

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

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2013

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



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Volusia County, Florida Clerk of Circuit Court (the "Clerk"), a component unit of the County of Volusia, Florida, as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Clerk's basic 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Clerk'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 Clerk'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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Clerk as of September 30, 2013, and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparison for the general fund and major special revenue funds for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 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 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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida

January 21, 2014

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013



As management of the Clerk of the Circuit Court, County of Volusia, Florida (the "Clerk"), we offer readers of the financial statements this narrative overview analysis of the financial activities of the Clerk for the year ended September 30, 2013.

Financial Highlights

The assets of the Clerk exceeded its liabilities at the end of the fiscal year by \$5,620,880 (net position). Of this amount, \$1,807,002 was invested in capital assets, \$4,862,232 was restricted, and a \$1,048,354 deficit resulting from ongoing obligations for accrued compensated absences. The Clerk's total net position decreased by \$1,222,329 for the fiscal year ended September 30, 2013. As of the close of the fiscal year, the Clerk's governmental funds reported combined ending fund balances of \$4,862,232. This is a decrease of \$899,970 from the prior year.

Overview of the Financial Statements

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

Government-wide Financial Statements:

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

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

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013

Overview of the Financial Statements - Continued

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

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

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

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

Fund Financial Statements:

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

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013

Overview of the Financial Statements - Continued

Governmental Funds:

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

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

Modernization Trust Fund – Public Records Modernization:

The Clerk collects either a \$1.00 service charge or 50 cent service charge on certain recorded documents for the Modernization Trust Fund – Public Records pursuant to Florida Statute 28.24(12)(d). The fund must be used exclusively for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the public records system of the Clerk.

Modernization Trust Fund – Court Technology:

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

Modernization Trust Fund – 10% Court Related:

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

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

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013

Overview of the Financial Statements - Continued

Fiduciary Funds:

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

The fiduciary funds financial statement can be found on page 14 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 15 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of financial position. In the case of the Clerk, assets exceeded liabilities by \$5,620,880 at the end of the fiscal year.

CLERK'S NET POSITION – Governmental Activities

	2013	2012
Current and other assets	\$ 7,949,461	\$ 7,425,995
Capital assets	1,807,002	2,003,297
Total assets	9,756,463	9,429,292
Long-term liabilities	1,048,354	922,290
Other liabilities	3,087,229	1,663,793
Total liabilities	4,135,583	2,586,083
Net Position:		
Invested in capital assets	1,807,002	2,003,297
Restricted	4,862,232	5,762,202
Unrestricted (deficit)	(1,048,354)	(922,290)
TOTAL NET POSITION	\$5,620,880	\$ 6,843,209

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013

Government-wide Financial Analysis - Continued

CLERK'S CHANGES IN NET POSITION – Governmental Activities

	2013	2012
Revenues		
Operating grants	\$ 555,247	\$ 486,489
Subsidy from County Council	1,627,524	1,618,035
Appropriation from State of Florida	8,606,957	11,164,446
Charges for services	7,621,904	3,629,202
Interest	1,428	2,435
Miscellaneous revenues	2,713	12,875
Total revenues	18,415,773	16,913,482
Expenditures		
General government	4,947,727	4,397,436
Court operations	13,245,286	12,971,926
Total expenditures	18,193,013	17,369,362
Increase (decrease) in net position before transfers	(222,760)	(455,880)
Transfers	(1,445,089)	(1,396,076)
Increase (decrease) in net position	(1,222,329)	(1,851,956)
Net position – October 1	6,843,209	8,695,165
Net position – September 30	\$ 5,620,880	\$ 6,843,209

The funds restricted for the Modernization Trust Funds accounted for \$4,862,232 of the net position. The Clerk's investment in capital assets was \$1,807,002 at the end of the fiscal year. This amount reflects the Clerk's investment in office and computer equipment, which are used to provide services to the citizens of Volusia County. Consequently, these assets are not available for future spending. The Clerk purchased \$581,450 of office and computer equipment during the fiscal year.

There is a deficit in the unrestricted net position category of \$1,048,354. This amount represents amounts not due within one year and is comprised of \$621,323 in accrued compensated absences and \$427,031 in Other Post Employment Benefits "OPEB" liability. It is the Clerk's policy to grant all full-time and provisional employees annual leave based upon the number of years of employment with the Clerk. Unused annual leave accrued is payable upon termination, retirement or through an attendance incentive plan. The amount due represents accrued and unpaid sick leave and vacation leave for employees who are currently employed by the Clerk. The Clerk grants postemployment healthcare benefits to its employees after they retire. The balance due represents the unfunded actuarial accrued liability for past service costs. The Clerk is following a pay-as-you-go method for funding the OPEB liability.

**Clerk of the Circuit Court
County of Volusia, Florida**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013

Government-wide Financial Analysis - Continued

These amounts are expected to be paid out over a number of years from current operating resources. The Clerk does not anticipate that the payments will cause operating deficits in future periods.

The Clerk is required under Section 218.36 of the Florida Statutes to submit to the County of Volusia, all excess fees from general government operations by October 31 after the close of the fiscal year. The excess fee calculation is based upon the fund financial statements; therefore, the Clerk does not have the opportunity to accumulate net position in the General Fund to pay the accrued compensated absences.

General Fund Budgetary Highlights

The General Fund is the chief operating fund of the Clerk. There were no substantial differences between the original budget and final amended budget.

The Clerk is required to prepare a separate budget for court-related revenues and expenditures, which is reviewed by the Florida Clerks of Court Operations Corporation and submitted to the Legislature and the Supreme Court by December 1 each year. The actual court-related revenues were \$583,578 greater than the approved budget. This is because the statutes changed to allow the Clerk to include in revenue the fines, filing fees, and service charges from June 1, 2013 forward. The June 2013 revenues were retained by the Clerk to fund the appropriation for the State fiscal year beginning July 1, 2013.

The expenditures were \$88,059 less than the approved budget. The expenditures were less than the budgeted amounts because of spending decisions related to the operational needs of the Clerk's office.

For the general government portion of the budget, the fees were \$502,842 higher than expected. This was due to a decrease in federal grant revenues of \$111,541, which offset recording fees and other revenues, which were \$614,383 more than expected. The general government expenditures were \$270,610 lower than the budgeted amount because the Clerk changed spending decisions based on the operational needs of the office.

Economic Factors and Next Year's Budgets

Various factors were considered in preparing the budget for the 2014 fiscal year. The Clerk currently sees an environment that does not indicate growth in state revenues or in the housing market for the coming fiscal year. The general government revenues are expected to be flat.

Clerk of the Circuit Court
County of Volusia, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013

Requests for Information

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

Clerk of the Circuit Court
County of Volusia, Florida
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2013

	MAJOR SPECIAL REVENUE FUNDS				Total	Adjustments (Note 2)	Statement of Net Assets
	General Fund	Modernization Trust Fund - Public Records Modernization	Modernization Trust Fund - Court Technology	Modernization Trust Fund - 10% Court Related			
ASSETS							
Cash and cash equivalents	\$ 2,981,816	\$ 2,246,380	\$ 1,873,254	\$ 742,598	\$ 7,844,048	\$ -	\$ 7,844,048
Accounts receivable	2,914	-	-	-	2,914	-	2,914
Due from County Council	1,318	-	-	-	1,318	-	1,318
Due from other governments	101,181	-	-	-	101,181	-	101,181
Capital assets, net	-	-	-	-	-	1,807,002	1,807,002
Total Assets	\$ 3,087,229	\$ 2,246,380	\$ 1,873,254	\$ 742,598	\$ 7,949,461	1,807,002	9,756,463
LIABILITIES							
Accounts payable	\$ 71,457	\$ -	\$ -	\$ -	\$ 71,457	-	\$ 71,457
Accrued liabilities	265,494	-	-	-	265,494	-	265,494
Accrued compensated absences:							
Current portion	385,266	-	-	-	385,266	-	385,266
Long-term portion	-	-	-	-	-	621,323	621,323
OPEB Liability	-	-	-	-	-	427,031	427,031
Due to County Council	773,452	-	-	-	773,452	-	773,452
Due to other governments	950,714	-	-	-	950,714	-	950,714
Unearned revenue	79,960	-	-	-	79,960	-	79,960
Deposits	560,886	-	-	-	560,886	-	560,886
Total Liabilities	3,087,229	-	-	-	3,087,229	1,048,354	4,135,583
FUND BALANCES / NET POSITION							
Fund balances:							
Restricted for public record modernization	-	2,246,380	-	-	2,246,380	2,246,380	-
Restricted for court technology	-	-	1,873,254	-	1,873,254	1,873,254	-
Restricted for court programs	-	-	-	742,598	742,598	742,598	-
Total fund balances	-	2,246,380	1,873,254	742,598	4,862,232	4,862,232	-
Total Liabilities and Fund Balances	\$ 3,087,229	\$ 2,246,380	\$ 1,873,254	\$ 742,598	\$ 7,949,461		
Net position:							
Invested in capital assets						1,807,002	1,807,002
Restricted						4,862,232	4,862,232
Unrestricted (deficit)						(1,048,354)	(1,048,354)
Total Net Position						\$ 5,620,880	\$ 5,620,880

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

Clerk of the Circuit Court
County of Volusia, Florida
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For The Year Ended September 30, 2013

	General Fund	Modernization Trust Fund - Public Records Modernization	Modernization Trust Fund - Court Technology	Modernization Trust Fund - 10% Court Related	Total	Adjustments (Note 2)	Statement of Activities
Revenues							
General government:							
Operating grants	\$ 555,247	\$ -	\$ -	\$ -	\$ 555,247	\$ -	\$ 555,247
Subsidy from County Council	1,627,524	-	-	-	1,627,524	-	1,627,524
Charges for services	2,809,617	320,901	-	-	3,130,518	-	3,130,518
Miscellaneous revenues	2,713	-	-	-	2,713	-	2,713
Court operations:							
Appropriation from State of Florida	8,606,957	-	-	-	8,606,957	-	8,606,957
Charges for services	3,169,522	-	931,935	389,929	4,491,386	-	4,491,386
Interest	-	-	-	1,428	1,428	-	1,428
Total Revenues	<u>16,771,580</u>	<u>320,901</u>	<u>931,935</u>	<u>391,357</u>	<u>18,415,773</u>	<u>-</u>	<u>18,415,773</u>
Expenditures / Expenses							
General government:							
Programs and operations	4,043,919	-	-	-	4,043,919	126,063	4,169,982
Depreciation	-	-	-	-	-	777,745	777,745
Capital outlay	177,730	-	-	-	177,730	(177,730)	-
Court operations:							
Programs and operations	11,104,842	618,324	979,619	542,501	13,245,286	-	13,245,286
Capital outlay	-	403,719	-	-	403,719	(403,719)	-
Total Expenditures / Expenses	<u>15,326,491</u>	<u>1,022,043</u>	<u>979,619</u>	<u>542,501</u>	<u>17,870,654</u>	<u>322,359</u>	<u>18,193,013</u>
Excess (deficiency) of revenues over expenditures	1,445,089	(701,142)	(47,684)	(151,144)	545,119	(322,359)	222,760
Other Financing Sources / Uses							
Transfers - County Council	(773,452)	-	-	-	(773,452)	-	(773,452)
Transfers - Florida Department of Revenue	(671,637)	-	-	-	(671,637)	-	(671,637)
Total Other Financing Sources / Uses	<u>(1,445,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,445,089)</u>	<u>-</u>	<u>(1,445,089)</u>
Excess (deficiency) of revenues over expenditures and transfers out	-	(701,142)	(47,684)	(151,144)	(899,970)	899,970	-
Change in net position	-	-	-	-	-	(1,222,329)	(1,222,329)
Fund Balances / Net Position							
Beginning of the year	-	2,947,522	1,920,938	893,742	5,762,202	1,081,007	6,843,209
End of the year	<u>\$ -</u>	<u>\$ 2,246,380</u>	<u>\$ 1,873,254</u>	<u>\$ 742,598</u>	<u>\$ 4,862,232</u>	<u>\$ 758,648</u>	<u>\$ 5,620,880</u>

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

Clerk of the Circuit Court
County of Volusia, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

For The Year Ended September 30, 2013

	General Fund		
	Original Budget	Final Budget	Actual Amounts
Revenues			
General government:			
Operating grants	\$ 656,788	\$ 666,788	\$ 555,247
Subsidy from County Council	1,627,524	1,627,524	1,627,524
Charges for services	1,984,946	2,184,947	2,809,617
Interest	3,000	3,000	-
Miscellaneous revenues	10,000	10,000	2,713
Court operations:			
Appropriation from State of Florida	10,438,449	11,192,901	8,606,957
Charges for services	-	-	3,169,522
Total Revenues	14,720,707	15,685,160	16,771,580
Expenditures / Expenses			
General government:			
Programs and operations	4,162,258	4,309,759	4,043,919
Capital outlay	120,000	182,500	177,730
Court operations:			
Programs and operations	10,438,449	11,192,901	11,104,842
Total Expenditures / Expenses	14,720,707	15,685,160	15,326,491
Net change in fund balance	-	-	1,445,089
Transfers - County Council	-	-	(773,452)
Transfers - Florida Department of Revenue	-	-	(671,637)
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -

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

**Clerk of the Circuit Court
County of Volusia, Florida**
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MAJOR SPECIAL REVENUE FUNDS
For The Year Ended September 30, 2013

	Special Revenue Fund Modernization Trust Fund Public Records Modernization			Special Revenue Fund Modernization Trust Fund Court Technology			Special Revenue Fund Modernization Trust Fund 10% Court Related		
	Original Budget	Final Budget	Actual Amounts	Original Budget	Final Budget	Actual Amounts	Original Budget	Final Budget	Actual Amounts
	Revenues								
General government:									
Operating grants									
Subsidy from County Council									
Charges for services	\$ 250,000	\$ 250,000	\$ 320,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	500	500	-	-	-	-	-	-	-
Court operations:									
Subsidy from Clerk of Court Trust Fund	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	600,000	721,000	931,935	450,000	450,000	389,929
Interest	-	-	-	2,000	2,000	-	1,000	1,000	1,428
Total Revenues	<u>250,500</u>	<u>250,500</u>	<u>320,901</u>	<u>602,000</u>	<u>723,000</u>	<u>931,935</u>	<u>451,000</u>	<u>451,000</u>	<u>391,357</u>
Expenditures / Expenses									
General government:									
Programs and operations	700,000	950,000	618,324	-	-	-	-	-	-
Capital outlay	1,000,000	750,000	403,719	-	-	-	-	-	-
Court operations:									
Programs and operations	-	-	-	600,000	1,021,000	979,619	451,000	728,000	542,501
Capital outlay	-	-	-	300,000	-	-	-	-	-
Total Expenditures / Expenses	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,022,043</u>	<u>900,000</u>	<u>1,021,000</u>	<u>979,619</u>	<u>451,000</u>	<u>728,000</u>	<u>542,501</u>
Net change in fund balance	(1,449,500)	(1,449,500)	(701,142)	(298,000)	(298,000)	(47,684)	-	(277,000)	(151,144)
Fund Balance at Beginning of Year	<u>3,980,332</u>	<u>3,980,332</u>	<u>2,947,522</u>	<u>4,703,112</u>	<u>3,552,112</u>	<u>1,920,938</u>	<u>211,951</u>	<u>(238,049)</u>	<u>893,742</u>
Fund Balance at End of Year	<u>\$ 2,530,832</u>	<u>\$ 2,530,832</u>	<u>\$ 2,246,380</u>	<u>\$ 4,405,112</u>	<u>\$ 3,254,112</u>	<u>\$ 1,873,254</u>	<u>\$ 211,951</u>	<u>\$ (515,049)</u>	<u>\$ 742,598</u>

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

Clerk of the Circuit Court
County of Volusia, Florida
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS
September 30, 2013

ASSETS	
Cash and cash equivalents	\$ 19,527,817
Accounts receivable	30,657
Due from other governments	-
Total Assets	<u>19,558,474</u>
LIABILITIES	
Accounts payable	127,986
Due to County Council	385,431
Due to other governments	3,842,561
Deposits	15,202,496
Total Liabilities	<u>19,558,474</u>
NET ASSETS	<u>\$ -</u>

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

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The County of Volusia, Florida (the “County”), implemented a County Home Rule Charter on January 1, 1971, as provided by Section 125.60 of the Laws of Florida. The County operates under an elected County Council (7 members) and provides services to approximately 500,000 residents in many areas, including law enforcement, community enrichment and development, and human services.

Section 502 of the Charter specifically excludes the office of the Clerk of the Circuit Court (the “Clerk”) and its related activities, as it is a separate governmental unit governed by the Constitution and Laws of Florida. The Clerk’s annual financial report does not include the financial statements of the County Council Charter government (the “County of Volusia, Florida”) representing the County Council, Supervisor of Elections, Sheriff and Property Appraiser.

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

B. Government-wide and Fund Financial Statements

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental Funds Types

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

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The Clerk has three Special Revenue Funds: Modernization Trust Fund Public Records Modernization, Modernization Trust Fund Court Technology and the Modernization Trust Fund 10% Court Related.

Fiduciary Fund Type

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

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Capital Assets

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

E. Budgets and Budgetary Accounting

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

- (1) Section 218.35 of the Florida Statutes requires the Clerk, as a fee officer, to establish an annual budget reflecting resources available and functions for which funds are to be expended.
- (2) The proposed budget is to be filed with the Clerk of the County Council by September 1 preceding the fiscal year of the budget.
- (3) The Clerk was required to submit a budget for court-related revenues and expenditures (for functions elaborated in Section 28.36 of the Florida Statutes) for the fiscal year ending September 30, 2013 by October 1, 2012. The budget was submitted to the Florida Clerks of Court Operations Corporation in accordance with Section 28.36 of the Florida Statutes. The corporation must then review the budget requests and make recommendations to the Legislature and the Supreme Court by December 1.
- (4) The Clerk can amend the general government budget (recorded in the General Fund), as deemed necessary, during the year. Budgetary control is at the total revenue and expenditure level.
- (5) The Clerk must request approval from the Florida Clerks of Court Operations Corporation in order to amend the court-related budget. Budgetary control is at the total revenue and expenditure level.
- (6) The Clerk must remit to the General Fund of the County of Volusia, Florida, the excess revenues over expenditures for general government operations in the Clerk's General Fund. This must be done by October 31st after the close of the fiscal year, in accordance with Section 218.36 of the Florida Statutes.

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting - Continued

- (7) The Clerk has remitted to the State of Florida General Revenue Fund the unexpended appropriations (state appropriations received in excess of the approved budgeted expenditures) within 45 days after the State fiscal year end of June 30, 2013. For subsequent years, the statutory requirement was changed to require remittance no later than January 2015, and each January 25 thereafter for the previous Clerk fiscal year.
- (8) Formal budgetary integration is employed as a management control device during the year for the Clerk's General Fund and Special Revenue Funds. Appropriations lapse at the close of the fiscal year.
- (9) The budgets for the Clerk's General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

F. Cash and Cash Equivalents

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

G. Compensated Absences

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

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

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

H. Grants

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

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Accounting Changes

The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions* (GASB 63) effective for reporting periods beginning after December 15, 2011. The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Clerk has restated the prior net assets as net positions in the statement of activities, in conformity with GASB 63 in the statement of net position financial statement. In the statement of net position, assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.

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

A. Statement of Net Position

The ending governmental fund balances were \$4,862,232. The total net position was \$5,620,880. The difference of \$758,648 is primarily due to the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Ending fund balances	\$ 4,862,232
Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,807,002
Long-term portion of liabilities not due and payable in current period and therefore not reported in the funds:	
Accrued compensated absences	(621,323)
OPEB Liability	<u>(427,031)</u>
Total net position	<u>\$ 5,620,880</u>

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

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

B. Statement of Activities

“Total Expenditures” for governmental funds differs from “Total Expenses” for governmental activities. Adjustments were made to include depreciation expense, eliminate capital outlay expenditures and record the increase in long-term compensated absences on the statement of activities. When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These items resulted in a net difference between “excess of revenues over expenditures and transfers out” and “change in net position” of \$322,359.

(Deficiency) of revenues over expenditures and transfers out	\$ (899,970)
Depreciation expense	(777,745)
Net disposals of capital assets	-
Capital outlay expenditures and contributed capital	581,450
Increase in long-term compensated absences	(75,056)
Increase in OPEB Liability	<u>(51,008)</u>
 Change in net position	 <u>\$ (1,222,329)</u>

NOTE 3 – CASH AND INVESTMENTS

Deposits

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

Investments

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

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 3 – CASH AND INVESTMENTS

Investments - Continued

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. The Clerk had no interest rate risk as of September 30, 2013.

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

NOTE 4 – CAPITAL ASSETS

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

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
Equipment	\$ 7,023,744	\$ 581,450	\$ 129,834	\$ 7,475,360
Less accumulated depreciation	5,020,447	777,745	129,834	5,668,358
Total capital assets, net of accumulated depreciation	<u>\$ 2,003,297</u>	<u>\$ (196,295)</u>	<u>\$ -</u>	<u>\$ 1,807,002</u>

NOTE 5 – CHANGES IN LONG-TERM DEBT

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

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
Accrued compensated absences	<u>\$ 904,185</u>	<u>\$ 1,152,754</u>	<u>\$ 1,050,350</u>	\$ 1,006,589
Less current portion				<u>385,266</u>
Long-term portion				<u>\$ 621,323</u>

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 6 – RETIREMENT SYSTEM

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

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

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

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 6 – RETIREMENT SYSTEM – Continued

Funding Policy – The FRS has three classes of membership, which are applicable to the Clerk. The elected Clerk entered the Deferred Retirement Option Program so the Elected State Officer Class is no longer applicable. Descriptions and employer contribution rates in effect during the period ended September 30, 2013, were as follows (contribution rates are in agreement with the actuarially-determined rates):

	Period	
	10/1/12 to 6/30/13	7/1/13 to 9/30/13
<u>Regular Class</u> – Members not qualifying for other classes.	5.18%	6.95%
<u>Senior Management Service Class</u> – Members of senior management who do not elect the optional annuity retirement program.	6.30%	18.31%
<u>Deferred Retirement Option Program (“DROP”)</u> – Members who meet the criteria are allowed to defer the receipt of benefits, allowing them to accumulate and earn interest within the FRS Trust Fund, while the member continues their employment.	5.44%	12.84%
<u>Retirees Initially Reemployed On or After July 1, 2010</u> – Retirees who Are Not Eligible to participate in a state-administered retirement plan.	1.60%	3.39%

Beginning with payment dates on or after July 1, 2011, an additional 3% employee contribution is required on the compensation of all members, except DROP participants and re-employed retirees who are not eligible for renewed membership. The contribution rate, as a percentage of current-year covered payroll, is 8.77%. For the years ended September 30, 2013, 2012, and 2011, the total contributions were \$850,444, \$706,431, and \$911,715 respectively. The Clerk made 100% of its required contributions each year.

NOTE 7 – TRANSACTIONS WITH PRIMARY GOVERNMENT

During the current year, aside from the annual subsidy from the County of Volusia, Florida, the Clerk recorded fees from services provided to the County in the amount \$27,929.70. This amount has been included in the charges for services in the statement of revenues, expenditures, and changes in fund balance – budget and actual in the General Fund.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Intergovernmental Grants

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

NOTE 9 – RESTRICTED AND UNRESTRICTED NET POSITION

Restricted Net Position – Governmental Activities

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

Unrestricted Net Position – Deficit

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

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

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

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN - Continued

Funding Policy

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

For the fiscal year ended September 30, 2013, the total current premiums for health insurance were \$3,022,362. The Clerk contributed \$2,625,682 to the plan for current premiums. Plan members receiving benefits contributed \$396,680, or approximately 13.12 % of the premiums through their required contributions. Plan members are required to contribute \$494.94 each month for Florida Health Care HMO retiree-only coverage, or \$960.18 for additional spouse or child coverage. The Triple Option retiree-only coverage requires a monthly payment of \$539.38 for retiree-only coverage, or \$1,046.40 for additional spouse or child coverage. For dental coverage, the retiree amounts are \$19.57 monthly for retiree-only or \$37.26 for additional spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

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

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN - Continued

Annual OPEB Cost (Expense) and Net OPEB Obligation (NOO)

Fiscal Year Ended	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2011</u>
Normal Cost (service cost for one year)	\$ 43,091	\$ 41,754	\$ 66,951
Amortization of UAAL	28,063	26,403	33,230
Interest on Normal Cost and Amortization	1,423	1,363	4,087
Annual Required Contribution (ARC)	<u>72,577</u>	<u>69,520</u>	<u>104,268</u>
NOO at beginning of year	376,023	329,570	243,109
Annual Required Contribution (ARC)	72,577	69,520	106,268
Interest on NOO	15,041	13,183	9,724
Adjustment to ARC	<u>(13,035)</u>	<u>(11,425)</u>	<u>(8,428)</u>
Annual OPEB Cost	<u>74,583</u>	<u>71,278</u>	<u>107,564</u>
Expected Employer Contribution	<u>(23,575)</u>	<u>(24,825)</u>	<u>(21,103)</u>
Increase (Decrease) in NOO	<u>51,008</u>	<u>46,453</u>	<u>86,461</u>
NOO at end of year	<u>\$ 427,031</u>	<u>\$ 376,023</u>	<u>\$ 329,570</u>

The Clerk's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/11	\$ 107,564	\$ 21,103	19.62%	\$ 329,570
9/30/12	71,278	24,825	34.83%	376,023
9/30/13	74,583	23,575	31.60%	427,031

Funded Status and Funding Progress

As of October 1, 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial value of assets was zero and the actuarial accrued liability for benefits was \$792,092. The total unfunded actuarial liability was \$792,092. The covered payroll (annual payroll of active employees covered by the plan) was \$9,012,418, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.8%.

**Clerk of the Circuit Court
County of Volusia, Florida**
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN - Continued

Funded Status and Funding Progress - Continued

The projection of future benefit payments for an ongoing program involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of program assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Based on the historical and expected returns of the employer's short-term investment portfolio, a discount rate of 4.0% was used. An inflation rate of 4.0% was assumed. In addition, the entry age normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2010 is 30 years. Health insurance trends start at 9.0% for the fiscal year ending in 2012 and 8.5% for 2013, grading down to 5.0% - the ultimate trend rate in 2021.

NOTE 11 – FUND BALANCE

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

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

Clerk of the Circuit Court
County of Volusia, Florida
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2013

NOTE 11 – FUND BALANCE - Continued

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

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

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

Other Post Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
10/1/2007	\$ -	\$ 873,314	\$ 873,314	0.0%	\$ 9,740,605	9.0%
10/1/2009	-	966,546	966,546	0.0%	9,553,371	10.1
10/1/2011	-	792,092	792,092	0.0%	9,012,418	8.8

COMPLIANCE SECTION



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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**

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia 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 the Volusia County, Florida Clerk of the Circuit Court (the "Clerk"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Clerk's basic financial statements and have issued our report thereon dated January 21, 2014.

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 opinion 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Clerk in a separate letter dated January 21, 2014.

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 results 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.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A."

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 21, 2014



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Volusia County, Florida Clerk of the Circuit Court (the “Clerk”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 *Compliance Supplement*, that could have a direct and material effect on its major federal program for the year ended September 30, 2013. The Clerk’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Clerk’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clerk’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Clerk’s compliance.

Opinion on the Major Federal Program

In our opinion, the Clerk complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

Report on Internal Control over Compliance

Management of the Clerk is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Clerk's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clerk as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Clerk's basic financial statements. We issued our report thereon dated January 21, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (Cont.)

The information has been subjected to the auditing procedures applied in the audit of the basic 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 21, 2014

**Clerk of the Circuit Court
County of Volusia, Florida**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

<u>Agency/Program</u>	<u>CFDA #</u>	<u>Grant #</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass Through:			
Florida Department of Revenue:			
Child Support Enforcement Title IV-D	93.563	CD-364	\$ <u>545,247</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>545,247</u></u>

NOTE 1

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

**Clerk of the Circuit Court
County of Volusia, Florida**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended September 30, 2013

Section I–Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted.

_____ Yes X No

Federal Awards

Internal control over major federal programs:

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

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

Unmodified

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

_____ Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.563

HHS Child Support Enforcement Title IV-D

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

_____ \$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II–Financial Statement Findings

None

Section III–Federal Award Findings and Questioned Costs

No matters were reported.

Section IV–Status of Prior Year Audit Findings

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

INDEPENDENT AUDITOR’S MANAGEMENT LETTER

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

We have audited the financial statements of the Clerk of the Circuit Court, County of Volusia, Florida (the “Clerk”), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 21, 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; OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have also issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance and Report on the Schedule of Expenditures of Federal Awards as Required by OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in these reports and schedule, which are dated January 21, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This includes the following information, which is not included in the aforementioned auditor’s reports 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 any findings and recommendations made in the preceding annual financial audit report. The status of the recommendations is reported on the following page under the heading “Prior Year Findings and Recommendations” and is identified as Finding 2011-1. The following table summarizes the uncorrected status:

Tabulation of Uncorrected Audit Findings		
2012-13 FY Finding #	2011-12 FY Finding #	2010-11 FY Finding #
2011-1	2011-1	2011-1

- 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.

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

- Section 10.554(1)(i)4., 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 statement amounts 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.
- 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 financial statements. The legal authority is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7., Rules of the Auditor General, requires a statement as to whether or not the Clerk complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk materially complied with such requirements. However, we did note a finding that requires reporting and is identified below under the heading “Prior Year Findings and Recommendations” as Finding 2011-1, which was identified in the two preceding fiscal year financial audit reports. Included in our observation is management’s current year response, which we did not audit and, accordingly, we express no opinion on it.

Prior Year Findings and Recommendations

Finding 2011-1 – Performance Measurement Standards

Observation

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

Criteria

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

Recommendation

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

Current Year Status

Based on current-year testing on performance data, the Clerk is still not meeting performance standards in the areas of collections and timeliness.

Current Year Management Response

The Clerk continues to struggle in its efforts to meet the collection rate and timeliness standards. While we were able to accomplish implementation of the new criminal case management system, it was followed by mandatory implementation of electronic case filing in fiscal year 2013. The Clerk is working with the judiciary to resolve issues that will allow maintenance of the court records in their electronic format. The Clerk also continues to explore procedural changes in court-related payments that we hope will enable us to meet the standards.

To the Honorable Diane Matousek
Clerk of the Circuit Court of Volusia County, Florida

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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 21, 2014