

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL REPORTS**

YEAR ENDED SEPTEMBER 30, 2014

**CLERK OF THE COURTS
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 Financial Statements

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the Clerk'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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2014, and the respective changes in financial position and, where applicable, cash flows and budgetary comparison thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and the aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Highlands County that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of Highlands County as of September 30, 2014, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statement is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clerk's financial statements. The combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. Such 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 combining statements are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report 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 included under the heading 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 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 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.



CliftonLarsonAllen LLP

Sebring, Florida
January 20, 2015

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Court	Public Records Modernization Trust	Court Operations Modernization Trust
ASSETS				
Cash and Cash Equivalents	\$ 223,590	\$ 26,453	\$ 206,998	\$ 120,594
Investments	-	-	40,954	25,596
Accounts Receivable	-	-	-	-
Due from Other Governmental Units	8,847	36,867	-	-
Prepaid Items	73,781	-	-	-
	<u>306,218</u>	<u>63,320</u>	<u>247,952</u>	<u>146,190</u>
Total Assets	<u>\$ 306,218</u>	<u>\$ 63,320</u>	<u>\$ 247,952</u>	<u>\$ 146,190</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Vouchers Payable	\$ 110,521	\$ 190	\$ -	\$ -
Due to Other Governmental Units	-	-	-	-
Due to Others	65	48,300	-	-
Due to Constitutional Officers	121,004	13,756	-	-
Accrued Payroll and Related Liabilities	74,628	1,074	-	382
Total Liabilities	<u>306,218</u>	<u>63,320</u>	<u>-</u>	<u>382</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Intergovernmental	-	-	-	-
 FUND BALANCES				
Nonspendable	73,781	-	-	-
Restricted	-	-	247,952	145,808
Unassigned	(73,781)	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>247,952</u>	<u>145,808</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 306,218</u>	<u>\$ 63,320</u>	<u>\$ 247,952</u>	<u>\$ 146,190</u>

See accompanying Notes to Financial Statements.

<u>Court Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 31,812	\$ 89,602	\$ 699,049
-	-	66,550
-	75	75
133,679	1,485	180,878
-	4,492	78,273
<u>\$ 165,491</u>	<u>\$ 95,654</u>	<u>\$ 1,024,825</u>

\$ 2,117	\$ 654	\$ 113,482
81,923	-	81,923
-	-	48,365
-	-	134,760
11,383	643	88,110
<u>95,423</u>	<u>1,297</u>	<u>466,640</u>

133,679	-	133,679
-	4,492	78,273
-	89,865	483,625
(63,611)	-	(137,392)
<u>(63,611)</u>	<u>94,357</u>	<u>424,506</u>
<u>\$ 165,491</u>	<u>\$ 95,654</u>	<u>\$ 1,024,825</u>

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	General	Court	Public Records Modernization Trust	Court Operations Modernization Trust
REVENUES				
Intergovernmental:				
Appropriation from Board of County Commissioners	\$ 3,357,614	\$ -	\$ -	\$ -
Miscellaneous Revenues:				
Recording Fees	-	-	39,829	-
Intergovernmental	-	199,358	-	-
Court Related Service Charge	-	-	-	131,507
Fines and Forfeitures	-	-	-	-
Interest Earnings	-	31	673	541
Other Miscellaneous Revenues	-	-	2,775	-
Total Revenues	<u>3,357,614</u>	<u>199,389</u>	<u>43,277</u>	<u>132,048</u>
EXPENDITURES				
General Government:				
Personal Services	2,369,407	-	-	-
Operating Expenditures	674,587	-	8,026	-
Capital Outlay	5,565	-	-	-
Total Financial and Administrative	<u>3,049,559</u>	<u>-</u>	<u>8,026</u>	<u>-</u>
Court Related:				
Personal Services	140,040	151,468	-	84,112
Operating Expenditures	7,596	34,165	-	50,726
Capital Outlay	39,672	-	-	-
Total Court Related	<u>187,308</u>	<u>185,633</u>	<u>-</u>	<u>134,838</u>
Total Expenditures	<u>3,236,867</u>	<u>185,633</u>	<u>8,026</u>	<u>134,838</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	120,747	13,756	35,251	(2,790)
OTHER FINANCING USES				
Unexpended Budget Balance Reverting to Board of County Commissioners	<u>(120,747)</u>	<u>(13,756)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	35,251	(2,790)
Fund Balance - October 1, 2013	<u>-</u>	<u>-</u>	<u>212,701</u>	<u>148,598</u>
FUND BALANCE - SEPTEMBER 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 247,952</u></u>	<u><u>\$ 145,808</u></u>

See accompanying Notes to Financial Statements.

<u>Court Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 3,357,614
-	112,336	152,165
168,662	-	368,020
1,039,457	27,322	1,198,286
565,054	-	565,054
329	250	1,824
-	4,400	7,175
<u>1,773,502</u>	<u>144,308</u>	<u>5,650,138</u>
-	-	2,369,407
-	-	682,613
-	-	5,565
<u>-</u>	<u>-</u>	<u>3,057,585</u>
1,819,373	124,416	2,319,409
43,758	27,385	163,630
-	-	39,672
<u>1,863,131</u>	<u>151,801</u>	<u>2,522,711</u>
<u>1,863,131</u>	<u>151,801</u>	<u>5,580,296</u>
(89,629)	(7,493)	69,842
<u>-</u>	<u>-</u>	<u>(134,503)</u>
(89,629)	(7,493)	(64,661)
<u>26,018</u>	<u>101,850</u>	<u>489,167</u>
<u>\$ (63,611)</u>	<u>\$ 94,357</u>	<u>\$ 424,506</u>

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental:				
Appropriation from Board of County Commissioners	\$ 3,377,614	\$ 3,377,614	\$ 3,357,614	\$ (20,000)
EXPENDITURES				
General Government:				
Personal Services	2,401,622	2,369,407	2,369,407	-
Operating Expenditures	737,742	815,334	674,587	140,747
Capital Outlay	-	5,565	5,565	-
Total Financial and Administrative	<u>3,139,364</u>	<u>3,190,306</u>	<u>3,049,559</u>	<u>140,747</u>
Court Related:				
Personal Services	186,571	140,040	140,040	-
Operating Expenditures	12,179	7,596	7,596	-
Capital Outlay	39,500	39,672	39,672	-
Total Court Related	<u>238,250</u>	<u>187,308</u>	<u>187,308</u>	<u>-</u>
Total Expenditures	<u>3,377,614</u>	<u>3,377,614</u>	<u>3,236,867</u>	<u>140,747</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	120,747	120,747
OTHER FINANCING USES				
Unexpended Budget Balance Reverting to Board of County Commissioners	-	-	(120,747)	(120,747)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - October 1, 2013	-	-	-	-
FUND BALANCE - SEPTEMBER 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COURT SERVICES FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Miscellaneous Revenues:				
Intergovernmental	\$ 168,662	\$ 168,662	\$ 168,662	\$ -
Court Related Service Charge	1,138,765	1,138,764	1,039,457	(99,307)
Fines and Forfeitures	529,475	529,475	565,054	35,579
Interest Earnings	212	212	329	117
Total Revenues	<u>1,837,114</u>	<u>1,837,113</u>	<u>1,773,502</u>	<u>(63,611)</u>
EXPENDITURES				
Court Related:				
Personal Services	1,767,646	1,819,373	1,819,373	-
Operating Expenditures	69,468	43,758	43,758	-
Total Expenditures	<u>1,837,114</u>	<u>1,863,131</u>	<u>1,863,131</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(26,018)	(89,629)	(63,611)
Fund Balance - October 1, 2013	<u>-</u>	<u>26,018</u>	<u>26,018</u>	<u>-</u>
FUND BALANCE - SEPTEMBER 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63,611)</u>	<u>\$ (63,611)</u>

See accompanying Notes to Financial Statements.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014**

	Internal Service Fund
	Compensated Absences
ASSETS	
Cash and Cash Equivalents	\$ 389,947
Investments	76,788
Total Assets	466,735
LIABILITIES	
Due to Others	151
Accrued Compensated Absences Payable	466,584
Total Liabilities	466,735
NET POSITION	
Unrestricted	\$ -

See accompanying Notes to Financial Statements.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Internal Service Fund
	Compensated Absences
OPERATING REVENUES	
Charges for Services	\$ 110,024
OPERATING EXPENSES	
Compensated Absences Expense	107,845
OPERATING INCOME	2,179
NONOPERATING REVENUES	
Net Change in Fair Value of Investments	(2,179)
CHANGE IN NET POSITION	-
Net Position - October 1, 2013	-
NET POSITION - SEPTEMBER 30, 2014	\$ -

See accompanying Notes to Financial Statements.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Internal Service Fund <u>Compensated Absences</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Charges for Services	\$ 110,024
Cash Paid to Employees for Services	(83,248)
Net Cash Provided by Operating Activities	<u>26,776</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(76,788)
Sale of Investments	100,765
Investment Income	1,031
Net Cash Provided by Investing Activities	<u>25,008</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,784
Cash and Cash Equivalents - October 1, 2013	<u>338,163</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2014	<u><u>\$ 389,947</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 2,179
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Due to Others	114
Increase in Compensated Absences	24,483
Net Cash Provided by Operating Activities	<u><u>\$ 26,776</u></u>

See accompanying Notes to Financial Statements.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
SEPTEMBER 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,264,029
Due from Others	30
Due from Other Governmental Units	1,948
Total Assets	<u>\$ 1,266,007</u>
 LIABILITIES	
Due to Others	\$ 280,877
Due to Other Governmental Units	302,346
Due to Constitutional Officers	88,708
Deposits	594,076
Total Liabilities	<u>\$ 1,266,007</u>

See accompanying Notes to Financial Statements.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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's financial statements include only the funds of the Clerk's office. There are no separate legal entities (component units) for which the Clerk is to be financially accountable.

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 Sections 28.36 and 28.37, Florida Statutes.

The accompanying summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the 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 allow the Clerk to only present fund financial statements. These financial statements present only the portion of the funds of Highlands County, Florida that are attributable to the Clerk. They are not intended to present fairly the financial position and results of operations of Highlands County, Florida in conformity with accounting principles generally accepted in the United States of America (GAAP).

Fund Accounting

The accounts of the Clerk are organized on the basis of funds, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

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 the Courts that are not required either legally or by GAAP to be accounted for in another fund.

Court Fund – The Court Fund is a special revenue fund used to account for the Child Support Enforcement grant activity, which is restricted by the grantor, 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 Section 28.24(12)(d), Florida Statutes.

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 per Section 28.37(5), Florida Statutes.

Court Services Fund – The Court Services Fund is a special revenue fund used to account for court-related filing fees, service charges, fines, court costs, appropriations and expenses of the Clerk as mandated by Section 28.35, Florida Statutes.

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 exclusively to fund court related technology information needs for the Clerk of Courts per Section 28.24(12)(e), Florida Statutes.

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, Florida Statutes.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, which include equipment and intangible software, are recorded as expenditures in the governmental funds at the time of purchase. The Board holds legal title for the capital assets used in the operation of the Clerk and is accountable for them under Florida Law. The Clerk notifies the Board 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 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 Funds – 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 Funds 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 – 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 operating statements present increases (revenues) and decreases (expenses) in net position.

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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenue is recognized when it becomes measurable and available as net current assets. Revenues are considered to be available when they are collected 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 fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The accrual basis of accounting is utilized by the fiduciary funds and proprietary fund. 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 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.
8. Formal budgetary integration is employed as a management control device during the year for all Governmental Funds.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Data (Continued)

Clerk to the Board Budget (Continued)

9. Annual appropriated budgets for the General Fund are adopted on a basis consistent with 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.

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.

In governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. Paid-time-off for the Clerk's employees have been fully funded and are recorded as expenditures in the governmental funds.

Fund Balance

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.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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, 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; positive amounts can be reported only in the Clerk’s General Fund. Unassigned fund balance may also include a negative balance for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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 adopted a fund balance policy for the county as a whole. The Clerk does not have a separate fund balance policy.

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. Therefore, the excess of revenues over expenditures in the General Fund and Court Fund at the end of each fiscal year is reflected as unexpended budget balance reverting to the Board 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 financial statements in conformity with GAAP requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

At September 30, 2014, the Clerk's deposits consisted of the following:

Deposits	\$ 1,900,667
Certificates of Deposit	143,338
Total	<u>\$ 2,044,005</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 Chief Financial Officer, Florida Department of Financial Services. Therefore, the Clerk's total deposits are insured by the Federal Depository Insurance Corporation and collateralized by the Bureau of Collateral Management, Division of Treasury, Florida Department of Financial Services. The law requires the Chief Financial Officer 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 25% 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 150%, 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Obligations pledged to secure deposits must be delivered to the Department of Financial Services or, with the approval of the Chief Financial Officer, to a bank, savings association or trust company provided a power of attorney is delivered to the Chief Financial Officer. On a monthly basis, the Chief Financial Officer 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, 2014, 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 30.9% of Florida PRIME's portfolio at September 30, 2014.

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, 2014, 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, 2014 was 39 days. At September 30, 2014, the Clerk has \$445,457 invested in Florida PRIME.

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	\$ 2,044,005
Petty Cash and Change in Funds	6,901
Florida PRIME	445,457
Total	<u>\$ 2,496,363</u>
Balance Sheet:	
Cash and Cash Equivalents	\$ 699,049
Investments	66,550
Statement of Net Position:	
Cash and Cash Equivalents	389,947
Investments	76,788
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	1,264,029
Total Cash, Cash Equivalents and Investments	<u>\$ 2,496,363</u>

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, 2014:

Accrued Compensated Absences - September 30, 2013	\$ 442,101
Leave Earned by Employees	107,319
Payments to Employees	<u>(82,836)</u>
Accrued Compensated Absences - September 30, 2014	<u>\$ 466,584</u>

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 623,000 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 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 eight highest years of earnings.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4 PENSION PLAN (CONTINUED)

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.

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, Florida 32399-1560.

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, 6.95% and 5.18%; senior management, 18.31% and 6.30%; elected officers, 33.03% and 10.23%; and DROP employees, 12.84% and 5.44% for the System's years ended June 30, 2014 and 2013, respectively. Effective July 1, 2014, the rates were changed as follows: regular employees, 7.37%; senior management, 21.14%; elected officials, 43.24%; and DROP employees, 12.28%. 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, 2014, 2013, and 2012 were \$378,449, \$231,734, and \$186,934 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, 2014 were as follows:

Budget Appropriation

The General Fund of the Clerk received payments from the Board in the amount of \$3,357,614 for the year ended September 30, 2014. Excess fees of \$120,747 and other amounts payable to the Board at September 30, 2014 were \$121,004.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 RELATED PARTY TRANSACTION (CONTINUED)

Court Fund

The Board provides certain indirect costs for Child Support Enforcement Grant activities. The excess of revenues over expenditures is remitted to the Board at fiscal year-end. Those amounts payable to the Board at September 30, 2014 were of \$13,756.

Various Services

The Board provides various services to the Clerk. The charges for these services for the fiscal year ended September 30, 2014 amounted to \$502,829.

The Clerk provides information technology support, communication and freight services, and other miscellaneous services to the Board. The Clerk received \$119,782 for these services for the fiscal year ended September 30, 2014.

The Clerk provides miscellaneous services to the Sheriff's office. The Clerk received \$6,960 for these services for the fiscal year ended September 30, 2014.

The Clerk provides communication and freight services and other miscellaneous services to the Supervisor of Elections. The Clerk received \$27,173 for these services for the fiscal year ended September 30, 2014.

The Clerk provides information technology support and miscellaneous services to the Tax Collector. The Clerk received \$56,881 for these services for the fiscal year ended September 30, 2014.

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.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 as follows:

Assets	Years
Operating Machinery and Equipment	4-20
Software - Internally Generated	3-10
Software - Purchased/Leased	3-10

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

The following is a summary of the changes in capital assets for which the Clerk is custodian during fiscal year 2014:

	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	2,572,206	-	-	2,572,206
Computer Software	719,873	-	-	719,873
Total Capital Assets Being Depreciated/Amortized	3,292,079	-	-	3,292,079
Less: Accumulated Depreciation/ Amortization:				
Equipment	(1,747,103)	(177,326)	-	(1,924,429)
Computer Software	(539,963)	(79,151)	-	(619,114)
Total Accumulated Depreciation/Amortization	(2,287,066)	(256,477)	-	(2,543,543)
Total Capital Assets, Being Depreciated/Amortized, Net	1,005,013	(256,477)	-	748,536
Total Capital Assets, Net	<u>\$ 1,073,468</u>	<u>\$ (256,477)</u>	<u>\$ -</u>	<u>\$ 816,991</u>

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Court Related Technology Modernization Trust	Teen Court	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 88,035	\$ 1,567	\$ 89,602
Accounts Receivable	75	-	75
Due from Other Governmental Units	1,485	-	1,485
Prepaid Items	4,492	-	4,492
Total Assets	\$ 94,087	\$ 1,567	\$ 95,654
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Vouchers Payable	\$ 471	\$ 183	\$ 654
Accrued Payroll and Related Liabilities	470	173	643
Total Liabilities	941	356	1,297
FUND BALANCES			
Nonspendable	4,492	-	4,492
Restricted	88,654	1,211	89,865
Total Fund Balances	93,146	1,211	94,357
Total Liabilities and Fund Balances	\$ 94,087	\$ 1,567	\$ 95,654

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	Court Related Technology Modernization Trust	Teen Court	Total Nonmajor Governmental Funds
REVENUES			
Miscellaneous Revenues:			
Recording Fees	\$ 112,336	\$ -	\$ 112,336
Court Related Service Charge	-	27,322	27,322
Interest Earnings	221	29	250
Other Miscellaneous Revenues	4,400	-	4,400
Total Revenues	<u>116,957</u>	<u>27,351</u>	<u>144,308</u>
EXPENDITURES			
Court Related:			
Personal Services	86,605	37,811	124,416
Operating Expenditures	25,255	2,130	27,385
Total Expenditures	<u>111,860</u>	<u>39,941</u>	<u>151,801</u>
NET CHANGE IN FUND BALANCE	5,097	(12,590)	(7,493)
Fund Balance - October 1, 2013	<u>88,049</u>	<u>13,801</u>	<u>101,850</u>
FUND BALANCES - SEPTEMBER 30, 2014	<u><u>\$ 93,146</u></u>	<u><u>\$ 1,211</u></u>	<u><u>\$ 94,357</u></u>

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
AGENCY FUND DESCRIPTIONS
YEAR ENDED SEPTEMBER 30, 2014**

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 STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS
SEPTEMBER 30, 2014**

	Agency Funds		Total
	Child Support	Suspense	
ASSETS			
Cash and Cash Equivalents	\$ 6,173	\$ 1,257,856	\$ 1,264,029
Due from Others	-	30	30
Due from Other Governmental Units	-	1,948	1,948
 Total Assets	 <u>\$ 6,173</u>	 <u>\$ 1,259,834</u>	 <u>\$ 1,266,007</u>
 LIABILITIES			
Due to Others	\$ 6,173	\$ 274,704	\$ 280,877
Due to Other Governmental Units	-	302,346	302,346
Due to Constitutional Officers	-	88,708	88,708
Deposits	-	594,076	594,076
 Total Liabilities	 <u>\$ 6,173</u>	 <u>\$ 1,259,834</u>	 <u>\$ 1,266,007</u>

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014
CHILD SUPPORT FUND				
ASSETS				
Cash and Cash Equivalents	\$ 4,456	\$ 297,795	\$ 296,078	\$ 6,173
LIABILITIES				
Due to Others	\$ 4,456	\$ 267,812	\$ 266,095	\$ 6,173
Due to Other Governmental Units	-	28,204	28,204	-
Total Liabilities	<u>\$ 4,456</u>	<u>\$ 296,016</u>	<u>\$ 294,299</u>	<u>\$ 6,173</u>
SUSPENSE				
ASSETS				
Cash and Cash Equivalents	\$ 1,425,775	\$ 11,426,326	\$ 11,594,245	\$ 1,257,856
Due from Others	41	304	315	30
Due from Other Governmental Units	2,473	15,176	15,701	1,948
Total Assets	<u>\$ 1,428,289</u>	<u>\$ 11,441,806</u>	<u>\$ 11,610,261</u>	<u>\$ 1,259,834</u>
LIABILITIES				
Due to Others	\$ 213,989	\$ 840,697	\$ 779,982	\$ 274,704
Due to Other Governmental Units	150,214	8,316,751	8,164,619	302,346
Due to Constitutional Officers	67,109	1,035,242	1,013,643	88,708
Deposits	996,977	1,415,431	1,818,332	594,076
Total Liabilities	<u>\$ 1,428,289</u>	<u>\$ 11,608,121</u>	<u>\$ 11,776,576</u>	<u>\$ 1,259,834</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 1,430,231	\$ 11,724,121	\$ 11,890,323	\$ 1,264,029
Due from Others	41	304	315	30
Due from Other Governmental Units	2,473	15,176	15,701	1,948
Total Assets	<u>\$ 1,432,745</u>	<u>\$ 11,739,601</u>	<u>\$ 11,906,339</u>	<u>\$ 1,266,007</u>
LIABILITIES				
Due to Others	\$ 218,445	\$ 1,108,509	\$ 1,046,077	\$ 280,877
Due to Other Governmental Units	150,214	8,344,955	8,192,823	302,346
Due to Constitutional Officers	67,109	1,035,242	1,013,643	88,708
Deposits	996,977	1,415,431	1,818,332	594,076
Total Liabilities	<u>\$ 1,432,745</u>	<u>\$ 11,904,137</u>	<u>\$ 12,070,875</u>	<u>\$ 1,266,007</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 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, 2014, and the related notes to the financial statements, which collectively comprise the Clerk's financial statements, and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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*.

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 Clerk's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
January 20, 2015

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Clerk of the Courts of Highlands County, Florida (Clerk), as of and for the fiscal year ended September 30, 2014 and have issued our report thereon dated January 20, 2015.

Auditor's Responsibility

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 Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

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 Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 20, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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. See note 1 to the financial statements.

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

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our recommendation is included in the accompanying Schedule of Recommendations and Responses as 2014-001.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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, the Clerk 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 20, 2015

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
SCHEDULE OF RECOMMENDATIONS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2014**

PRIOR YEAR

Prior Year Findings		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2013-001 - Child Support Fees	Material Weakness	X		
2013-002 - Allocation of Salaries and Benefits	Deficiency in Internal Controls	X		

CURRENT YEAR

2014-001 – Child Support Enforcement Grant

Condition:

Reimbursement requests for the Child Support Enforcement Grant are prepared by a member of management. A draft reimbursement request is emailed to several other members of management for review before it is submitted to the grantor agency; however, the office does not retain documentation of the review and approval process.

Criteria or specific requirement:

The Clerk's management is responsible for establishing and maintaining internal controls for the review and approval of grant reimbursement requests.

Context:

While performing audit procedures, we obtained an understanding of the design and operation of internal controls over the Child Support Enforcement Grant.

Effect:

Lack of management review and approval increases the risk that errors in reimbursement requests may not be detected or corrected in a timely basis. While processes are in place to review the reimbursement requests for potential errors, documentation of that review and approval is not retained.

Cause:

Management does not formally document their review and approval of the reimbursement requests.

Recommendation:

We recommend documenting management's review and approval of reimbursement requests to provide evidence that the control has been implemented.

**CLERK OF THE COURTS
HIGHLANDS COUNTY, FLORIDA
SCHEDULE OF RECOMMENDATIONS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

CURRENT YEAR (CONTINUED)

2014-001 – Child Support Enforcement Grant (Continued)

Views of responsible officials:

The Child Support Enforcement Grant invoices are prepared each month by the Senior Director of Court Services. The invoices are reviewed by the Director of Civil/Support Department, the Clerk of Court and the Clerk's Accounting Department. Although the invoices were being reviewed, the review was not being documented. To ensure that the review is performed and documented, each department will respond to the Senior Director of Court Services once they have reviewed the invoice. The Senior Director will retain all responses electronically.

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the Clerk of the Courts of Highlands County, Florida's (Clerk) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, and Sections 28.35 and 28.36, Florida Statutes, regarding budget requirements and expenditures, during the year ended September 30, 2014. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Clerk's compliance with specified requirements.

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Sebring, Florida
January 20, 2015