

Franklin County, Florida  
Clerk of Circuit Court

Special-Purpose  
Financial Statements

September 30, 2011

Franklin County Clerk of Circuit Court  
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September 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Clerk of Circuit Court as of and for the year ended September 30, 2011, as listed in the table of contents. These special-purpose financial statements are the responsibility of Franklin County Clerk'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 significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of, accounting practices specified by the Rules of the State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. Additionally, the special-purpose financial statements present only the Clerk and are not intended to present fairly the financial position and changes in financial position of Franklin County, Florida, 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 the Clerk as of September 30, 2011, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2012 on our consideration of the Clerk's internal control over financial reporting and our tests of her 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Clerk, the Board of County Commissioners, management, 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.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
June 28, 2012

Franklin County Clerk of Circuit Court  
Special-Purpose Balance Sheet  
Governmental Funds  
September 30, 2011

	General Fund	Fine and Forfeitures Trust Fund	Modernization Trust Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 107,904	\$ 49,066	\$ 109,019	\$ 265,989
Due from other funds	7,798	18,427	3,784	30,009
Due from Board of County Commissioners	12,417	-	7,449	19,866
Due from other governmental units	7,076	-	-	7,076
<b>Total assets</b>	<b>\$ 135,195</b>	<b>\$ 67,493</b>	<b>\$ 120,252</b>	<b>\$ 322,940</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 18,543	\$ 16,684	\$ -	\$ 35,227
Due to other funds	115,027	1,230	-	116,257
Due to other governmental units	-	49,579	-	49,579
Due to Board of County Commissioners	1,625	-	-	1,625
<b>Total liabilities</b>	<b>135,195</b>	<b>67,493</b>	<b>-</b>	<b>202,688</b>
<b>Fund balances</b>				
Restricted	-	-	120,252	120,252
<b>Total liabilities and fund balances</b>	<b>\$ 135,195</b>	<b>\$ 67,493</b>	<b>\$ 120,252</b>	<b>\$ 322,940</b>

See accompanying notes

Franklin County Clerk of Circuit Court  
Special-Purpose Statement of Revenues,  
Expenditures, and Changes in Fund Balances - Governmental Funds  
Year Ended September 30, 2011

	General Fund	Fine and Forfeitures Trust Fund	Modernization Trust Fund	Total Governmental Funds
<b>Revenues</b>				
Charges for services	\$ 81,316	\$ -	\$ 47,661	\$ 128,977
Intergovernmental revenue	81,688	640,451	-	722,139
Investment income	634	-	561	1,195
<b>Total revenues</b>	<b>163,638</b>	<b>640,451</b>	<b>48,222</b>	<b>852,311</b>
<b>Expenditures</b>				
General government				
Current				
Personal services	318,858	-	-	318,858
Operating expenditures	59,455	-	1,475	60,930
Capital outlay	3,781	-	-	3,781
Court-related				
Current				
Personal services	24,590	515,109	-	539,699
Operating expenditures	384	32,092	48,638	81,114
Capital outlay	-	-	2,250	2,250
<b>Total expenditures</b>	<b>407,068</b>	<b>547,201</b>	<b>52,363</b>	<b>1,006,632</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(243,430)</b>	<b>93,250</b>	<b>(4,141)</b>	<b>(154,321)</b>
<b>Other financing sources (uses)</b>				
Transfers from Board of County Commissioners	356,386	-	-	356,386
Transfers to Board of County Commissioners	(112,956)	-	-	(112,956)
Reversion to State of Florida	-	(93,250)	-	(93,250)
<b>Total other financing sources (uses)</b>	<b>243,430</b>	<b>(93,250)</b>	<b>-</b>	<b>150,180</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>(4,141)</b>	<b>(4,141)</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>124,393</b>	<b>124,393</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 120,252</b>	<b>\$ 120,252</b>

See accompanying notes

Franklin County Clerk of Circuit Court  
Special-Purpose Statement of Revenues,  
Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
Year Ended September 30, 2011

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 67,900	\$ 67,900	\$ 81,316	\$ 13,416
Intergovernmental revenue	31,204	31,204	81,688	50,484
Investment income	500	500	634	134
<b>Total revenues</b>	<b>99,604</b>	<b>99,604</b>	<b>163,638</b>	<b>64,034</b>
<b>Expenditures</b>				
General government				
Current				
Personal services	373,755	373,755	318,858	54,897
Operating expenditures	84,950	84,950	59,455	25,495
Capital outlay	66,728	66,728	3,781	62,947
Court-related				
Current				
Personal services	28,104	28,104	24,590	3,514
Operating expenditures	3,100	3,100	384	2,716
<b>Total expenditures</b>	<b>556,637</b>	<b>556,637</b>	<b>407,068</b>	<b>149,569</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(457,033)</b>	<b>(457,033)</b>	<b>(243,430)</b>	<b>213,603</b>
<b>Other financing sources (uses)</b>				
Transfers from Board of County Commissioners	457,033	457,033	356,386	(100,647)
Transfers to Board of County Commissioners	-	-	(112,956)	(112,956)
<b>Total other financing sources (uses)</b>	<b>457,033</b>	<b>457,033</b>	<b>243,430</b>	<b>(213,603)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes

Franklin County Clerk of Circuit Court  
Special-Purpose Statement of Revenues,  
Expenditures, and Changes in Fund Balance  
Budget and Actual - Fine and Forfeitures Trust Fund  
Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenue	\$ 643,705	\$ 643,705	\$ 640,451	\$ (3,254)
Total revenues	643,705	643,705	640,451	(3,254)
<b>Expenditures</b>				
Court-related				
Current				
Personal services	572,896	572,896	515,109	57,787
Operating expenditures	70,809	70,809	32,092	38,717
Total expenditures	643,705	643,705	547,201	96,504
<b>Excess of revenues over expenditures</b>	-	-	93,250	93,250
<b>Other financing sources (uses)</b>				
Reversion to State of Florida	-	-	(93,250)	(93,250)
Total other financing sources (uses)	-	-	(93,250)	(93,250)
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning</b>	-	-	-	-
<b>Fund balance - ending</b>	\$ -	\$ -	\$ -	\$ -

See accompanying notes



Franklin County Clerk of Circuit Court  
Special-Purpose Statement of Revenues,  
Expenditures, and Changes in Fund Balance  
Budget and Actual - Modernization Trust Fund  
Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 42,800	\$ 42,800	\$ 47,661	\$ 4,861
Investment income	550	550	561	11
Total revenues	43,350	43,350	48,222	4,872
<b>Expenditures</b>				
General government				
Current				
Operating expenditures	9,400	9,400	1,475	7,925
Court-related				
Current				
Operating expenditures	90,000	90,000	48,638	41,362
Capital outlay	67,950	67,950	2,250	65,700
Total expenditures	167,350	167,350	52,363	114,987
<b>Excess (deficit) of revenues over (under) expenditures</b>	(124,000)	(124,000)	(4,141)	119,859
<b>Net change in fund balance</b>	(124,000)	(124,000)	(4,141)	119,859
<b>Fund balance - beginning</b>	124,393	124,393	124,393	-
<b>Fund balance - ending</b>	\$ 393	\$ 393	\$ 120,252	\$ 119,859

See accompanying notes

Franklin County Clerk of Circuit Court  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2011

**Assets**

Cash and cash equivalents	\$	126,062
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Total assets	\$	126,062
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**Liabilities**

Due to individuals	\$	11,287
Due to other governments		114,775
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Total liabilities	\$	126,062
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See accompanying notes

Franklin County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The Clerk of 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 her financial information is included in Franklin County's county wide financial statements.

These special-purpose financial statements include only the balances 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 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.

***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:

***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.

Notes to Special-Purpose Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 and do not involve measurement of changes in financial position.

***Basis of Accounting***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements and refers 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 receivables 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.

***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.

***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.

Notes to Special-Purpose Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Clerk prepares her budget 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.

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.

**Cash and Cash Equivalents**

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

**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.

**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

Notes to Special-Purpose Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

***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.

***Fund balances***

The Clerk of Court has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

**Nonspendable** – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2011.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2011 of \$120,252 is restricted for the specific purposes of the modernization trust fund.

**Committed** – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the County Commissioners. There are no committed funds as of September 30, 2011.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There are no assigned funds as of September 30, 2011.

**Unassigned** – This category is the residual classification for the Clerk's fund balances. There are no unassigned funds as of September 30, 2011.

Notes to Special-Purpose Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***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 significantly from those estimates.

***Subsequent Events***

Management evaluates subsequent events for possible inclusion in the financial statement disclosures through the issuance date of the financial statements.

**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.

The Clerk held no investments at September 30, 2011.

Franklin County Clerk of Circuit Court  
Notes to Special-Purpose Financial Statements

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

***Interest Rate Risk***

At September 30, 2011, the Clerk did not hold any investments that were considered to be an interest rate risk.

***Credit Risk***

At September 30, 2011, the Clerk did not hold any investments that were considered to be a credit risk.

***Custodial Risk***

At September 30, 2011, the Clerk did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

At September 30, 2011, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

**NOTE 3 – EMPLOYEE BENEFITS**

***Retirement Plan***

**Pension Plan**

In accordance with Florida law, the Clerk 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 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, 2011, 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, 2011, 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



Franklin County Clerk of Circuit Court

Notes to Special-Purpose Financial Statements

**NOTE 3 – EMPLOYEE BENEFITS (CONTINUED)**

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.

**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:

	<b>October 1, 2010 Through June 30, 2011</b>	<b>July 1, 2011 Through September 30, 2011</b>
Regular employees	10.77%	4.91%
Senior management	14.57%	6.27%
Elected county officials	18.64%	11.14%
DROP plan participants	12.25%	4.42%

For the year ended September 30, 2011, the total covered payroll for all employees was \$669,130 and the retirement contributions for all employees covered by the System for the years ended September 30, 2011, 2010 and 2009 were \$72,211, \$81,586 and \$78,053, respectively, which equaled the required contributions. Current year contributions represented 11% of covered payroll.

**NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS**

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

	<b>Balance September 30, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2011</b>
Accumulated compensated absences	\$ 52,493	\$ 2,137	\$ -	\$ 54,630

Notes to Special-Purpose Financial Statements

**NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)**

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 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 employees' bond
- Workers' compensation
- Automobile liability

**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, 2011.

## Combining Financial Statements

Franklin County Clerk of Circuit Court  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2011

	General Trust	Child Support	Registry of Court	Total Agency Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 114,966	\$ 359	\$ 10,737	\$ 126,062
<b>Total assets</b>	<b>\$ 114,966</b>	<b>\$ 359</b>	<b>\$ 10,737</b>	<b>\$ 126,062</b>
<b>Liabilities</b>				
Due to individuals	\$ 191	\$ 359	\$ 10,737	\$ 11,287
Due to other governments	114,775	-	-	114,775
<b>Total liabilities</b>	<b>\$ 114,966</b>	<b>\$ 359</b>	<b>\$ 10,737</b>	<b>\$ 126,062</b>

## Compliance Section

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the special-purpose financial statements of the Franklin County, Florida, Clerk of Circuit Court as of and for the year ended September 30, 2011, and have issued our report thereon dated June 28, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 28, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This 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. Corrective actions have been taken to the extent considered necessary, other than for those comments repeated in the 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*.

- Findings reported the two previous years include 11-01 and 11-02.

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 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.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, 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 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 controls 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 the management letter, unless disclosed in the notes to the financial statements. The Clerk was established by the Constitution of the State of Florida, Article VIII, Section 1(d). 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 Section 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk complied with such requirements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the Clerk, the Board of County Commissioners, management, the Florida Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

June 28, 2012

**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**

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

We have audited the special-purpose financial statements of the Franklin County, Florida, Clerk of Circuit Court as of and for the year ended September 30, 2011, and have issued our report thereon dated June 28, 2012. 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. Our report on the financial statements included a paragraph explaining that the Clerk of Circuit Court is an integral part of Franklin County, Florida, the primary government for financial reporting purposes.

Internal Control Over Financial Reporting

Management of the Clerk of 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We have identified the following significant deficiencies in internal control which are also considered to be material weaknesses.

11-01 (Prior years 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 Clerk'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 incompatible 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 more effective internal procedures.

11-02 (Prior years 10-03 and 09-03) Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

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 in the resources necessary for us to prepare our own financial statements outweighs the cost of those resources.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Clerk's responses to the findings identified in our audit are included above. We did not audit the Clerk's responses and, accordingly, we express no opinion on them.

#### 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, the Board of County Commissioners, management, the State of Florida Office of the Auditor General, and certain federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

June 28, 2012