

Clerk of Circuit Court

Lee County, Florida

Financial Statements
September 30, 2007

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CHARLIE GREEN: CLERK OF COURT

Clerk of Circuit Court

Lee County, Florida

Financial Statements
September 30, 2007



Prepared By:
General Accounting Office, Finance & Records Department

Clerk of Circuit Court

Lee County, Florida

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KPMG LLP
Suite 1700
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Tampa, FL 33602

Independent Auditors' Report

Honorable Charlie Green, Clerk of Circuit Court
Lee County, Florida:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Lee County, Florida Clerk of Circuit Court as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Lee County, Florida Clerk of Circuit Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lee County, Florida Clerk of the Circuit Court's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note I to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of the financial position of the Lee County, Florida Clerk of Circuit Court as of September 30, 2007, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

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 Lee County, Florida Clerk of Circuit Court, as of September 30, 2007, and the respective changes in financial position, where applicable thereof, and the respective budgetary comparison for the general fund, court fees fund and public records modernization fund for the year then ended, in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007 on our consideration of the Lee County, Florida Clerk of Circuit Court'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

KPMG LLP

December 6, 2007
Certified Public Accountants

Lee County, Florida
BALANCE SHEET
CLERK OF CIRCUIT COURT
As of September 30, 2007

| | General | Court Fees | Public Records Modernization | Total |
|--|--------------------|--------------------|------------------------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$3,862,235 | \$3,158,362 | \$5,579,501 | \$12,600,098 |
| Accounts receivable | 10,797 | 5,114 | | 15,911 |
| Due from other governments | 130,130 | 16,516 | | 146,646 |
| Due from Board of County Commissioners | 44,273 | 4,646 | | 48,919 |
| Prepays | 26,014 | 1,500 | | 27,514 |
| Total assets | 4,073,449 | 3,186,138 | 5,579,501 | 12,839,088 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 275,062 | 79,390 | 67,880 | 422,332 |
| Accrued liabilities | 148,177 | 113,466 | | 261,643 |
| Due to other governments | 194,845 | 1,049,661 | | 1,244,506 |
| Due to Board of County Commissioners | 3,152,990 | 406,594 | | 3,559,584 |
| Deposits | 302,375 | 1,537,027 | | 1,839,402 |
| Total liabilities | 4,073,449 | 3,186,138 | 67,880 | 7,327,467 |
| Fund balances: | | | | |
| Unreserved, undesignated | | 0 | 5,511,621 | 5,511,621 |
| Total fund balances | 0 | 0 | 5,511,621 | 5,511,621 |
| Total liabilities and fund balances | \$4,073,449 | \$3,186,138 | \$5,579,501 | \$12,839,088 |

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CLERK OF CIRCUIT COURT
For the Year Ended September 30, 2007

| | General | Court Fees | Public Records Modernization | Total |
|--|--------------------|--------------------|------------------------------------|--------------------|
| REVENUES | | | | |
| Intergovernmental | \$689,595 | | | \$689,595 |
| Charges for services | 9,287,557 | \$17,566,945 | \$3,649,742 | 30,504,244 |
| Interest | 509,066 | 242,305 | 321,057 | 1,072,428 |
| Miscellaneous | 155,890 | 11,369 | | 167,259 |
| Total revenues | <u>10,642,108</u> | <u>17,820,619</u> | <u>3,970,799</u> | <u>32,433,526</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Personal services | 10,512,230 | 10,538,953 | 1,436,131 | 22,487,314 |
| Operating | 3,068,187 | 787,655 | 1,686,207 | 5,542,049 |
| Capital outlay | <u>1,347,125</u> | <u>3,191</u> | <u>885,012</u> | <u>2,235,328</u> |
| Total expenditures | <u>14,927,542</u> | <u>11,329,799</u> | <u>4,007,350</u> | <u>30,264,691</u> |
| Excess (deficiencies) of revenues over (under) expenditures | <u>(4,285,434)</u> | <u>6,490,820</u> | <u>(36,551)</u> | <u>2,168,835</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 7,297,190 | | | 7,297,190 |
| Transfers out | (3,011,756) | | | (3,011,756) |
| Surplus to state | | (6,490,820) | | (6,490,820) |
| Total other financing sources (uses) | <u>4,285,434</u> | <u>(6,490,820)</u> | <u>0</u> | <u>(2,205,386)</u> |
| Net change in fund balances | 0 | 0 | (36,551) | (36,551) |
| Fund balances - beginning | <u>0</u> | <u>0</u> | <u>5,548,172</u> | <u>5,548,172</u> |
| Fund balances - ending | <u>\$0</u> | <u>\$0</u> | <u>\$5,511,621</u> | <u>\$5,511,621</u> |

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CLERK OF CIRCUIT COURT
GENERAL FUND
For the Year Ended September 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$382,545 | \$382,545 | \$689,595 | \$307,050 |
| Charges for services | 7,998,100 | 8,242,923 | 9,287,557 | 1,044,634 |
| Interest | 300,000 | 300,000 | 509,066 | 209,066 |
| Miscellaneous | 206,000 | 206,000 | 155,890 | (50,110) |
| Total revenues | 8,886,645 | 9,131,468 | 10,642,108 | 1,510,640 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Personal services | 11,088,958 | 11,290,776 | 10,512,230 | 778,546 |
| Operating | 1,593,090 | 1,931,383 | 3,068,187 | (1,136,804) |
| Capital outlay | 247,546 | 2,084,438 | 1,347,125 | 737,313 |
| Total expenditures | 12,929,594 | 15,306,597 | 14,927,542 | 379,055 |
| Excess (deficiency) of revenues over (under) expenditures | (4,042,949) | (6,175,129) | (4,285,434) | 1,889,695 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 7,297,190 | 7,297,190 | 7,297,190 | 0 |
| Transfers out | (3,254,241) | (1,122,061) | (3,011,756) | (1,889,695) |
| Total other financing sources (uses) | 4,042,949 | 6,175,129 | 4,285,434 | (1,889,695) |
| Net change in fund balance | 0 | 0 | 0 | 0 |
| Fund balance - beginning | 0 | 0 | 0 | 0 |
| Fund balance - ending | \$0 | \$0 | \$0 | \$0 |

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CLERK OF CIRCUIT COURT
COURT FEES
For the Year Ended September 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$15,674,877 | \$15,674,877 | \$17,566,945 | \$1,892,068 |
| Interest | 250,000 | 250,000 | 242,305 | (7,695) |
| Miscellaneous | 6,200 | 6,200 | 11,369 | 5,169 |
| Total revenues | 15,931,077 | 15,931,077 | 17,820,619 | 1,889,542 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Personal services | 10,305,246 | 10,558,243 | 10,538,953 | 19,290 |
| Operating | 676,848 | 861,659 | 787,655 | 74,004 |
| Capital outlay | 1,161 | 1,161 | 3,191 | (2,030) |
| Total expenditures | 10,983,255 | 11,421,063 | 11,329,799 | 91,264 |
| Excess of revenues over expenditures | 4,947,822 | 4,510,014 | 6,490,820 | 1,980,806 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Surplus to state | (4,947,822) | (4,510,014) | (6,490,820) | (1,980,806) |
| Total other financing sources (uses) | (4,947,822) | (4,510,014) | (6,490,820) | (1,980,806) |
| Net change in fund balance | 0 | 0 | 0 | 0 |
| Fund balance - beginning | 0 | 0 | 0 | 0 |
| Fund balance - ending | \$0 | \$0 | \$0 | \$0 |

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CLERK OF CIRCUIT COURT
PUBLIC RECORDS MODERNIZATION FUND
For the Year Ended September 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------|---------------------------|---------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$5,780,000 | \$3,602,261 | \$3,649,742 | \$47,481 |
| Interest | <u>147,280</u> | <u>263,028</u> | <u>321,057</u> | <u>58,029</u> |
| Total revenues | <u>5,927,280</u> | <u>3,865,289</u> | <u>3,970,799</u> | <u>105,510</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Personal services | | 1,436,131 | 1,436,131 | |
| Operating | | 1,494,464 | 1,686,207 | (191,743) |
| Capital outlay | | <u>4,443,186</u> | <u>885,012</u> | <u>3,558,174</u> |
| Total expenditures | <u>0</u> | <u>7,373,781</u> | <u>4,007,350</u> | <u>3,366,431</u> |
| Excess (deficiency) of revenues over (under) expenditures | 5,927,280 | (3,508,492) | (36,551) | 3,471,941 |
| Fund balance - beginning | <u>0</u> | <u>4,588,894</u> | <u>5,548,172</u> | <u>959,278</u> |
| Fund balance - ending | <u><u>\$5,927,280</u></u> | <u><u>\$1,080,402</u></u> | <u><u>\$5,511,621</u></u> | <u><u>\$4,431,219</u></u> |

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF FIDUCIARY NET ASSETS
CLERK OF CIRCUIT COURT
As of September 30, 2007

| | Agency Funds |
|---------------------------|--------------|
| ASSETS | |
| Cash and cash equivalents | \$20,879,204 |
| Total assets | 20,879,204 |
| LIABILITIES | |
| Accounts payable | 34,332 |
| Accrued liabilities | 215,606 |
| Due to other governments | 3,432,634 |
| Bonds and deposits | 17,196,632 |
| Total liabilities | \$20,879,204 |

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
CLERK OF CIRCUIT COURT
For the Year Ended September 30, 2007

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------|----------------------|----------------------|----------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$27,455,693 | \$339,600,508 | \$346,176,997 | \$20,879,204 |
| Total assets | <u>27,455,693</u> | <u>339,600,508</u> | <u>346,176,997</u> | <u>20,879,204</u> |
| LIABILITIES | | | | |
| Accounts payable | 196,697 | 75,648,525 | 75,810,890 | 34,332 |
| Accrued liabilities | 301,527 | 269,512 | 355,433 | 215,606 |
| Due to other governments | 4,787,793 | 176,886,818 | 178,241,977 | 3,432,634 |
| Bonds and deposits | 22,169,676 | 237,763,071 | 242,736,115 | 17,196,632 |
| Total liabilities | <u>\$27,455,693</u> | <u>\$490,567,926</u> | <u>\$497,144,415</u> | <u>\$20,879,204</u> |

The notes to the financial statements are an integral part of this statement.

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Lee County (the County) was founded in 1887 as a political subdivision of the State of Florida established by Article VIII, Section 1(f), *Florida Constitution*. In 1996, by vote pursuant to Lee County Ordinance No. 96-01 the County became a charter county as allowed by Article VIII, Section 1(c), *Florida Constitution*, and Chapter 125.82, *Florida Statutes*. Pursuant to Article VIII, Section 1(g), *Florida Constitution*, as a charter county the County has all powers of self-government not inconsistent with general law, or with special law approved by vote. It also gives the County authority to enact ordinances that are not inconsistent with general law.

The County is governed by an elected Board of County Commissioners (the Board), pursuant to Title XI, Chapters 124-164, *Florida Statutes* and regulations. In addition to the members of the Board, there are five elected Constitutional Officers: Clerk of Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The Constitutional Officers maintain separate accounting records and budgets and are each an agency of the County, as a whole.

Included in the financial statements are all departments and/or organizations for which the Clerk of Circuit Court (the Clerk) has oversight responsibilities which include, but are not limited to, financial interdependency, ability to significantly influence operations, and accountability for fiscal matters. The Clerk provides to the citizens of the county the functions of the court clerk, county auditor, county finance officer, county public/official records keeper, and Clerk to Board of County Commissioners as mandated by federal, state, and local government statutes and laws.

Reporting Entity

The Clerk, as a constitutional officer, is an agency of the County which represents only a portion of the County government. As such, the Clerk's financial statements are included in the basic financial statements of the County.

The general operations of the Clerk are funded principally by fees from third parties, and appropriations from the Board. The appropriations are presented in the Clerk's financial statements as transfers in. Pursuant to Section 218.36(2), *Florida Statutes*, funds remaining, in the General Fund, at fiscal year end in excess of amounts expended, are returned to the Board. Excess revenues returned to the Board are reflected as transfers out in the Clerk's General Fund. Court-related operations are funded by the State via charging fees and fines and any surplus is returned to the State.

Basis of Presentation

The financial statements of the Clerk are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The Clerk's funds are organized into two major categories: governmental and fiduciary. Government

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007

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.

Description of Funds

The following funds are used by the Clerk.

Governmental Funds

General Fund - With the implementation of Revision 7 to Article V on July 1, 2004, the Clerk's activities are now classified as court-related and noncourt-related. The Clerk's General Fund activity, which is classified as noncourt-related, is funded through service charges for recording instruments and documents into the official records. Additionally, the Clerk to the Board is funded through the collection of Ad Valorem taxes by the Lee County Board of County Commissioners which is reported in the General Fund as transfers in. Excess revenues at the end of the year, due back to the Lee County Board of County Commissioners, are shown as transfers out in the General Fund. The General Fund is used to account for all revenue and expenditures applicable to the general operations of the Clerk, which are not properly accounted for in another fund. All operating revenue, which is not specifically restricted or designated as to use, is recorded in the General Fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Clerk currently reports two Special Revenue Funds- *Court Fees* and *Public Records Modernization (PRM)*.

The Court Fees fund accounts for court-related activities that are funded by the State in the form of fees charged by the Clerk for maintaining the County and Circuit Court records, and collecting the fines and fees assessed by the courts. These court fees are restricted and are to be used exclusively for funding court-related operations and therefore are reported in a special revenue fund. The surplus of fees collected over expenditures is returned to the State.

The Public Records Modernization fund is funded by a portion of recording fees. This fund is mandated by Section 28.24 (12)(d), *Florida Statutes*, to be held in trust by the Clerk and used exclusively for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the public records system of the office. Since Revision 7 of Article V of the *Florida Constitution* went into effect on July 1, 2004, an additional amount is collected pursuant to Section 28.24(12)(e), *Florida Statutes*, and is used exclusively for funding court-related technology needs.

Fiduciary Funds

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, and other governments. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting.

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recognized and recorded regardless of the measurement focus applied.

The governmental funds are presented on the modified accrual basis of accounting using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” The Clerk considers revenues available if they are collected within sixty days after year-end. Primary revenues, such as charges for services and interest, are treated as susceptible to accrual under the modified accrual basis and so have been recognized as revenues. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures to the extent they have matured. The agency funds are also presented using the modified accrual basis of accounting.

Use of Estimates

The preparation of the financial statements requires management of the Clerk of the Circuit Court to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Chapter 218, *Florida Statutes*, governs the preparation, adoption and administration of the Clerk’s General Fund annual budget. The Clerk’s budget is prepared on a basis consistent with generally accepted accounting principals (GAAP). The budget of the Clerk (to the extent of his function as ex-officio Clerk to the Board and amounts above his fee structure as Clerk to the Circuit and County Courts), is prepared for the General Fund (noncourt-related activities), which is submitted to and approved by the Board. The Clerk also prepares a portion of his noncourt-related budget and special revenue budgets based on anticipated fees.

Effective July 1, 2004, and pursuant to Section 28.36, *Florida Statutes*, a balanced court-related budget must be prepared on or before August 1 and be submitted to the Clerks of Court Operations Corporation (the Corporation). If the Clerk estimates that projected revenues are insufficient to meet anticipated expenditures the Clerk must report the revenue deficit to the Corporation. Once the Corporation verifies the revenue deficit the Clerk can increase fees up to the maximum amounts specified by law to resolve the deficit. If a revenue deficit is still projected a request can be submitted to release funds from the Department of Revenue Clerks of the Court Trust Fund.

The Clerk’s General Fund and special revenue funds budgets are prepared on the modified accrual basis. The annual budget for the General Fund serves as the legal level of control for the Clerk, and must have Board approval to increase the funding from the Board. Any increase to the court-related budget must be approved by the Corporation. Appropriations lapse at year-end.

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007

The original budget is the first complete budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations and other legally authorized changes applicable to the fiscal year, whenever legally authorized.

Cash and Cash Equivalents

The Clerk considers highly liquid investments with a maturity of three months or less when purchased and those included in the internal investment pool, to be cash and cash equivalents. The Clerk participates in the Local Government Surplus Funds Investment Pool Trust Fund (State Board of Administration (SBA)), an external 2a7-like investment pool, in which the fair value of the Clerk's position in the pool is the same as the value of the pool shares.

Capital Assets

Capital assets include property, plant, and equipment. The Clerk, pursuant to *Florida Statutes*, records no capital assets. *Florida Statutes* require that the Board own and maintain accountability for all assets for which the Clerk is custodian. The threshold of capitalizing property, plant and equipment, and infrastructure is \$1,000 and \$100,000 respectively. 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.

In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, depreciation for governmental fund capital assets is reflected in the government-wide financial statements but is not reflected in the fund financial statements. Therefore, no depreciation is recorded in the financial statements of the Clerk but rather is reflected in the financial statements of the County.

In the fund financial statements of the Clerk, capital assets purchased and used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

The Clerk's employees accumulate sick and annual leave, based on the number of years of continuous service. Upon termination of employment, employees can receive payment for all outstanding accumulated vacation leave and a maximum of 80 hours of accumulated personal leave. Employees who retire under the Florida Retirement System receive payment for all outstanding accumulated vacation leave, a maximum of 80 hours of accumulated personal leave, and 50 percent of accumulated sick leave. The liability for these compensated absences is recorded as a long-term obligation in the government-wide financial statements of the County, as a whole. In the Clerk's fund financial statements, governmental funds report only the compensated absence liability when the related liability has matured.

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007

NOTE II - CASH AND CASH EQUIVALENTS

At September 30, 2007, the carrying value of the Clerk's cash and cash equivalents were as follows:

| Type | Carrying Value | Credit Rating |
|--|---------------------|------------------|
| Cash on Hand | \$18,600 | N/A |
| Demand Deposits | 18,334,168 | N/A |
| Local Government Surplus Funds Trust Fund | <u>15,126,534</u> | unrated |
| Total Cash, Cash Equivalents and Investments | <u>\$33,479,302</u> | |
| Reconciliation: | | |
| General Fund | \$3,862,235 | |
| Court Fees | 3,158,362 | |
| Public Records Modernization | 5,579,501 | |
| Agency Funds | <u>20,879,204</u> | |
| | <u>\$33,479,302</u> | |

Custodial Credit Risk

At September 30, 2007, the Clerk of the Circuit Court's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*. Under this chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss. The total bank and book balances at September 30, 2007, were \$20,690,851 and \$18,334,168, respectively. Petty cash and change funds totaled \$18,600.

Credit Risk

Policy limits investments to the safest types of investments. Investment transactions are limited to Qualified Public Depositories or the Local Government Surplus Funds Trust Fund, an investment pool not rated by a nationally recognized statistical rating organization.

Interest Rate Risk

Investments for the fiscal year ended September 30, 2007, were solely invested in the Local Government Surplus Trust Fund, a 2a-7 like investment pool, with an average investment maturity of 34 days. Policy limits investment maturities to less than five years.

NOTE III - RETIREMENT PLAN

Plan Description and Provisions

The Clerk participates in the Florida Retirement System (FRS), a cost-sharing, multiple-employer, public employee retirement system, which covers substantially all of its full time and part time employees. The FRS is noncontributory and is administered by the State of Florida. Benefits under

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007

the plan vest after six years of service. Employees who retire at or after age 62, with six years of credited service, are entitled to an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by Chapters 112 and 121, *Florida Statutes*. The FRS offers several other plan and/or investment options that may be elected by the employee. Each offers specific contribution and benefit options. The FRS plan documents should be referenced for complete details of these options and benefits.

Pension costs for the Clerk, as required and defined by State Statute, ranged between 9.8 percent and 16.5 percent of gross salaries for the year ended September 30, 2007. For the years ended September 30, 2007, 2006, and 2005, the Clerk contributed 100 percent of the required contributions. These contributions totaled approximately \$1,544,000, \$1,152,000, and \$917,000, respectively, which represent 10 percent, 9 percent, and 8 percent, respectively, of covered payroll.

The Deferred Retirement Option Program (DROP) is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the System, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

A copy of the FRS's June 30, 2007, annual report can be obtained by writing to the Florida Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

Other Post Employment Benefits

The Clerk provides post retirement health care benefits in accordance with Chapter 110.123, *Florida Statutes*, to all employees who retire from the Clerk. The Clerk is required to provide group health care at cost to all retirees and does not pay any portion of the premium for the retiree to participate in the Plan. The County adopted Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of October 1, 2006. Liabilities and activities related to these benefits are reported in the government-wide financial statements of the County.

NOTE IV - RISK MANAGEMENT

The Lee County, Florida, Board of County Commissioners maintains self-insurance internal service funds to administer insurance activities relating to certain group medical and dental coverage, property, general, automobile, public officials liability, workers' compensation and auto physical damage. The Clerk participates in the County-wide self-insurance program for all activities. For liability insurance the Board of County Commissioners pays substantially all of the respective premiums on behalf of the Clerk and absorbs losses related to these programs up to an aggregate annual limit. Excess and other specific coverage is purchased from third-party carriers. Charges to

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2007

participants are based upon amounts believed by management of the program to meet the required annual payouts during the fiscal year and to pay for the estimated operating cost of the program.

NOTE V - LONG-TERM OBLIGATIONS

The following changes in long-term obligations occurred during the year ended September 30, 2007:

| | |
|---|--------------------|
| Long-term obligations payable at October 1, 2006 | \$1,125,255 |
| Additions | 1,377,276 |
| Reductions | <u>(1,334,769)</u> |
| Long-term obligations payable at September 30, 2007 | <u>\$1,167,762</u> |

Long-term obligations are comprised of the non-matured portion of compensated absences. Employees of the Clerk are entitled to paid sick and annual leave, based on length of service and job classification.

NOTE VI - LITIGATION

The Clerk is involved from time to time in routine civil litigation, the substance of which, would not materially affect the financial position of the Clerk. The Clerk is neither currently involved in any litigation nor aware of any potential legal issues.

NOTE VII - SUBSEQUENT EVENTS

On November 29, 2007, the State Board of Administration (SBA) put a hold on any withdrawals of amounts invested with the SBA by cities and counties, including the constitutional officers for each county. This action was taken to prevent a further deterioration in the overall investment portfolio as a result of significant amounts of withdrawals that had taken place by cities and counties upon the disclosure that the SBA had exposure in mortgage backed securities which had the potential for significant declines in market value as a result of the sub-prime mortgage crisis taking place within the United States.

On December 6, 2007, the SBA classified all amounts invested by local governments with the SBA into two distinct funds. Pool A was allocated 86 percent of the amounts invested by each respective local government and became withdrawable on that date. It is expected that this fund will continue to permit deposits and withdrawals and will be backed by high quality investments. Pool B received 14 percent of the amounts and is secured by the underlying troubled investments. No deposits or withdrawals are permitted to Pool B until the underlying securities stabilize or mature. The SBA is in the process of addressing the quality of these investments and seeking in some cases renegotiation of some of the terms of these investments.

On December 6, 2007, the Clerk had \$1,704,575 invested in the SBA of which \$532,879 was transferred to the Pool B fund. Based on the representations provided by the SBA, the Clerk believes that the carrying value of the amounts in the Pool B fund will be recoverable over the near future.



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**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***

Honorable Charlie Green, Clerk of Circuit Court
Lee County, Florida:

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Lee County, Florida Clerk of Circuit Court (the Clerk) as of and for the year ended September 30, 2007, and have issued our report thereon dated December 6, 2007, which was modified to refer to a basis of accounting required for compliance with state filing requirements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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

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

KPMG LLP

December 6, 2007
Certified Public Accountants



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Management Letter

Honorable Charlie Green, Clerk of Circuit Court
Lee County, Florida:

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Lee County, Florida Clerk of Circuit Court as of and for the year ended September 30, 2007, and have issued our report thereon dated December 6, 2007, which was modified to refer to a basis of accounting required for compliance with state filing requirements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. We have also issued our report on internal control over financial reporting and on compliance and other matters. Disclosures in that report, if any, which are dated December 6, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General*, Section 10.554(1)(h)(1), require that we address in the management letter, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit.

As required by the *Rules of the Auditor General*, Section 10.554(1)(h)(2), the scope of our audit included 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 Lee County, Florida Clerk of Circuit Court complied with Section 218.415, *Florida Statutes*.

The *Rules of the Auditor General*, Section 10.554(1)(h)(3), require that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General*, Section 10.554(1)(i)(4), require that we address in the management letter any violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.



The *Rules of the Auditor General*, Section 10.554(1)(h)(5), require disclosure in the management letter of the following matters, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, and are not clearly inconsequential:

- (1) Violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit;
- (2) Improper expenditures or illegal acts discovered within the scope of the audit that may or may not materially affect the financial statements;
- (3) Control deficiencies that are not significant deficiencies including but not limited to:
 - a) Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements);
 - b) Failures to properly record financial transactions; and
 - c) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention, of the auditor.

The results of our audit disclosed no violations of laws, rules, regulations or contractual provisions or abuse, no improper expenditures or illegal acts or other control deficiencies that are not significant deficiencies.

The *Rules of the Auditor General*, Section 10.554(1)(h)(6), also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. In that regard, the Lee County, Florida Clerk of Circuit Court was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Lee County, Florida Clerk of Circuit Court does not have any component units.

As required by *Rules of the Auditor General*, Section 10.554(1)(h)(8), the scope of our audit included a review of the provisions of Section 28.35, Florida Statutes, regarding the budget and performance standards certified by the Florida Clerk of Courts Operation Corporation. In connection with our audit, we determined that the Lee County, Florida Clerk of Circuit Court complied with the budget and performance standards pursuant to Section 28.35, *Florida Statutes*.

* * * * *

This management letter is intended solely for the information of the Lee County, Florida Clerk of Circuit Court, management, the Board of County Commissioners of Lee County, Florida and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 6, 2007
Certified Public Accountants



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