several years. The Clerk’s internal control system identified the error in the collection procedure; however, it did not consider amounts from prior periods.

**Recommendation:**

The Clerk should make arrangements to remit the remaining fees to the Florida Department of Revenue. If errors are identified in the future, the scope of the correction should include all periods containing the error.

**Management Response:**

Management concurs. The Clerk’s Office has made contact with the Clerk of Courts Corporation and the Department of Revenue and will remit the funds once final guidance is received.

**CLERK OF THE COURTS  
HIGHLANDS COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
SEPTEMBER 30, 2013**

**CURRENT YEAR (CONTINUED)**

**2013-002 – Allocation of Salaries and Benefits**

**Criteria:**

When public records requests require extensive use of information technology resources or personnel, a special service charge may be charged in addition to the actual cost of duplication of the records. According to Florida Statute 119.07(4)(d) the fees charged shall be based on the cost incurred for the use of information technology resources or the labor cost of the personnel providing the service.

**Condition:**

The special service charge revenue for data extraction services was recorded in the Public Records Modernization Trust Fund; however, operating expenditures and personnel services related to providing those services were not allocated to the fund.

**Context:**

Substantive testing of account balances disclosed the deficiency.

**Cause:**

Management did not allocate information technology resource costs or personnel labor costs to the Public Records Modernization Trust Fund.

**Effect:**

The expenditures incurred to provide public records data extraction services are not recorded in the same fund as the special service charge.

**Recommendation:**

We recommend that management allocate the costs to provide data extraction services to the Public Records Modernization Trust Fund.

**Management Response:**

Management concurs. The Clerk's Office will allocate the cost of providing the data extraction services to the Public Records Modernization Trust Fund.