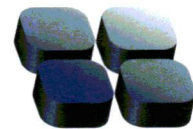


Special-Purpose Financial Statements

Clerk of the Circuit Court
Osceola County, Florida

September 30, 2012
with Report of Independent Auditors



Law, Redd, Crona & Munroe, P.A.

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

Special-Purpose Financial Statements

Year Ended September 30, 2012

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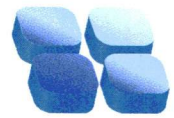
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Report of Independent Auditors

March 6, 2013

The Honorable Clerk of the Circuit Court
Osceola County, Florida

We have audited the accompanying special-purpose financial statements of the Clerk of the Circuit Court, Osceola County, Florida, as of and for the year ended September 30, 2012, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Clerk of the Circuit Court, Osceola County, Florida's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the 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 opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are intended to present the financial position, and the changes in financial position, where applicable, of only that portion that is attributable to the transactions of the Clerk of the Circuit Court. They do not purport to, and do not, present fairly the financial position of Osceola County, Florida, as of September 30, 2012, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each of the major funds and the agency funds of the Clerk of the Circuit Court, Osceola County, Florida as of September 30, 2012, and the results of each of the major funds' operations, and the respective budgetary comparison for the General Fund, the Public Records Modernization Trust Fund, and the Public Records Information

The Honorable Clerk of the Circuit Court
Osceola County, Florida
Page Two

Technology Fund for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2013 on our consideration of the Clerk of the Circuit Court, Osceola County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Combining Statement of Changes in Assets and Liabilities – All Agency Funds is presented for purpose of additional analysis and is not a required part of the special-purpose financial statements. The Combining Statement of Changes in Assets and Liabilities – All Agency Funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

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


Law, Redd, Crona & Munroe, P.A.

Clerk of the Circuit Court
Osceola County, Florida

Balance Sheet
Governmental Funds

September 30, 2012

	<u>General</u>	<u>Public Records Modernization Trust Fund</u>	<u>Public Records Information Technology</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 2,248,480	\$ 3,630,706	\$ 865,409	\$ 6,744,595
Due from other funds	57,221	0	0	57,221
Due from other county units	4,448	0	0	4,448
Due from other governments	94,635	0	0	94,635
Total assets	<u>\$ 2,404,784</u>	<u>\$ 3,630,706</u>	<u>\$ 865,409</u>	<u>\$ 6,900,899</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 322,374	\$ 0	\$ 0	\$ 322,374
Accrued liabilities	129,356	0	0	129,356
Due to other county units	215,943	0	0	215,943
Due to other governments	1,218,451	0	0	1,218,451
Deferred revenue	518,660	0	0	518,660
Total liabilities	<u>2,404,784</u>	<u>0</u>	<u>0</u>	<u>2,404,784</u>
Fund balances:				
Nonspendable	94,635	0	0	94,635
Restricted for records modernization	0	3,630,706	0	3,630,706
Restricted for information technology	0	0	460,396	460,396
Committed	0	0	405,013	405,013
Unassigned	(94,635)	0	0	(94,635)
Total fund balances	<u>0</u>	<u>3,630,706</u>	<u>865,409</u>	<u>4,496,115</u>
Total liabilities and fund balances	<u>\$ 2,404,784</u>	<u>\$ 3,630,706</u>	<u>\$ 865,409</u>	<u>\$ 6,900,899</u>

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

Clerk of the Circuit Court
Osceola County, Florida

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended September 30, 2012

	General	Public Records Modernization Trust Fund	Public Records Information Technology	Total Governmental Funds
Revenues				
Intergovernmental	\$ 7,574,414	\$ 0	\$ 0	\$ 7,574,414
Fees, fines and service charges	2,362,264	624,179	599,296	3,585,739
Investment Earnings	0	18,911	8,105	27,016
Miscellaneous	5,532	6,337	0	11,869
Total revenues	9,942,210	649,427	607,401	11,199,038
Expenditures				
Current				
General government:				
Personal services	7,911,675	0	0	7,911,675
Operating	1,714,004	0	0	1,714,004
Capital outlay	834,522	147,385	0	981,907
Total expenditures	10,460,201	147,385	0	10,607,586
Excess of revenues over (under) expenditures	(517,991)	502,042	607,401	591,452
Other financing sources (uses)				
Transfers in	999,406	0	0	999,406
Transfers out:				
Osceola County Board of County Commissioners	(152,570)	0	0	(152,570)
Interfund	0	(400,110)	(599,296)	(999,406)
Remittances to Florida Department of Revenue	(328,845)	0	0	(328,845)
Total other financing sources (uses)	517,991	(400,110)	(599,296)	(481,415)
Net change in fund balances	0	101,932	8,105	110,037
Fund balances, at beginning of year	0	3,528,774	857,304	4,386,078
Fund balances, at end of year	\$ 0	\$ 3,630,706	\$ 865,409	\$ 4,496,115

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

Clerk of the Circuit Court
Osceola County, Florida

Statement of Fiduciary Assets and Liabilities
Agency Funds

September 30, 2012

Assets

Cash	\$ 18,788,935
Accounts receivable	77,870
Due from other county units	<u>121,099</u>
Total assets	<u>\$ 18,987,904</u>

Liabilities

Due to other funds	\$ 57,221
Due to other county units	336,435
Due to other governments	1,399,554
Deposits	<u>17,194,694</u>
Total liabilities	<u>\$ 18,987,904</u>

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

<u>Public Records Modernization Trust Fund</u>				<u>Public Records Information Technology</u>			
<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
207,043	207,043	624,179	417,136	560,280	560,280	599,296	39,016
0	0	18,911	18,911	0	0	8,105	8,105
0	0	6,337	6,337	0	0	0	0
<u>207,043</u>	<u>207,043</u>	<u>649,427</u>	<u>442,384</u>	<u>560,280</u>	<u>560,280</u>	<u>607,401</u>	<u>47,121</u>
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<u>400,110</u>	<u>400,110</u>	<u>147,385</u>	<u>252,725</u>	<u>599,296</u>	<u>599,296</u>	<u>0</u>	<u>599,296</u>
<u>400,110</u>	<u>400,110</u>	<u>147,385</u>	<u>252,725</u>	<u>599,296</u>	<u>599,296</u>	<u>0</u>	<u>599,296</u>
<u>(193,067)</u>	<u>(193,067)</u>	<u>502,042</u>	<u>695,109</u>	<u>(39,016)</u>	<u>(39,016)</u>	<u>607,401</u>	<u>646,417</u>
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(400,110)	(400,110)	(400,110)	0	(599,296)	(599,296)	(599,296)	0
0	0	0	0	0	0	0	0
<u>(400,110)</u>	<u>(400,110)</u>	<u>(400,110)</u>	<u>0</u>	<u>(599,296)</u>	<u>(599,296)</u>	<u>(599,296)</u>	<u>0</u>
(593,177)	(593,177)	101,932	695,109	(638,312)	(638,312)	8,105	646,417
<u>3,528,774</u>	<u>3,528,774</u>	<u>3,528,774</u>	<u>0</u>	<u>857,304</u>	<u>857,304</u>	<u>857,304</u>	<u>0</u>
<u>\$ 2,935,597</u>	<u>\$ 2,935,597</u>	<u>\$ 3,630,706</u>	<u>\$ 695,109</u>	<u>\$ 218,992</u>	<u>\$ 218,992</u>	<u>\$ 865,409</u>	<u>\$ 646,417</u>

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

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies

Osceola County is a political subdivision of the State of Florida located in the central portion of the state. The County was established under Article VIII, Section (1), *Constitution of the State of Florida*. The County operates under a Home Rule Charter.

The Clerk of the Circuit Court (Clerk) is an elected Constitutional Officer of the County. For financial statement and reporting purposes, the Clerk is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. However, the Clerk does not meet the definition of a legally separate organization and is not considered to be a component unit. Accordingly, the Clerk is considered to be part of the primary government of Osceola County, Florida (County), and the financial activities of the Clerk are included as such in the Osceola County annual financial report, along with the other Constitutional Officers and the Osceola County Board of County Commissioners (Board). The financial statements contained herein represent the financial transactions of the Clerk only. There are no component units for the Clerk to consider for inclusion in the fund financial statements.

The Clerk is a fee officer whose operating budget is funded solely from fees, fines and service charges relating to various statutory court and non-court services provided by the office. No funds are received from the Board other than applicable fees.

The accounting policies of the Clerk conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Presentation

These special-purpose financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the State of Florida, Office of the Auditor General.

Fund Accounting

The financial activities of the Clerk are recorded in separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies (continued)

The purposes of the Clerk's various funds are categorized and described as follows:

Governmental Fund Types:

General Fund

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

Special Revenue Funds

Public Records Modernization Trust Fund — This fund accounts for the proceeds of specific revenue sources pursuant to *Florida Statute* 28.24(12)(d), that are legally restricted to expenditures for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the Clerk of the Circuit Court's public records systems.

Public Records Information Technology — This fund accounts for the proceeds of specific revenue sources pursuant to *Florida Statute* 28.24(12)(e), that are legally restricted to expenditures for court-related technology needs.

Fiduciary Fund Type:

Agency Funds — The Agency Funds account for the assets held by the Clerk in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the fund financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Governmental Funds and Agency Funds are maintained on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available and as such, are susceptible

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies (continued)

to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Clerk considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. The following major revenues are considered susceptible to accrual: intergovernmental revenue, charges for services and interest earned. Intergovernmental revenue, consisting of a cost reimbursement grant, is recognized as revenue as the related expenditures are incurred.

Budgets and Budgetary Accounting

During the 2009 legislative session, the Florida legislature reduced statewide funding for Clerk's of Court budgets. The legislature changed any future budget to a State fiscal year of July 1 to June 30. The Clerk of Courts funding process was also changed to an appropriation from the State of Florida rather than the existing revenue model. All court revenues will be collected and disbursed monthly to the State. The fiscal year for the Clerk continues to be from October 1 to September 30, and any unexpended appropriation for the Court's budget is rolled into the subsequent State's fiscal year.

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the *Florida Statutes*. Formal budgetary integration is employed as a management control device during the year for the Clerk's General Fund. Appropriations lapse at the close of the fiscal year to the extent they have not been expended, except for the Clerk's of Courts funds, which lapse at the end of the State's fiscal year on June 30th. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

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

Section 218.35 of the *Florida Statutes* provides the budget requirements for county fee officers and refers to budget requirements of Section 28.36 of the *Florida Statutes* for court-related functions of the Clerk. The budget must be balanced and segregated by funds. The proposed budget is required to be filed with the county governing authority by September 1 preceding the fiscal year of the budget. Subsequent balanced budget amendments relating to non-court operations may be approved by the Clerk.

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies (continued)

Section 28.36 of the *Florida Statutes* requires the Clerk to prepare a separate budget for the court-related functions of the Clerk. Only those functions specified by Section 28.35(3)(a) of the *Florida Statutes* may be funded from court-related fees, service charges, court costs, and fines retained by the Clerk. The proposed budget is filed with the Clerks of Court Operations Corporation (Corporation) by October 1 preceding the fiscal year of the budget, in the format required by the Corporation. The Corporation verifies that the proposed budget is limited to court-related functions. Section 28.36 also defines the maximum annual budget permitted. With the 2009 legislative changes, the Corporation submits a legislative budget request for all Clerks that will result in an appropriation by the Florida Legislature.

Increases to the court functions budget must be submitted to and approved by the Corporation. Transfers of approved budget funds between accounts and appropriation categories (personal services, operating expenses, capital outlay and non-operating) may be approved by the Clerk.

The budgeted revenues and expenditures in the accompanying budgetary comparison statement reflect the Clerk's original adopted budget and the final budget with all amendments approved by the Clerk or the Corporation. Budgetary authority is exercised at the fund level. Revenues and expenditures for the Public Records Modernization Trust Fund and the Public Records Information Technology Fund were budgeted in the current year in the General Fund. Expenditures for the Public Records Modernization Trust Fund are authorized on a five-year budget in the Public Records Modernization Trust Fund Report. The amounts included in the budgetary comparison statement reflect actual amounts spent in the current year. The total amounts available to be budgeted for the Public Records Modernization Trust Fund and the Public Records Information Technology Fund for the current year were \$1,573,000 and \$1,921,709, respectively.

Investments

Investments in external investment pools that follow SEC Rule 2a-7 regulations are reported at amortized cost, which approximates fair value.

Capital Assets

Capital assets purchased in the Governmental Fund Types are recorded as expenditures (capital outlay) at the time of purchase. The tangible personal property used by the Clerk is reported to and recorded by the Board as capital assets, at cost, in the statement of net assets in the government-wide financial statements of the County. The Clerk maintains custodial responsibility for the capital assets used by the Clerk.

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees accrue vacation leave based on their employment date or seniority date and length of employment. They may accrue from 12 to 22.5 days of vacation per year. Annual leave in excess of 30 days is forfeited on December 31 following the end of the fiscal year. Employees are not paid for vacation leave in lieu of taking a vacation. An employee is paid for earned vacation leave only upon separation.

Employees earn one day of sick leave for each month of employment. Upon separation, employees who have at least 20 years of continuous service will be paid for all accrued hours of sick leave. Employees with less than 20 years and two or more years of continuous service will be paid for all hours in excess of 40 hours.

The Clerk uses the vesting method to calculate the liability for compensated absences. The Clerk does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the statement of net assets in the government-wide financial statements of the County.

Transfers In and Out

The Clerk collects fees pursuant to Section 28.24(12)(e), *Florida Statutes*, that are legally restricted to expenditures for court-related information technology needs. These fees are accounted for in a special revenue fund. The amount needed to fund the General Fund's court-related information technology expenditures is recorded as a transfer in by the General Fund and as a transfer out by the special revenue fund on the financial statements of the Clerk. Unexpended amounts are transferred back to the special revenue fund at the end of the fiscal year.

In accordance with Section 218.36, *Florida Statutes*, all general fund non-court related revenues in excess of non-court related expenditures during the fiscal year are distributed to the Board within 31 days following the end of the fiscal year. Accordingly, such amounts are recorded as liabilities due to other county units and as transfers out to the Board on the financial statements of the Clerk.

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

2. Cash and Investments

As of September 30, 2012, the Clerk had the following in cash and investments:

	<u>Carrying Amount</u>
Cash on Hand	\$ 6,680
Deposits in Qualified Public Depositories	23,410,327
Florida PRIME	<u>2,116,523</u>
Total Cash and Investments	<u>\$ 25,533,530</u>

Credit Risk

The Clerk's investment practices are governed by Section 218.415(17), *Florida Statutes*, and include the following investments:

1. The Florida PRIME (formerly the Local Government Surplus Trust Funds Investment Pool) administered by the State Board of Administration; or any authorized intergovernmental investment pool;
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

The Clerk does not have an investment policy that would further limit its investment choices.

Florida PRIME is administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

2. Cash and Investments (continued)

operational audit of the activities and investments of the SBA. The fair value of the Clerk's position in the pool approximates the value of pool shares. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAm by Standards and Poor's. The weighted average days to maturity of the Florida PRIME at September 30, 2012 is 39 days.

As of September 30, 2012, the Clerk's Public Records Special Revenue Funds had \$1,481,566 and \$634,957 invested in Pool A and B, respectively, with an unrealized loss in the amount of \$3,877.

The State Board of Administration issues separate financial statements that may be obtained from its website, the address of which is <https://www.sbafla.com/prime>, or by calling (850) 488-4406.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the government's deposits may not be returned to it or the organization may not be able to recover the value of its investments that are in possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Section 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories.

The Clerk's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2012 were \$26,520,038.

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

3. Employees' Retirement and Benefit Plans

Retirement Plan

All full-time and permanent part-time employees of the Clerk are eligible to participate in the Florida Retirement System (the FRS). The FRS includes various plans including a defined benefit pension plan, which is primarily a cost-sharing multiple-employer defined benefit public employee pension plan. The defined benefit plan is administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the Osceola County, Florida annual financial report. Contributions and benefits are established by Section 121.71, *Florida Statutes*. Participating employer contributions are based upon actuarially determined blended rates established by the State Legislature, that expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Beginning July 1, 2011, a three percent employee contribution was required by active employees.

The contributions paid for the years ended September 30, 2012, 2011 and 2010 were \$313,531, \$557,279, and \$615,913, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

4. Long-Term Liabilities

A summary of changes in the long-term liabilities of the Clerk is as follows:

	<u>Balance</u> <u>October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2012</u>
Liability for compensated absences	\$ 364,393	\$ 671,286	\$ 644,039	\$ 391,640

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

4. Long-Term Liabilities (continued)

Of the \$391,640 liability for accrued compensated absences, management estimates that \$256,331 will be due and payable within one year. The long-term liabilities are not reported in the financial statements of the Clerk since they are not payable from available resources at September 30, 2012. As discussed in Note 1, they are reported in the statement of net assets in the government-wide financial statements of the County.

5. Other Post-Employment Benefits

The Clerk participates in the County's plan covering other post-employment benefits. For a detailed plan description and any liability for employees of the Clerk, see the Osceola County, Florida CAFR for the fiscal year ended September 30, 2012.

6. Risk Management

Osceola County maintains a self-insured risk management program that provides for coverage of risks of loss related to worker's compensation claims. This fund is administered by a third-party administrator. The Clerk makes payments to the County based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2012 was \$17,106. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

7. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at September 30, 2012 are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$ 57,221	\$ 0
Fiduciary:		
Other Civil	0	57,221
Total all funds	\$ 57,221	\$ 57,221

Clerk of the Circuit Court
Osceola County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2012

7. Interfund Receivables and Payables (continued)

The General Fund carries a \$20,000 balance due from the Other Civil Agency Fund, which is not expected to be repaid within the subsequent fiscal year. The balance was created as a result of the General Fund providing a cash reserve for the Other Civil Agency Fund's returned checks for child support payments.

8. Commitments

On November 8, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract are \$1,111,250. As of September 30, 2012, a total of \$706,237 has been paid. Payments on the remaining balance are expected to be made through the 2013-2014 fiscal year.

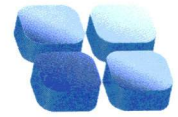
9. Evaluation of Subsequent Events

The Clerk has evaluated subsequent events through March 6, 2013, the date which the financial statements were available to be issued.

Supplementary Information

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Bond Holding Agency Fund				
Assets:				
Cash	\$ 420,720	\$ 1,406,446	\$ 1,446,117	\$ 381,049
Due from other county units	71,950	121,099	71,950	121,099
Total assets	<u>\$ 492,670</u>	<u>\$ 1,527,545</u>	<u>\$ 1,518,067</u>	<u>\$ 502,148</u>
Liabilities:				
Deposits	\$ 492,670	\$ 1,425,468	\$ 1,415,990	\$ 502,148
Total liabilities	<u>\$ 492,670</u>	<u>\$ 1,425,468</u>	<u>\$ 1,415,990</u>	<u>\$ 502,148</u>
Tax Deeds Agency Fund				
Assets:				
Cash	\$ 967,472	\$ 2,647,467	\$ 1,870,132	\$ 1,744,807
Liabilities:				
Due to other county units	\$ 0	\$ 1,114	\$ 1,114	\$ 0
Deposits	967,472	2,713,021	1,935,686	1,744,807
Total liabilities	<u>\$ 967,472</u>	<u>\$ 2,714,135</u>	<u>\$ 1,936,800</u>	<u>\$ 1,744,807</u>
Other Civil Agency Fund				
Assets:				
Cash	\$ 13,070,284	\$ 40,529,566	\$ 39,827,175	\$ 13,772,675
Accounts receivable	13,024	12,575	8,628	16,971
Total assets	<u>\$ 13,083,308</u>	<u>\$ 40,542,141</u>	<u>\$ 39,835,803</u>	<u>\$ 13,789,646</u>
Liabilities:				
Due to other funds	\$ 59,295	\$ 1,930,555	\$ 1,932,629	\$ 57,221
Due to other governments	22,887	651,319	652,966	21,240
Deposits	13,001,126	39,829,655	39,119,596	13,711,185
Total liabilities	<u>\$ 13,083,308</u>	<u>\$ 42,411,529</u>	<u>\$ 41,705,191</u>	<u>\$ 13,789,646</u>
Total				
Assets:				
Cash	\$ 16,772,901	\$ 97,072,116	\$ 95,056,082	\$ 18,788,935
Accounts receivable	63,895	9,020,107	9,006,132	77,870
Due from other county units	71,950	121,099	71,950	121,099
Total assets	<u>\$ 16,908,746</u>	<u>\$ 106,213,322</u>	<u>\$ 104,134,164</u>	<u>\$ 18,987,904</u>
Liabilities:				
Due to other funds	\$ 59,295	\$ 2,889,906	\$ 2,891,980	\$ 57,221
Due to other county units	354,435	4,611,067	4,629,067	336,435
Due to other governments	1,283,562	35,598,322	35,482,330	1,399,554
Deposits	15,211,454	46,494,340	44,511,100	17,194,694
Total liabilities	<u>\$ 16,908,746</u>	<u>\$ 89,593,635</u>	<u>\$ 87,514,477</u>	<u>\$ 18,987,904</u>

See independent auditor's report.



Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Special-Purpose Financial Statements
Performed in Accordance with *Government Auditing Standards*

March 6, 2013

The Honorable Clerk of the Circuit Court
Osceola County, Florida

We have audited the special-purpose financial statements of the Clerk of the Circuit Court, Osceola County, Florida as of and for the year ended September 30, 2012, and have issued our report thereon dated March 6, 2013. 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

Management of the Clerk of the Circuit Court, Osceola County, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Clerk of the Circuit Court, Osceola County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk of the Circuit Court, Osceola County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of the Circuit Court, Osceola County, Florida's internal control over financial reporting.

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

The Honorable Clerk of the Circuit Court
Osceola County, Florida
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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 of the Circuit Court, Osceola County, Florida's special-purpose 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Finding Number 2012 – 01

2012 – 01 Court Revenue/Expenditures not Reported on a Timely Basis

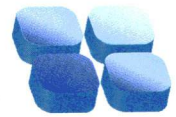
The Clerk failed to remit on a timely basis, \$582,283 in court-related fines, fees, service charges and cost, to the Department of Revenue as required by Section 28.37 (2), *Florida Statutes*. The amount required to be remitted relates to fiscal years ended September 30, 2009 and 2010.

Such amounts were properly identified and reported as a liability on the Clerk's financial statements; however the Court Revenue/Expenditure Tracking report was not corrected to initiate the remittance. All money related to this liability remained in the Clerk's operating account since 2009 and the full amount was remitted in March 2013.

We have issued a management letter to the Clerk of the Circuit Court, Osceola County, Florida, dated March 6, 2013, presenting certain required disclosures and comments pursuant to *Rules of the Auditor General*, Chapter 10.550.

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


Law, Redd, Crona & Munroe, P.A.



Management Letter

March 6, 2013

The Honorable Clerk of the Circuit Court
Osceola County, Florida

We have audited the special-purpose financial statements of the Clerk of the Circuit Court, Osceola County, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 6, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.550, rules of the Florida Auditor General. Disclosures in those reports and schedules, which are dated March 6, 2013, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding and the second preceding annual financial audit reports, except as noted below under the heading Prior Year Findings and Recommendations:

Current Year Recommendations

12-01 Old Deposits in Non-Interest Registry Account

The Clerk's Non-Interest Registry Deposit Account is utilized to maintain court ordered deposits or amounts voluntarily placed by plaintiffs, which are less than \$7,500, until pending court-related actions are completed. We noted that there are a number of deposits totaling \$18,089 that have been present in the account for a number of years.

The Honorable Clerk of the Circuit Court
Osceola County, Florida
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We recommend that a reconciliation be performed on the old checks to determine whether the checks need to be reissued or remitted to the state.

12-02 Outstanding Accounts Receivable

We noted that there are several old items on the Clerk's accounts receivable subsidiary reports, several which are older than two years. The total noted for the period of 1997 – 2010 was \$3,712, with additional credit amounts of \$677.

We recommend that these amounts be investigated and written off as necessary. We also recommend that a policy be established with respect to write-offs of accounts receivable which documents procedures to be followed and appropriate approval from the Clerk before these amounts are written off.

Status of Prior Year Findings and Recommendations

11-01 Collection Rate Reporting

During the prior year, we noted through a verification of the collection rate calculations reported by the Clerk to the Clerk Court Operations Corporation (CCOC), that three receipts tested could not be totally tied into the backup used to generate the Collections Quarterly Report. For the three receipts, \$139 could not be located on the documentation, resulting in the Collections Quarterly Report being understated.

We noted no instances of receipts not being reported on the Collections Quarterly Report in the current year.

10-01 Information Technology (IT) Disaster Recovery Plan

During the September 30, 2010 audit, we noted that the Clerk's disaster recovery plan relies exclusively on the tacit knowledge of the Clerk's limited IT staff, and there is no formally documented plan. We recommended that a plan be developed which will provide documented procedures that would be usable for anyone in the organization in the event of an IT disaster situation. During the September 30, 2011 audit, we noted that development of a disaster recovery plan had been put on hold until after the Benchmark software implementation.

We noted during the current year that a formal documented disaster recovery plan has not been completed. However, the Clerk's office is in the process of completing negotiations with a company that will provide a mirror of the Court software, which will allow continued processing through their Court software in the event of an IT disaster situation. We continue to recommend that a formal plan be developed which will provide documented procedures that would be usable for anyone in the organization in the event of an IT disaster situation.

10-02 Failure to Achieve Performance Measure Standards

During the prior year, we noted that the Clerk did not meet the standards established by the CCOC for the period of April to June 2011 for the following:

Timeliness:

1. Circuit Civil. CCOC Standard is 80%; Clerk's performance was 66%.

Collections:

1. Circuit Criminal. CCOC Standard is 9%; Clerk's performance was 5.26%.
2. Civil Traffic. CCOC Standard is 90%; Clerk's performance was 85.70%.

Section 28.35(2)(d), *Florida Statutes*, has developed and certified a uniform system of performance measures and standards for court-related functions. A corrective action plan had been submitted in the prior year.

During the current year, we noted that the Clerk did not meet the standards established by the CCOC for the period of April to June 2012 for the following:

Timeliness:

1. *Criminal Traffic. CCOC Standard is 80%; Clerk's performance was 70.7%.*
2. *Circuit Civil. CCOC Standard is 80%; Clerk's performance was 74.1%.*
3. *County Civil. CCOC Standard is 80%; Clerk's performance was 74%.*
4. *Civil Traffic. CCOC Standard is 80%; Clerk's performance was 76.4%.*
5. *Circuit Civil (docket entries). CCOC Standard is 80%; Clerk's performance was 77.9%.*

Collections:

1. *Circuit Criminal. CCOC Standard is 9%; Clerk's performance was 6.47%.*
2. *County Criminal. CCOC Standard is 40%; Clerk's performance was 31.93%.*
3. *Civil Traffic. CCOC Standard is 90%; Clerk's performance was 68.28%.*

We noted that corrective action plans have been established and submitted to CCOC as directed. We recommend that the Clerk continue to implement the corrective action plans.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the Clerk complied with Section 218.415, *Florida Statutes*.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

The Honorable Clerk of the Circuit Court
Osceola County, Florida
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Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the Notes to the Special-Purpose Financial Statements. The name or official title and legal authority for the primary government of the reporting entity is disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Clerk has no component units.

Section 10.554(1)(i)8., *Rules of the Auditor General*, requires a statement as to whether or not the Clerk of the Courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk complied with such requirements, except as noted below and under the heading Status of Prior Year Recommendations:

Finding Number 2012 – 01

2012 – 01 Court Revenue/Expenditures not Reported on a Timely Basis

The Clerk failed to remit on a timely basis, \$582,283 in court-related fines, fees, service charges and cost, to the Department of Revenue as required by Section 28.37 (2), *Florida Statutes*. The amount required to be remitted relates to fiscal years ended September 30, 2009 and 2010.

Such amounts were properly identified and reported as a liability on the Clerk's financial statements; however the Court Revenue/Expenditure Tracking report was not corrected to initiate the remittance. All money related to this liability remained in the Clerk's operating account since 2009 and the full amount was remitted in March 2013.

* * * * *

The Honorable Clerk of the Circuit Court
Osceola County, Florida
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Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida

Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Law, Redd, Crona & Munroe P.A.
Law, Redd, Crona & Munroe, P.A.