

Clerk of Circuit Court

Lee County, Florida

Financial Statements
September 30, 2010

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CHARLIE GREEN: CLERK OF COURT

Clerk of Circuit Court

Lee County, Florida

Financial Statements
September 30, 2010



Prepared By:
General Accounting Office, Finance & Records Department

Clerk of Circuit Court

Lee County, Florida

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KPMG LLP
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Independent Auditor's 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, 2010, 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 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 Government 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, 2010, 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, 2010, and the respective changes in financial position, and the respective budgetary comparison for the general fund, court fees fund, public records modernization fund, Ed Byrne Justice Assistance Grants fund, and Child Support Enforcement 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 22, 2010 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.

KPMG LLP

December 22, 2010
Certified Public Accountants

Lee County, Florida
BALANCE SHEET
CLERK OF CIRCUIT COURT
As of September 30, 2010

	General	Court Fees	Public Records Modernization	Ed Byrne Justice Assist. Grants	Child Support Enforcement	Total
ASSETS						
Cash, cash equivalents, and investments	\$1,729,505	\$6,019,781	\$5,517,507	\$138,207	\$797,944	\$14,202,944
Accounts receivable	7,272	637				7,909
Due from other governments	17,472				158,914	176,386
Due from Board of County Commissioners	86,212	545				86,757
Inventory	23,795					23,795
Total assets	<u>1,864,256</u>	<u>6,020,963</u>	<u>5,517,507</u>	<u>138,207</u>	<u>956,858</u>	<u>14,497,791</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	201,300	225,052	1,275			427,627
Accrued liabilities	207,515	207,941	22,175	2,249		439,880
Due to other governments	223,955	93,763	10,484	668		328,870
Due to Board of County Commissioners	435,929	403,032				838,961
Deposits	666,555	4,650,120				5,316,675
Unearned revenue	134,537			135,290		134,537
Deferred revenue						135,290
Total liabilities	<u>1,869,791</u>	<u>5,579,908</u>	<u>33,934</u>	<u>138,207</u>	<u>0</u>	<u>7,621,840</u>
Fund balances:						
Nonspendable:						
Inventory	23,795					23,795
Restricted for:						
Court programs		441,055	5,483,573		956,858	1,397,913
Public records						5,483,573
Unassigned:						(29,330)
Total fund balances	<u>(29,330)</u>	<u>441,055</u>	<u>5,483,573</u>	<u>0</u>	<u>956,858</u>	<u>6,875,951</u>
Total liabilities and fund balances	<u>\$1,864,256</u>	<u>\$6,020,963</u>	<u>\$5,517,507</u>	<u>\$138,207</u>	<u>\$956,858</u>	<u>\$14,497,791</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 BALANCES
CLERK OF CIRCUIT COURT
For the Year Ended September 30, 2010

	General	Court Fees	Public Records Modernization	Ed Byrne Justice Assist. Grants	Child Support Enforcement	Total
REVENUES						
Intergovernmental	\$683,468	\$13,436,193		\$97,932		\$14,217,593
Charges for services	3,938,215		\$2,150,655			6,088,870
Interest	15,639		41,762			57,401
Miscellaneous	168,261		1,289			169,550
Total revenues	4,805,583	13,436,193	2,193,706	97,932	0	20,533,414
EXPENDITURES						
Current						
General government						
Personal services	10,188,034	11,532,857	1,202,168	97,932		23,020,991
Operating	2,053,299	674,224	425,945			3,153,468
Capital outlay	415,421	508				415,929
Total expenditures	12,656,754	12,207,589	1,628,113	97,932	0	26,590,388
Excess (deficiency) of revenues over (under) expenditures	(7,851,171)	1,228,604	565,593	0	0	(6,056,974)
OTHER FINANCING SOURCES (USES)						
Transfers in	8,117,923				\$956,858	9,074,781
Transfers out	(320,980)	(899,078)		0		(1,220,058)
Total other financing sources	7,796,943	(899,078)	0	0	956,858	7,854,723
Net change in fund balances	(54,228)	329,526	565,593	0	956,858	1,797,749
Fund balances - beginning	48,693	111,529	4,917,980	0	0	5,078,202
Fund balances - ending	\$(5,535)	\$441,055	\$5,483,573	\$0	\$956,858	\$6,875,951

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 (BUDGET BASIS)
CLERK OF CIRCUIT COURT
GENERAL FUND
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$600,000	\$600,000	\$683,468	\$83,468
Charges for services	4,322,780	3,922,780	3,938,215	15,435
Interest			11,204	11,204
Miscellaneous	209,250	109,250	167,161	57,911
Total revenues	5,132,030	4,632,030	4,800,048	168,018
EXPENDITURES				
Current				
General government				
Personal services	11,263,105	10,312,190	10,188,034	124,156
Operating	1,722,028	2,002,729	2,053,299	(50,570)
Capital outlay	264,820	434,327	415,421	18,906
Total expenditures	13,249,953	12,749,246	12,656,754	92,492
Excess (deficiency) of revenues over (under) expenditures	(8,117,923)	(8,117,216)	(7,856,706)	260,510
OTHER FINANCING SOURCES (USES)				
Transfers in	8,117,923	8,117,923	8,117,923	0
Transfers out	(57,781)	(58,488)	(320,980)	(262,492)
Total other financing sources (uses)	8,060,142	8,059,435	7,796,943	(262,492)
Net change in fund balance	(57,781)	(57,781)	(59,763)	(1,982)
Fund balance - beginning	57,781	57,781	67,164	9,383
Fund balance - ending	\$0	\$0	\$7,401	\$7,401

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 (BUDGET BASIS)
CLERK OF CIRCUIT COURT
COURT FEES
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$8,905,070	\$13,024,769	\$13,436,193	\$411,424
Charges for services	300,000			0
Total revenues	<u>9,205,070</u>	<u>13,024,769</u>	<u>13,436,193</u>	<u>411,424</u>
EXPENDITURES				
Current				
General government				
Personal services	8,599,951	11,532,858	11,532,857	1
Operating	739,231	674,063	674,063	0
Capital outlay		508	508	0
Total expenditures	<u>9,339,182</u>	<u>12,207,429</u>	<u>12,207,428</u>	<u>1</u>
Excess of revenues over (under) expenditures	(134,112)	817,340	1,228,765	411,425
OTHER FINANCING SOURCES (USES)				
Transfers in				0
Transfers out		(899,078)	(899,078)	0
Total other financing sources (uses)	<u>0</u>	<u>(899,078)</u>	<u>(899,078)</u>	<u>0</u>
Net change in fund balance	(134,112)	(81,738)	329,687	411,425
Fund balance - beginning	<u>134,112</u>	<u>134,112</u>	<u>113,392</u>	<u>(20,720)</u>
Fund balance - ending	<u><u>\$0</u></u>	<u><u>\$52,374</u></u>	<u><u>\$443,079</u></u>	<u><u>\$390,705</u></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 (BUDGET BASIS)
CLERK OF CIRCUIT COURT
PUBLIC RECORDS MODERNIZATION FUND
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$2,340,100	\$2,340,100	\$2,150,655	\$(189,445)
Interest	<u>7,000</u>	<u>7,000</u>	<u>17,531</u>	<u>10,531</u>
Total revenues	<u>2,347,100</u>	<u>2,347,100</u>	<u>2,168,186</u>	<u>(178,914)</u>
EXPENDITURES				
Current				
General government				
Personal services	1,639,120	1,343,050	1,202,168	140,882
Operating	1,150,000	971,804	425,945	545,859
Capital outlay	<u>200,980</u>	<u>420,196</u>	<u>420,196</u>	<u>420,196</u>
Total expenditures	<u>2,990,100</u>	<u>2,735,050</u>	<u>1,628,113</u>	<u>1,106,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(643,000)</u>	<u>(387,950)</u>	<u>540,073</u>	<u>928,023</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	278,950			0
Transfers out	<u>(278,950)</u>			<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(643,000)	(387,950)	540,073	928,023
Fund balance - beginning	<u>643,000</u>	<u>921,950</u>	<u>4,941,686</u>	<u>4,019,736</u>
Fund balance - ending	<u><u>\$0</u></u>	<u><u>\$534,000</u></u>	<u><u>\$5,481,759</u></u>	<u><u>\$4,947,759</u></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 (BUDGET BASIS)
CLERK OF CIRCUIT COURT
ED BYRNE JUSTICE ASSISTANCE GRANTS
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental		\$230,134	\$97,932	\$(132,202)
Total revenues	0	230,134	97,932	(132,202)
EXPENDITURES				
Current				
General government				
Personal services		228,342	97,932	130,410
Operating		1,792		1,792
Total expenditures	0	230,134	97,932	132,202
Excess (deficiency) of revenues over (under) expenditures	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 (BUDGET BASIS)
CLERK OF CIRCUIT COURT
CHILD SUPPORT ENFORCEMENT
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental				0
Total revenues	0	0	0	0
EXPENDITURES				
Current				
General government				
Personal services				0
Operating				0
Total expenditures	0	0	0	0
Excess of revenues over expenditures	0	0	0	0
OTHER FINANCING SOURCES (USES)				
Transfers in		\$956,858	\$956,858	0
Transfers out				0
Total other financing sources	0	956,858	956,858	0
Net change in fund balance	0	956,858	956,858	0
Fund balance - beginning	0	0	0	0
Fund balance - ending	\$0	\$956,858	\$956,858	\$0

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, 2010

	Agency Funds
ASSETS	
Cash, cash equivalents, and investments	\$21,917,896
Accounts receivable	2,924
Accrued interest receivable	294
Due from other governments	2,925
Total assets	21,924,039
LIABILITIES	
Accounts payable	33,961
Accrued liabilities	815
Due to other governments	4,364,261
Bonds and deposits	17,525,002
Total liabilities	\$21,924,039

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, 2010

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash, cash equivalents, and investments	\$29,149,962	\$508,777,962	\$516,010,028	\$21,917,896
Accounts receivable	143,513	32,812	173,401	2,924
Accrued interest receivable	650	294	650	294
Due from other governments	22,110	126,366	145,551	2,925
Total assets	<u>29,316,235</u>	<u>508,937,434</u>	<u>516,329,630</u>	<u>21,924,039</u>
LIABILITIES				
Accounts payable	37,962	208,350,953	208,354,954	33,961
Accrued liabilities	15,239	17,434	31,858	815
Due to other governments	6,377,286	105,884,005	107,897,030	4,364,261
Bonds and deposits	22,885,748	202,039,395	207,400,141	17,525,002
Total liabilities	<u>\$29,316,235</u>	<u>\$516,291,787</u>	<u>\$523,683,983</u>	<u>\$21,924,039</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, 2010

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 activities are included in the Lee County, Florida Comprehensive Annual Financial Report.

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*, net excess cash from operations in the General Fund at fiscal year-end are returned to the Board. Excess cash from operations returned to the Board are reflected as transfers out in the Clerk's General Fund.

Until June 30, 2009 the court-related operations were funded by the State via charging fees, fines and service charges and any surplus was returned to the State. Effective July 1, 2009 Senate Bill SB2108 changed Section 28.37(2), *Florida Statutes*, and thereby changed the funding for the court-related operations from a County fiscal year (October 1 – September 30) to a State fiscal year (July 1 – June 30). The new funding for the court-related operations is a monthly appropriation from the State which is determined by the legislature in the General Appropriations Act. Also effective July 1, 2009 all court-related fines, fees, and service charges are considered State funds and are remitted to the State's Department of Revenue for deposit into the Clerks of the Court Trust Fund within the Justice Administrative Commission. Any surplus of the appropriation over the expenditures will be determined at the end of the State's fiscal year and returned to the state.

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

The financial statements presented include the General Fund, special revenue funds, and agency funds of the Clerk's Office. 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*.

Section 10.556(4), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the Clerk to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Clerk as of September 30, 2010 and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

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 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 -The Clerk's activities are 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. 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. Excess net cash from operations at the end of the year, due back to the Board, are shown as transfers out in the General Fund. Any revenue received after October 31 and the fair market value (FMV) adjustment to investments, although accrued and recorded for financial statement purposes, are not included in the excess net cash from operations that is returned to the Board at year-end and thereby reflected in the fund balance.

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 four Special Revenue Funds- *Court Fees, Public Records Modernization, Ed Byrne Justice Assistance Grants, and Child Support Enforcement*.

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

Pursuant to Revision 7 to Article V, *Florida Constitution*, the Court Fees fund accounts for court-related activities that are funded by the State in the form of an appropriation and are used for maintaining the County and Circuit Court records. 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 appropriations over expenditures is retained in the fund at year-end and therefore will be reflected in the fund balance. A surplus as of June 30 is returned to the State.

The Public Records Modernization (PRM) 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, *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. In addition, effective July 1, 2009, due to revisions included in Senate Bill SB2108 to Section 28.37(2), *Florida Statutes*, 10 percent of all court-related fines collected by the Clerk will be deposited into the Clerk's Public Modernization Trust Fund and used exclusively for additional court-related operational needs and program enhancements.

The Ed Byrne Justice Assistance Grants fund is to account for grants funds received to enhance the circuit court prosecution by focusing on early representation to aid in reducing jail overcrowding.

The Board of County Commissioners approved the creation of a special revenue fund to hold the Child Support Enforcement (CSE) Federal incentive payments passed through the Florida Department of Revenue for the Child Enforcement Program which is managed by the Clerk of Courts. Such support incentive payments are to be used exclusively for the operation of the County's Child Support Depository and any Clerk of Courts court-related program enhancements.

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. The Clerk has nine agency funds which are custodial in nature (assets equal liabilities), and do not involve measurement of operations or have a measurement focus.

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.

Fund financial statements report detailed information about the Clerk. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. All of the governmental funds are considered major.

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 thirty days after year-end. Primary revenues, such as charges for services and interest,

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

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), except as described in Note III. 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.

Pursuant to Section 28.36, *Florida Statutes*, a balanced court-related budget must be prepared on or before October 1 and be submitted to the Clerks of Court Operations Corporation (the Corporation). The Corporation shall complete its review and adjustments to the clerks' budget requests and make its recommendations to the Legislature and the Supreme Court by December 1 each year. The Legislature determines the appropriation of the total amount for the budgets of the clerks in the General Appropriations Act.

The Clerk's General Fund and special revenue funds budgets are prepared on the modified accrual basis, except as described in Note III. 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.

The original budget is the first complete appropriated 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, Cash Equivalents, and Investments

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 Florida PRIME (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. The Clerk also participates in Fund B Surplus Funds Trust Fund, a fluctuating net asset value (NAV) external investment pool (SBA).

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

Capital Assets

The Clerk's capital assets include furniture, equipment, computer equipment, vehicles, and software. The Clerk, pursuant to *Florida Statutes*, records no capital assets. *Florida Statutes* require that the Board own and maintain accountability for all capital assets for which the Clerk is custodian. The threshold for capitalizing all capital assets is \$1,000, except software which is \$100,000. 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 Clerk does not, nor is he legally required to accumulate expendable financial resources for these obligations. Accordingly, the liability for compensated absences is not reported in the Clerk's fund financial statements, but rather is reported in the basic financial statements of the County.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

At September 30, 2010, the General Fund reported a deficit fund balance of \$5,535 due to the fair market value (FMV) adjustment on investments pursuant to Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Chapter 218.36, *Florida Statutes*, requires that excess fees be return to the County and net income be reported to the County within the 31st day after year-end. The excess fee calculation is based on "cash" thereby GAAP entries, such as the FMV adjustment, are not considered in the excess fee calculation and will be reported as a fund balance. The FMV adjustment can be an increase or decrease to investments thereby can create the appearance of a deficit fund balance.

CLERK OF CIRCUIT COURT
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE III - DIFFERENCE BETWEEN BUDGETED AND ACTUAL RESULTS

Budgets are adopted on a basis consistent with GAAP except as follows:

- *General Fund*- Changes in fair market value (FMV) of investments is not budgeted.
- *Court Fees*- Changes in fair market value (FMV) of investments is not budgeted.
- *Public Records Modernization*- Changes in fair market value (FMV) of investments is not budgeted.

General Fund:

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	\$(54,228)
Basis Difference:	
Fair market adjustment to investments	<u>(5,535)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (Non-GAAP budgetary basis)	<u>\$(59,763)</u>

Court Fees:

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	\$329,526
Basis Difference:	
Fair market adjustment to investments	<u>161</u>
Excess of revenues and other financing sources over expenditures and other financing uses (Non-GAAP budgetary basis)	<u>\$329,687</u>

Public Records Modernization Fund:

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	\$565,593
Basis Difference:	
Fair market adjustment to investments	<u>(25,520)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (Non-GAAP budgetary basis)	<u>\$540,073</u>

NOTE IV - CASH, CASH EQUIVALENTS, AND INVESTMENTS

At September 30, 2010, the Clerk had the following deposits, investments, and maturities:

Investment	Maturities	Fair Value	Rating
Cash on Hand	N/A	\$21,900	N/A
Cash with Fiscal Agent	N/A	22,353	N/A
Demand Deposits	N/A	30,341,860	N/A
Florida PRIME	52 days	127,810	AAAm
Fund B Surplus Funds Trust Fund	7.49 years	75,348	unrated
Federated Government Obligations Money Market Fund	N/A	<u>5,531,569</u>	AAAm
Total Cash, Cash Equivalents and Investments		<u>\$36,120,840</u>	

CLERK OF CIRCUIT COURT
Lee County, Florida
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Reconciliation:

General Fund	\$1,729,505
Court Fees	6,019,781
Public Records Modernization	5,517,507
Ed Byrne Justice Assistance Grants	138,207
Child Support Enforcement	797,944
Agency Funds	<u>21,917,896</u>
	<u>\$36,120,840</u>

On November 29, 2007, the State Board of Administration (SBA) placed a freeze on all funds invested in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP). This action was taken to prevent further deterioration in the overall Pool as a result of significant withdrawals made by pool participants upon the disclosure that SBA had investment risk associated with mortgage backed securities that had the potential for significant declines in market value due to the sub-prime mortgage crisis. On December 6, 2007, the LGIP was divided into two pools, which created the Local Government Investment Fund A, which eventually transformed into Florida PRIME, and Fund B Surplus Funds Trust Fund (Fund B).

Fund B contains the securities that have problems with payment defaults, paid slower than expected or have significant credit risk. Interest income is not paid and distributed to Fund B participants however; periodic liquidity has been made available by transferring released funds to the Florida PRIME fund. Fund B is accounted for as a fluctuating NAV pool, the fair value factor as of September 30, 2010 was .707058094.

Custodial Credit Risk

At September 30, 2010, 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, 2010, were \$41,537,345 and \$30,341,860, respectively. Petty cash and change funds totaled \$21,900.

Credit Risk

The Clerk does not have a formal written investment policy and thereby is required to follow Chapter 218.415, *Florida Statutes*, when investing surplus funds. This statute limits investing of surplus funds to the Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, or direct obligations of the U.S. Treasury.

CLERK OF CIRCUIT COURT
Lee County, Florida
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Interest Rate Risk

The Clerk does not have a formal investment policy that limits investment maturities nor is one contained in Chapter 218.415, *Florida Statutes*.

Concentration of Credit Risk

The Clerk places no limit on the amount it may invest in any one issuer or investment.

NOTE V - 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 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 18.7 percent of gross salaries for the year ended September 30, 2010. For the years ended September 30, 2010, 2009, and 2008, the Clerk contributed 100 percent of the required contributions. These contributions totaled approximately \$1,591,000, \$1,676,000, and \$1,683,000 respectively, which represent 10 percent, 10 percent, and 10 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, 2010, 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

CLERK OF CIRCUIT COURT
Lee County, Florida
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the Plan. In accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, liabilities and activities related to these benefits are reported in the government-wide financial statements of the County.

NOTE VI - 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 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 VII - LONG-TERM OBLIGATIONS

The following changes in long-term obligations occurred during the year ended September 30, 2010:

Accrued compensated absences at October 1, 2009	\$1,368,183
Additions	1,587,612
Reductions	<u>(1,596,956)</u>
Accrued compensated absences at September 30, 2010	<u>\$1,358,839</u>

Of these liabilities, approximately \$147,300 is expected to be paid during the fiscal year ended September 30, 2010. These long-term liabilities are not reported in the financial statements of the Clerk since they have not matured.

NOTE VIII - COMMITMENTS AND CONTINGENCIES

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.

Grants

The Clerk is the recipient of grants that are subject to special compliance requirements and audits by the grantor agencies that may result in disallowed expense amounts. These amounts constitute a contingent liability of the Clerk. The Clerk does not believe any contingent liabilities, if any, to be material to the financial statements.



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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, 2010, and have issued our report thereon dated December 22, 2010, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 22, 2010
Certified Public Accountants



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

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, 2010, and have issued our report thereon dated December 22, 2010, 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 dated December 22, 2010 on our consideration of the Lee County, Florida Clerk of the 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. Disclosures in that report, if any, 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)(i)(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 findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit.

The *Rules of the Auditor General*, Section 10.554(1)(i)(2), require that we determine whether or not the Lee County, Florida Clerk of Circuit Court complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, nothing came to our attention that caused us to believe that the Lee County, Florida Clerk of Circuit Court was not in compliance with Section 218.415, *Florida Statutes*.

The *Rules of the Auditor General*, Section 10.554(1)(i)(3), 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, any recommendations to improve the Lee County, Florida Clerk of Circuit Court financial management. In connection with our audit, we did not have any such recommendations.

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 or 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)(i)(5), provide for disclosure in the management letter based on the auditors' professional judgment of the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters:

- (1) Violations of provisions of contracts or grants agreements, fraud, illegal acts, or abuse;
- (2) Deficiencies in internal control that are not significant deficiencies.

The results of our audit disclosed no violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, or other deficiencies in internal control that are not significant deficiencies.

The *Rules of the Auditor General*, Section 10.554(1)(i)(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)(i)(8), the scope of our audit included a review of the provisions of Section 28.35 and 28.36, *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 22, 2010
Certified Public Accountants

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CHARLIE GREEN: CLERK OF COURT