

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

**Special-Purpose
Financial Statements
September 30, 2013**

Vance CPA, LLC

Certified Public Accountant

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**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT
SEPTEMBER 30, 2013**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Marcia M. Johnson
Franklin County Clerk of the Circuit Court
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of Franklin County, Florida, Clerk of the Circuit Court, (Clerk), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Clerk's fund financial statements as listed in the table of contents.

Management's Responsibility for the financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Clerk as of September 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund, fines and forfeitures trust fund and modernization trust fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Franklin County, Florida Clerk of the Circuit Court and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2013, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 and on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clerk's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC

June 25, 2014

**014FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Modernization Trust Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 43,228	\$ 89,487	\$ 158,470	\$ 291,185
Due from other funds	22,850	23,380	10,954	57,184
Due from other governmental units	<u>7,483</u>	<u>10</u>	<u>—</u>	<u>7,493</u>
Total Assets	<u>73,561</u>	<u>112,877</u>	<u>169,424</u>	<u>355,862</u>
Liabilities Deferred Inflows and Fund Balances:				
Liabilities				
Accounts payable	3,443	506	1,796	5,745
Due to other funds	65,885	2,818	—	68,703
Due to other governmental units	2,608	96,560	—	99,168
Due to Board of County Commissioners	<u>1,625</u>	<u>—</u>	<u>—</u>	<u>1,625</u>
Total Liabilities	<u>73,561</u>	<u>99,884</u>	<u>1,796</u>	<u>175,241</u>
Deferred Inflows:				
Grant Funds	<u>—</u>	<u>12,993</u>	<u>—</u>	<u>12,993</u>
Total Deferred Inflows	<u>—</u>	<u>12,993</u>	<u>—</u>	<u>12,993</u>
Fund Balance:				
Restricted	<u>—</u>	<u>—</u>	<u>167,628</u>	<u>167,628</u>
Total Liabilities Deferred Inflows and Fund Balances	<u><u>\$ 73,561</u></u>	<u><u>\$ 112,877</u></u>	<u><u>\$ 169,424</u></u>	<u><u>\$ 355,862</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN RESTRICTED FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Modernization Trust Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Charges for services	\$ 100,390	\$ —	\$ 60,427	\$ 160,817
Intergovernmental revenue	48,239	690,420	—	738,659
Investment income	2,119	58	219	2,396
Total revenues	<u>150,748</u>	<u>690,478</u>	<u>60,646</u>	<u>901,872</u>
Expenditures:				
General government				
Current				
Personal services	322,766	—	—	322,766
Operating expenditures	38,428	—	26,493	64,921
Capital outlay	10,651	—	—	10,651
Court-related				
Current				
Personal services	23,365	521,596	—	544,961
Operating expenditures	286	34,337	16,040	50,663
Capital outlay	—	5,224	—	5,224
Total expenditures	<u>395,496</u>	<u>561,157</u>	<u>42,533</u>	<u>999,186</u>
Excess (deficit) of revenues over (Under) Expenditures	(244,748)	129,321	18,113	(97,314)
Other financing sources (uses)				
Transfers from Board of County Commissioners	306,803	—	—	306,803
Transfers to Board of County Commissioners	(62,055)	—	—	(62,055)
Reversion to State of Florida	—	(129,321)	—	(129,321)
Total other financing Sources (uses)	<u>244,748</u>	<u>(129,321)</u>	<u>—</u>	<u>115,427</u>
Net change in fund balances	—	—	18,113	18,113
Fund balances - beginning	—	—	149,515	149,515
Fund balance - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 167,628</u>	<u>\$ 167,628</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive</u>
				<u>(Negative)</u>
Revenues:				
Charges for services	\$ 97,500	\$ 97,500	\$ 100,390	\$ 2,890
Intergovernmental revenue	58,000	58,000	48,239	(9,761)
Interest income	400	400	2,119	1,719
Total revenues	<u>155,900</u>	<u>155,900</u>	<u>150,748</u>	<u>(5,152)</u>
Expenditures:				
General Government				
Current				
Personal services	340,418	340,418	322,766	17,652
Operating expenditures	58,035	58,035	38,428	19,607
Capital outlay	52,049	52,049	10,651	41,398
Court-related				
Current				
Personal services	26,918	26,918	23,365	3,553
Operating expenditures	3,286	3,286	286	3,000
Total expenditures	<u>480,706</u>	<u>480,706</u>	<u>395,496</u>	<u>85,210</u>
Excess (deficit) of revenues over (under) expenditures	<u>(324,806)</u>	<u>(324,806)</u>	<u>(244,748)</u>	<u>80,058</u>
Other financing				
sources (uses)				
Transfers from Board of County Commissioners	324,806	324,806	306,803	(18,003)
Transfers to Board of County Commissioners	<u>—</u>	<u>—</u>	<u>(62,055)</u>	<u>(62,055)</u>
Total other financing Sources (uses)	<u>324,806</u>	<u>324,806</u>	<u>244,748</u>	<u>(80,058)</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – FINE AND FORFEITURES TRUST FUND**

YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Intergovernmental revenue	\$ 636,814	\$ 636,814	\$ 690,420	\$ 53,606
Investment Income	—	—	58	58
Total revenues	<u>636,814</u>	<u>636,814</u>	<u>690,478</u>	<u>53,664</u>
Expenditures:				
Court-related				
Current				
Personal services	553,897	553,897	521,596	32,301
Operating expenditures	82,917	82,917	34,337	48,580
Capital outlay	—	—	5,224	(5,224)
Total expenditures	<u>636,814</u>	<u>636,814</u>	<u>561,157</u>	<u>75,657</u>
Excess (deficit) of revenues over (under) expenditures	—	—	129,321	129,321
Other financing sources (uses)				
Reversion to State of Florida	—	—	(129,321)	(129,321)
Net change in fund balances	—	—	(129,321)	(129,321)
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – MODERNIZATION TRUST FUND**

YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 54,500	\$ 54,500	\$ 60,427	\$ 5,927
Investment income	225	225	219	(6)
Total revenues	<u>54,725</u>	<u>54,725</u>	<u>60,646</u>	<u>5,921</u>
Expenditures:				
General government				
Current				
Operating expenditures	89,000	89,000	26,493	62,507
Court-related				
Current				
Operating expenditures	103,225	103,225	16,040	87,185
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>—</u>	<u>10,000</u>
Total expenditures	<u>202,225</u>	<u>202,225</u>	<u>42,533</u>	<u>159,692</u>
Excess (deficit) of revenues over (under) expenditures	<u>(147,500)</u>	<u>(147,500)</u>	<u>18,113</u>	<u>165,613</u>
Net change in fund balances	<u>(147,500)</u>	<u>(147,500)</u>	<u>18,113</u>	<u>165,613</u>
Fund balances - beginning	<u>149,515</u>	<u>149,515</u>	<u>149,515</u>	<u>—</u>
Fund balances - ending	<u>\$ 2,015</u>	<u>\$ 2,015</u>	<u>\$ 167,628</u>	<u>\$ 165,613</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS**

SEPTEMBER 30, 2013

ASSETS

Cash and Cash Equivalents \$ 436,659

Total Assets **\$ 436,659**

LIABILITIES

Due to individuals 372,870

Due to other funds 33,045

Due to Board of County Commissioners 8,312

Due to other governments 22,432

Total Liabilities **\$ 436,659**

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Clerk of the Circuit Court of Franklin County, Florida is an elected Constitutional Officer of Franklin County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Clerk is a separate constitutional officer as provided for by Chapter 218, Florida Statutes. The Clerk is considered to be a part of the primary government of Franklin County, Florida and the financial information is included in Franklin County's county-wide financial statements.

These special-purpose financial statements include only the balance and activity of the Clerk's office. They have been prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position or where applicable, cash flows, thereof, in conformity with accounting principles generally accepted in the United States of America.

The Clerk funds her operations as a fee officer and a budget officer pursuant to Florida Statutes, Chapters 28, 218 and 129. As a fee officer, the Clerk collects fees and commissions from the County and Circuit Court related matters. As a budget officer, the operations as Clerk to the Board are approved and funded by the Board of County Commissioners. The budgeted receipts from the Board are recorded as other financing sources on the Clerk's financial statements and as other financing uses on the Board's financial statements. Excesses of revenues and other financing sources received over expenditures are remitted to the Board at year-end.

The accounting policies of the Clerk conform to accounting principles generally accepted in the United States of America, as applicable to governments.

B. Basis of Presentation

Accounts are organized on the basis of fund types, each of which is considered to be 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 balance, revenues and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Clerk utilizes the following fund types:

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

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

Fine and Forfeitures Trust Fund – This fund accounts for funds collected and disbursed pursuant to statutes, administrative orders and ordinances.

Modernization Trust Fund – The modernization trust fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Fund Type

Agency Funds – The agency funds are used to account for assets held by the Clerk as an agent for individuals, private organizations, and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of changes in financial position.

C. Basis of Accounting

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

The accompanying financial statements have been prepared using the modified accrual basis of accounting for governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for principal and interest on long-term obligations which is recorded when due.

The Clerk considers receivable collected within 60 days after year end to be available and susceptible to accrual as revenues of the current year. Charges for services and interest earned are susceptible to accrual.

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

E. Budgetary Requirements

Expenditures, other than those for certain agency funds, are controlled by appropriations in accordance with the budget requirements set forth in Florida Statutes. Budgets are adopted for governmental and special revenue funds. Budgetary control is exercised at the fund level. Budgetary changes within the fund are made at the discretion of the Clerk. Appropriations lapse at the end of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying budgetary comparison statement reflect all approved amendments.

Florida Statutes Chapter 218.35 governs the preparation, adoption, and administration of the Clerk’s annual budget. The Clerk establishes an annual budget for the office which clearly reflects the revenues available to the office and the functions for which the money is to be expended.

The Clerk’s budget is prepared in three parts:

1. The budget relating to the requirements of the Clerk as the Ex Officio Clerk to the Board, County Auditor, County Recorder, and Custodian or Treasurer of all County funds and other county related duties, and for chapter 29 obligations;
2. The budget relating to the Florida court system, which is filed with the Clerk of Courts Operations Corporation (CCOC) by August 15 preceding the fiscal year of the budget, in the format required by the CCOC. Section 28.36, Florida Statutes, defines the maximum annual budget permitted; and
3. The budget for all other operations of the Clerk.

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The annual budgetary data reported for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States and represent the Clerk's adopted budget, the original appropriation ordinance, and budget amendments approved by the Clerk or as adopted by the Board.

Budget to actual comparisons are provided in the financial statements for the general fund, the fine and forfeitures trust fund, and modernization trust fund. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized amendments of the annual budget for the year. Budgets are prepared on the modified accrual basis of accounting.

F. Cash and Cash Equivalents

The Clerk considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

G. Investments

Investments are administered by the Florida State Board of Administration or consist of certificates of deposit when directed by court order. In accordance with the provisions of GASB Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments of the Clerk are reported at amortized cost, which approximates fair value.

H. Capital Assets

Tangible personal property is recorded as expenditures in the governmental fund types at the time an asset is acquired. Title to these assets vests with the Franklin County Board of County Commissioners, and therefore, the Franklin County Board of County Commissioners records the capitalization of the asset, and any related depreciation. The Clerk maintains custodial responsibility for the capital assets used by her office.

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

The Clerk maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from County service if certain criteria are met. These benefits, plus their related tax and retirement costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to a maximum amount. Payment of unused sick leave, upon termination, is also provided for up to varying amounts.

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements of Franklin County. No expenditure is reported in the government fund level statements for these amounts until payment is made. Compensated absences liability is based on current rates of pay.

J. Net Assets and Fund Equity

GASB Statement 54 – *Fund Balance Reporting and Governmental Funds Type Definitions* was implemented as of October 1, 2009. This Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Categories for fund balance are as follows: nonspendable, restricted, committed, assigned, and unassigned. For more information, see the County-wide note on fund balance.

K. Restricted Assets

Certain assets of the various funds are required by resolutions or ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

L. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from estimates.

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Subsequent Events

The County evaluated subsequent events through June 25, 2014, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

N. Excess Court-related Funds

Based on the legal opinion provided by Clerks of Court Operations Corporation general counsel fo the provisions of Section 28.37(3),F.S., which was adopted as policy by the CCOC Finance and Budget Committee, all excess court-related funds have been included in a fund liability, Due to Other Governments..

NOTE 2 - CASH AND INVESTMENTS

Cash Deposits

All Clerk depositories are banks designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes “Florida Security for Public Deposits Act” provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All Clerk cash consists of checking accounts and interest-bearing time deposits in a local bank.

Investments

The Clerk maintains investment accounts with the Local Government Surplus Trust Funds Trust Fund (LGSF) administered by the Florida State Board of Administration (SBA). The LGSF 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 an SEC Rule 2a-7 fund. The LGSF 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 the LGSF. Additionally, the Florida Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Investments with the SBA are not evidenced by securities that exist in physical or book entry form. The LGSF is not rated by statistical rating organizations.

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 2 - CASH AND INVESTMENTS (continued)

The Clerk held no investments at September 30, 2013.

Interest Rate Risk

At September 30, 2013, the Clerk did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2013 the Clerk did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2013 the Clerk did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2013 the Clerk did not hold any deposits or investments that were considered to be a credit risk.

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

A. Pension Plan

In accordance with Florida law, the Clerk of the Circuit Courts participates in the Florida Retirement System (FRS) administered by the State of Florida Department of Administration, Division of Retirement. Employees elect participation in either the defined benefit plan (“Pension Plan”), a multiple-employer cost-sharing defined benefit retirement plan, or the defined contribution plan (“Investment Plan”) under the FRS. The FRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 3 – EMPLOYEE BENEFITS (continued)

and beneficiaries of participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-1560 or calling 850-414-6347.

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. Prior to July 1, 2012, FRS provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. Effective July 1, 2012, FRS provides vesting of benefits after eight years of creditable service. Members are eligible for normal retirement after eight years of service and attaining the age of 65, or 33 years of service regardless of age. Early retirement may be taken any time after eight years of service; however, there is a 5% benefit reduction for each year prior to normal retirement.

For those employees who elect participation in the Investment Plan rather than the Pension Plan, vesting occurs after one year of service. These participants receive a contribution for self-direction in an investment product with a third party administrator selected by the State Board of Administration.

Generally, membership in FRS is compulsory for all full-time and part-time employees. Starting on July 1, 2011, employee contributions of 3% are required for all participants.

B. Funding Policy

The funding method and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers and employees pay contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	10/1/2012 through 6/30/2013	7/1/2013 through 9/30/2013
Regular employees	5.18%	6.95%
Senior management	6.30%	18.31%
Elected county officials	10.23%	33.03%
DROP program participants	5.44%	12.84%

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 3 – EMPLOYEE BENEFITS (continued)

For the year ended September 30, 2013, the total covered payroll for all employees was \$687,303 and the retirement contributions for all employees covered by the System for the years ended September 30, 2013, 2012 and 2011 were \$48,471, \$36,056 and \$72,211, respectively, which equaled the required contributions. Current year contributions represented 7% of covered payroll.

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

Long-term debt of the Clerk of the Circuit Court is reported as a component of the County’s government-wide financial statements as follows:

	<u>Balance</u> <u>09/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/13</u>
Accumulated compensated absences	\$ 62,185	\$ 4,822	\$ —	\$ 67,007

Accrued compensated absences represent the vested portion of accrued vacation, sick leave, and compensatory time. See note 1 for a summary of the Clerk of the Circuit Court’s policy regarding compensated absences.

NOTE 5 –RISK MANAGEMENT

The Clerk is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public; or damage to property of others. The Clerk participates in the risk management program through the Franklin County Board of County Commissioners, which uses commercial insurance and a public entity risk pool to cover certain risks from loss.

The Board obtained commercial insurance against losses for the following types of risk:

- Real and personal property damage
- Public employee’s bond
- Workers’ compensation
- General and automobile liability

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

NOTE 6 – ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year for those that expire at year end. The Clerk had no outstanding encumbrances at September 30, 2013.

COMBINING FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
 COMBINING STATEMENT OF FIDUCIARY
 ASSETS AND LIABILITIES
 AGENCY FUNDS**

SEPTEMBER 30, 2013

	<u>General Trust</u>	<u>Child Support</u>	<u>Registry of Court</u>	<u>Total Agency Funds</u>
Assets:				
Cash and cash equivalents	\$ 64,010	\$ 387	\$ 372,262	\$ 436,659
Total assets	<u>64,010</u>	<u>387</u>	<u>372,262</u>	<u>436,659</u>
Liabilities:				
Due to individuals	221	387	372,262	372,870
Due to other funds	33,045	—	—	33,045
Due to Board of County Commissioners	8,312	—	—	8,312
Due to other governments	<u>22,432</u>	<u>—</u>	<u>—</u>	<u>22,432</u>
Total Liabilities	<u>\$ 64,010</u>	<u>\$ 387</u>	<u>\$ 372,262</u>	<u>\$ 436,659</u>

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Marcia M. Johnson
Franklin County Clerk of the Circuit Court
Franklin County, Florida

We have audited the special-purpose financial statements of the Franklin County, Florida, Clerk of the Circuit Court as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 25, 2014.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 25, 2014, 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 governs 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 report.

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.

- Findings reported in two previous years include 13-01 and 13-02.

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 of the Circuit Court 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 findings and recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts, 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.

Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Clerk of the Circuit Court was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Clerk of the Circuit Court has no component units.

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.

Vance CPA LLC

Vance CPA LLC

June 25, 2014

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S 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

To the Honorable Marcia M. Johnson
Franklin County Clerk of the Circuit Court
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida, Clerk of the Circuit Court, (Clerk), as of and for the year ended September 30, 2013, and have issued our report thereon dated June 25, 2014, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. 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 County Clerk of the Circuit Court is responsible for establishing and maintaining effective 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 our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on 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 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 controls such that there is a reasonable possibility that a material misstatement of the Clerk'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 would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

13-01 (Prior year 12-01, 11-01, 10-01 and 09-01) Lack of segregation of duties – Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the County Clerk of the Circuit Court's office. We recommend that in the absence of the ability to hire additional employees, that mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties.

Management's response – Due to the limited number of employees, it is virtually impossible to maintain complete separation of accounting and administrative duties among employees. However, every effort is being made to accomplish effective internal procedures.

13-02 (Prior year 12-02, 11-02, 10-02 and 09-02) Inadequate design of internal control over the preparation of the financial statements being audited.

Management's response – Our Auditors assist us with the preparation of our financial statements. We do not feel that in the near future the benefits derived from investing in the resources necessary for us to prepare our own financial statements would outweigh the cost of those resources.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk of the Circuit Court'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*.

Response to Findings

The Clerk of the Circuit Court's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Clerk of the Circuit Court's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clerk of the Circuit Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC
June 25, 2014