

SPECIAL-PURPOSE FINANCIAL STATEMENTS
Lake County, Florida, Clerk of the Circuit Court
Year Ended September 30, 2005
with Report of Independent Certified Public Accountants

Lake County, Florida,
Clerk of the Circuit Court

Special-Purpose Financial Statements

Year Ended September 30, 2005

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Report of Independent Certified Public Accountants

The Honorable James C. Watkins
Clerk of the Circuit Court
Lake County, Florida

We have audited the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Lake County, Florida, Clerk of the Circuit Court (the Clerk) as of and for the year ended September 30, 2005, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of the Clerk. Our responsibility is to express opinions 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 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. We were not engaged to perform an audit of the Clerk's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements, 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 opinions.

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 Auditor General, State of Florida, and are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Additionally, the special-purpose statements present only the Clerk and are not intended to present fairly the financial position and changes in financial position of Lake County, Florida, in conformity with accounting principles generally accepted in the United States.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the Lake County, Florida, Clerk as of September 30, 2005, the respective changes in financial position, cash flows and budgetary comparison, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2005, 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, 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 and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



November 16, 2005

Special-Purpose Financial Statements

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Balance Sheet –
Governmental Funds

September 30, 2005

	Major Funds			Total Governmental Funds
	General	Courts	Public Records Modernization Trust	
Assets				
Cash	\$ 2,755	\$ 2,110	\$ –	\$ 4,865
Pooled cash and investments	2,110,403	1,400,773	1,297,328	4,808,504
Accounts receivable	3,135	–	–	3,135
Due from other county units	23,745	–	–	23,745
Due from other governments	17,489	62,833	–	80,322
Total assets	\$ 2,157,527	\$ 1,465,716	\$ 1,297,328	\$ 4,920,571
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 361,986	\$ 3,372	\$ 29,456	\$ 394,814
Accrued liabilities	283,238	–	–	283,238
Due to other county units	1,352,496	6,093	397	1,358,986
Due to other governments	76,968	–	–	76,968
Due to State Department of Revenue	–	1,456,251	–	1,456,251
Deposits	10,410	–	–	10,410
Deferred revenue	72,429	–	–	72,429
Total liabilities	2,157,527	1,465,716	29,853	3,653,096
Fund balances:				
Reserved for encumbrances	–	–	221,648	221,648
Unreserved	–	–	1,045,827	1,045,827
Total fund balances	–	–	1,267,475	1,267,475
Total liabilities and fund balances	\$ 2,157,527	\$ 1,465,716	\$ 1,297,328	\$ 4,920,571

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balances –
Governmental Funds

Year Ended September 30, 2005

	Major Funds			Total Governmental Funds
	General	Courts	Public Records Modernization Trust	
Revenues:				
Intergovernmental	\$ –	\$ 1,354,747	\$ –	\$ 1,354,747
Charges for services	4,184,958	2,220,781	1,619,495	8,025,234
Fines and forfeitures	–	2,925,568	–	2,925,568
Investment income	70,814	17,405	21,677	109,896
Miscellaneous	6,922	–	–	6,922
Total revenues	<u>4,262,694</u>	<u>6,518,501</u>	<u>1,641,172</u>	<u>12,422,367</u>
Expenditures:				
Current:				
Personal services	3,999,052	4,797,061	562,403	9,358,516
Operating	1,178,679	257,115	433,074	1,868,868
Capital outlay	170,158	8,074	145,888	324,120
Total expenditures	<u>5,347,889</u>	<u>5,062,250</u>	<u>1,141,365</u>	<u>11,551,504</u>
Excess of revenues over (under) expenditures	(1,085,195)	1,456,251	499,807	870,863
Other financing sources (uses):				
Transfers in	3,067,175	–	–	3,067,175
Excess revenues due to the State Department of Revenue	–	(1,456,251)	–	(1,456,251)
Transfers out	(1,981,980)	–	–	(1,981,980)
Total other financing sources (uses)	<u>1,085,195</u>	<u>(1,456,251)</u>	<u>–</u>	<u>(371,056)</u>
Net change in fund balances	–	–	499,807	499,807
Fund balances, beginning of year	–	–	767,668	767,668
Fund balances, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1,267,475</u>	<u>\$ 1,267,475</u>

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund

Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 2,790,294	\$ 3,015,294	\$ 4,184,958	\$ 1,169,664
Investment income	8,000	8,000	70,814	62,814
Miscellaneous	12,000	12,000	6,922	(5,078)
Total revenues	<u>2,810,294</u>	<u>3,035,294</u>	<u>4,262,694</u>	<u>1,227,400</u>
Expenditures:				
Current:				
Personal services	4,197,165	4,123,328	3,999,052	124,276
Operating	774,593	1,286,676	1,178,679	107,997
Capital outlay	404,068	190,822	170,158	20,664
Total expenditures	<u>5,375,826</u>	<u>5,600,826</u>	<u>5,347,889</u>	<u>252,937</u>
Excess of revenues under expenditures before other financing sources (uses)	(2,565,532)	(2,565,532)	(1,085,195)	1,480,337
Other financing sources (uses):				
Transfers in	3,067,175	3,067,175	3,067,175	–
Transfers out	(501,643)	(501,643)	(1,981,980)	(1,480,337)
Total other financing sources (uses)	<u>2,565,532</u>	<u>2,565,532</u>	<u>1,085,195</u>	<u>(1,480,337)</u>
Net change in fund balance	–	–	–	–
Fund balance, beginning of year	–	–	–	–
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance –
Budget and Actual – Major Special Revenue Fund –
Courts Fund

Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,311,994	\$ 1,311,994	\$ 1,354,747	\$ 42,753
Charges for services	2,614,800	2,314,800	2,220,781	(94,019)
Fines and forfeitures	1,495,000	1,795,000	2,925,568	1,130,568
Investment income	–	–	17,405	17,405
Total revenues	<u>5,421,794</u>	<u>5,421,794</u>	<u>6,518,501</u>	<u>1,096,707</u>
Expenditures:				
Current:				
Personal services	4,999,013	5,015,013	4,797,061	217,952
Operating	399,722	387,648	257,115	130,533
Capital outlay	12,000	8,074	8,074	–
Total expenditures	<u>5,410,735</u>	<u>5,410,735</u>	<u>5,062,250</u>	<u>348,485</u>
Excess of revenues over expenditures before other financing sources (uses)	11,059	11,059	1,456,251	1,445,192
Other financing sources (uses):				
Excess revenues due to the State Department of Revenue	–	–	(1,456,251)	(1,456,251)
General contingency	(11,059)	(11,059)	–	11,059
Total other financing sources (uses)	<u>(11,059)</u>	<u>(11,059)</u>	<u>(1,456,251)</u>	<u>(1,445,192)</u>
Net change in fund balance	–	–	–	–
Fund balance, beginning of year	–	–	–	–
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance –
Budget and Actual – Major Special Revenue Fund –
Public Records Modernization Trust Fund

Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,135,600	\$ 1,135,600	\$ 1,619,495	\$ 483,895
Investment income	2,000	2,000	21,677	19,677
Total revenues	1,137,600	1,137,600	1,641,172	503,572
Expenditures:				
Current:				
Personal Services	602,578	586,654	562,403	24,251
Operating	518,589	786,687	433,074	353,613
Capital outlay	392,428	531,927	145,888	386,039
Total expenditures	1,513,595	1,905,268	1,141,365	763,903
Net change in fund balance	(375,995)	(767,668)	499,807	1,267,475
Fund balance, beginning of year	375,995	767,668	767,668	–
Fund balance, end of year	\$ –	\$ –	\$ 1,267,475	\$ 1,267,475

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Net Assets –
Proprietary Fund Type – Internal Service Fund

September 30, 2005

Assets

Pooled cash and investments	\$ 832,731
Other investments	2,109,697
Prepaid assets	<u>9,041</u>
Total current assets	<u>2,951,469</u>

Liabilities and net assets

Claims payable	<u>306,883</u>
Total current liabilities	<u>306,883</u>

Total net assets—unrestricted \$ 2,644,586

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Revenues,
Expenses and Changes in Net Assets –
Proprietary Fund Type – Internal Service Fund

September 30, 2005

Operating revenues:	
Insurance contributions	\$ 1,261,360
Total operating revenues	<u>1,261,360</u>
Operating expenses:	
Administrative costs	394,249
Benefit payments and claims	1,432,197
Total operating expenses	<u>1,826,446</u>
Operating loss	(565,086)
Nonoperating revenues – interest income	<u>64,245</u>
Loss before transfers	(500,841)
Transfers in from General Fund	<u>762,941</u>
Change in net assets	262,100
Net assets at beginning of year	<u>2,382,486</u>
Net assets at end of year	<u><u>\$ 2,644,586</u></u>

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Cash Flows –
Proprietary Fund Type – Internal Service Fund

September 30, 2005

Operating activities

Cash received for insurance contributions	\$ 1,261,363
Cash paid to suppliers and for claims	<u>(1,829,261)</u>
Net cash used in operating activities	(567,898)

Noncapital financing activities

Transfer in from General Fund	<u>762,941</u>
Net cash provided by noncapital financing activities	<u>762,941</u>

Investing activities

Interest received	<u>64,245</u>
Net cash provided by investing activities	<u>64,245</u>

Net change in cash and cash equivalents	259,288
Cash and cash equivalents, beginning of year	<u>2,683,140</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,942,428</u></u>

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (565,086)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in prepaid assets	3
Decrease in accounts payable	(149)
Decrease in claims payable	<u>(2,666)</u>
Net cash used in operating activities	<u><u>\$ (567,898)</u></u>

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

Lake County, Florida
Clerk of the Circuit Court

Special-Purpose Statement of Fiduciary Assets and Liabilities –
Agency Funds

September 30, 2005

Assets

Cash and investments	\$ 4,852,819
Accounts receivable	<u>2,508</u>
Total assets	<u><u>\$ 4,855,327</u></u>

Liabilities

Accounts payable	\$ 31,693
Due to other county units	159,036
Due to other governments	1,462,341
Deposits	3,003,809
Cash bonds payable	<u>198,448</u>
Total liabilities	<u><u>\$ 4,855,327</u></u>

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

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying special-purpose financial statements.

Reporting Entity – The Lake County, Florida, Clerk of the Circuit Court (the Clerk) is a separately elected constitutional officer as provided by Article VIII, Section 1(d), Florida Constitution, and for financial reporting purposes by Chapter 218, Florida Statutes. In addition, for financial reporting purposes, the Clerk is deemed to be a part of the primary government of Lake County, Florida (the County), and is, therefore, included as such in the Lake County, Florida, Comprehensive Annual Financial Report.

The Lake County Board of County Commissioners (the Board) funds a major portion or, in certain instances, all of the operating budgets of the County's Constitutional Officers. The payments by the Board to fund the operations of the Constitutional Officers are recorded as transfers out on the financial statements of the Board and as transfers in on the financial statements of the Constitutional Officers. Repayments to the Board are recorded as transfers out on the financial statements of the Constitutional Officers and as transfers in on the financial statements of the Board.

Effective July 1, 2004, Senate Bill 2962 implemented the provisions of Revision 7 of the Constitution of the State of Florida (Article V). This revision was previously approved by voter referendum in November 1998. The Article V modification altered the funding for all county and circuit courts by increasing fees and service charges, transferring County fine and forfeiture revenues to the Clerk's office; and transferring any remaining cost of these courts from the Board of County Commissioners to the State. Furthermore, the State has deemed that each court must operate on a break-even basis; thus, from July 1, 2004 and forward, each court must generate the required funding from fines, fees, and forfeitures equal to the related court expenditures. Any deficiency incurred by the Clerks will be funded by a trust fund established by the State. The cumulative excess of all court fees, service charges, court costs and fines at year-end must be returned to the State in accordance with Section 28.37(4), Florida Statutes. At September 30, 2005, the Clerk's excess revenues over expenditures for the courts fund amounted to \$1,456,251, which is recorded as a liability for excess revenues due to the State.

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – These special-purpose financial statements are fund financial statements that have been prepared in conformity with reporting guidelines established by GASB and accounting practices prescribed by the Rules of the Auditor General, State of Florida. The basic financial statements for the County as a whole, which include the funds of the Clerk, were prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Clerk uses the following funds:

Governmental Funds:

General Fund – The General Fund is a governmental fund and is used to account for all revenue 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 to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes in accordance with the provisions of GASB 34.

Special Revenue Fund: Courts Fund – The Courts Fund is a governmental fund and is used to account for all revenue and expenditures related to the performance of court-related functions, pursuant to Section 28.37, Florida Statutes. The Courts Fund is considered a major fund for financial reporting purposes in accordance with the provisions of GASB 34.

Special Revenue Fund: Public Records Modernization Trust Fund – The Public Records Modernization Trust Fund is a governmental fund and is used to account for all revenue and expenditures related to the modernization of the public records system pursuant to Section 28.24, Florida Statutes. The Public Records Modernization Trust Fund is considered a major fund for financial reporting purposes in accordance with the provisions of GASB 34.

Internal Service Fund:

Insurance Fund – The insurance fund is used to account for the revenues and expenses of the Employee Group Health Insurance Program for the Clerk.

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Fiduciary Funds:

Agency Funds – The agency funds are used to account for funds held by the Clerk as a trustee and such nonbudgeted receipts as court-ordered fines and costs, tax deeds proceeds, juror and witness fees, alimony and child support payments, and other deposits and unidentified monies. These funds are held by the Clerk until remitted to other entities, governmental units, or individuals.

Basis of Accounting and Measurement Focus – Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special-purpose financial statements. Basis of accounting refers to the timing of the measurements made regardless of the measurement focus applied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Primary revenues consisting of charges for services, intergovernmental, investment income, and transfers in are treated as susceptible to accrual under the modified basis of accounting. Expenditures are recorded when the liability is incurred except for accumulated sick and vacation pay for nonterminating employees, which are not recorded until paid. The Clerk considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year.

The Internal Service fund is reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses consist of contributions for insurance purposes and the payments for claims and related expenses. Nonoperating revenue consists of investment income. The Internal Service Fund does not apply all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989.

Agency Funds are custodial in nature in that assets are equally offset by liabilities to other entities, governmental units, or individuals. The accrual basis of accounting is used for recognizing assets and liabilities for these funds.

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents – For purposes of the Statement of Cash Flows for the Insurance Fund, pooled cash and investments and other investments, which consist of cash in the State Board of Administration (SBA) cash management pool (described below), are treated as cash equivalents.

Budgetary Process – The Clerk follows the procedures noted below in establishing the budgetary data reflected in the special-purpose financial statements, excluding the court fund:

1. Section 218.35, Florida Statutes, requires the Clerk, as a fee officer, to establish an annual budget reflecting resources available and functions for which funds are to be expended.
2. The proposed budget is filed with the Board by June 1 preceding the fiscal year of the budget.
3. The Clerk's fee office budget can be amended as necessary during the year. Over expenditure of appropriations is not a violation of state or local laws.
4. Formal budgetary integration is employed as a management control device during the year for the Clerk's General, Special Revenue and Internal Service funds. Appropriations for the General Fund lapse at the close of the fiscal year. Any excess of revenues over expenditures in the Clerk's General Fund is required to be remitted to the General Fund of the Board within 31 days of the close of the fiscal year in accordance with Section 218.36 of the Florida Statutes.
5. The budgets for the Clerk's General, Special Revenue and Internal Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States.

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Clerk follows the procedures noted below in establishing the budgetary data reflected in the special-purpose financial statements for the court fund:

1. Prepare the budget in accordance with instructions distributed by the Florida Clerk of Court Operations Corporation (CCOC).
2. Submit the budget in the required format and forms along with a Budget Program Expenditure Certification signed by the Clerk to the CCOC on or before August 1, 2005.
3. Obtain certification of the annual court budget by the CCOC.

Investments – The Clerk follows the policy of investing surplus funds as authorized by Sections 219.075 and 218.415 of the Florida Statutes. Pooled cash and investments are stated at fair value.

Capital Assets – The tangible personal property used by the Clerk is reported as capital assets in the statement of net assets as part of the basic financial statements of the County. Upon acquisition, such assets are recorded as expenditures of the Clerk and capitalized at cost in the capital asset accounts of the County. The Clerk maintains custodial responsibility for the capital assets used by its office.

Accrued Liabilities – Accrued liabilities consist primarily of wages payable, including related taxes and employee benefits.

Compensated Absences – The Clerk’s policy is to grant all full-time permanent employees annual and sick leave based on length of employment. Annual leave can be accumulated; however, it is limited to 300 hours. Upon termination of employment, the employee can receive a cash benefit, based on the employee’s current wage rate and the annual leave not taken. Sick leave is accumulated at the rate of seven and one-half hours for each full calendar month of continuous employment. The Clerk’s policy permits the payment of accrued sick pay upon termination, retirement, or death, based on the length of employment, into the Clerk’s post employment health plan (see Note 5). The maximum payment will not exceed 1,440 hours (75% of 1,920 accumulated sick hours).

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Clerk records accumulated leave and the related fringe benefits at each year-end based on each employee's accumulated unused hours and rate of pay. Generally, employees use their compensated absences as earned. The amount expected to be paid to terminated employees in the next year is recorded as an accrued liability and the remaining balance is recorded as a long-term liability in the statement of net assets as part of the basic financial statements of the County.

2. Pooled Cash and Investments

The Clerk maintains a cash and investment pool that is available for use by all funds. Interest earned from investments with pooled cash is allocated to the General Fund, Special Revenue Funds, Internal Service Fund and certain Agency funds based on the fund's daily average equity balance.

Bank Deposits

At September 30, 2005, the Clerk's deposits were entirely covered by federal depository insurance, by collateral held by a qualified public depository, or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by a participating financial institution, all participating institutions are obligated to reimburse the governmental entity for the loss.

Investments

The Clerk is a member of the Local Government Surplus Funds Trust Fund that is administered by the State Board of Administration of Florida (SBA). Investments in the SBA pool, a 2a7-like pool, are carried at amortized cost, which approximates fair value. A 2a7-like pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, this pool operates essentially as a money market fund.

Excess self-insurance funds are transferred to the state investment pool that is administered by the SBA. The investment balance of \$2,109,697 is stated at amortized cost, which approximates fair value.

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

3. Accumulated Compensated Absences

The long-term portion of compensated absences is recorded and reported by the County in its basic financial statements.

The following is a summary of changes in the long-term compensated absences liability during fiscal year 2005:

Compensated absences, September 30, 2004	\$1,036,838
Additions	735,142
Payments	<u>(649,196)</u>
Compensated absences, September 30, 2005	<u>\$1,122,784</u>

4. Retirement Plan

Substantially all full-time Clerk employees are participants in the Florida Retirement System (the System), a multiple employer, cost sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida Department of Administration, Division of Retirement, covers approximately 874,000 full-time employees of various governmental units within the state of Florida. The System offers a choice between a defined benefit plan (Pension Plan) and a defined contribution plan (Investment Plan).

The Pension Plan provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years' service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based on age, average compensation and years of service credit where average compensation is computed as the average of an individual's five highest years of earnings. A post-employment health insurance subsidy is also provided to eligible retired employees through the System in accordance with Florida Statutes. Employees are not required to contribute to this retirement system.

The Investment Plan provides for vesting after one year of creditable service. Under this plan, the employer makes contributions to a participant's account and the participant directs where the contributions are invested among the plan's investment funds. Upon termination, vested participants receive amounts accumulated in their investment accounts.

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

4. Retirement Plan (continued)

Participating employer contributions are based on statewide rates established by the state of Florida. These rates are applied to employee salaries as follows: regular employees, 7.83% and 7.39%; senior management, 10.45% and 9.37%; elected officials, 15.23% and 15.23%; and deferred retirement option program, 9.33% and 9.11% from July 1, to September 30, 2005 and from October 1, 2004 to June 30, 2005, respectively. The Clerk's contributions to the plan for the years ended September 30, 2005, 2004, and 2003 were \$545,048, \$504,376, and \$393,076, respectively, and are equal to the actuarially determined contribution requirements for each year. There are no employee contributions to the plan.

The Clerk has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560, or by calling 850-488-5541.

5. Post-Employment Health Plan

In addition to the retirement plan described in Note 4, the Clerk provides post-employment health care benefits under a plan established through Nationwide Retirement Solutions, Inc. (Nationwide). The Clerk contributes 1% of annual salary for all employees with more than one year of service to a trust administered by Nationwide. In addition, 25% of accrued sick pay for employees with less than ten years of service and 75% for employees with ten years or more of service, are paid into the trust upon termination, retirement or death. The maximum contribution is limited to 1,440 hours (75% of 1,920 accumulated sick hours). Contributions are invested according to instructions given by the employee and earnings accumulate tax exempt under section 501(c)(9) of the Internal Revenue Code. Upon separation from service, the account may be used to reimburse any qualified health insurance premiums paid by the employee.

6. Risk Management

The Clerk maintains a self-insured health program. The Clerk established an Insurance Fund (an Internal Service Fund) to account for its uninsured risks of loss. Specific stop loss reinsurance has been obtained for all medical claims exceeding \$50,000 per individual per year. During 2005, \$136,400 was received as a result of this coverage. This amount was used to reduce claims expense.

Lake County, Florida,
Clerk of the Circuit Court

Notes to Special-Purpose Financial Statements (continued)

6. Risk Management (continued)

The General Fund of the Clerk makes payments to the Insurance Fund based on actuarial estimates as well as historical data for the amounts needed to pay prior and current year claims. The latest actuarial estimate, based on industry standards, relates to the fiscal year ended September 30, 2005.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the reported liability resulted from the following:

	Liability Balance Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Liability Balance End of Year
Fiscal 03-04 Health	\$ 277,997	\$ 1,147,772	\$(1,116,219)	\$ 309,549
Fiscal 04-05 Health	\$ 309,549	\$ 1,432,197	\$(1,434,863)	\$ 306,883

All other coverages continue to be insured through commercial carriers and settlements have not exceeded coverage in the last three fiscal years.

Other Reports

Report of Independent Certified Public Accountants 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*

The Honorable James C. Watkins
Clerk of the Circuit Court
Lake County, Florida

We have audited the special-purpose financial statements of the Lake County, Florida, Clerk of the Circuit Court (the Clerk) as of and for the year ended September 30, 2005, and have issued our report thereon dated November 16, 2005, in order to show compliance with the requirements of the Rules of the Auditor General, State of Florida. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk'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 special-purpose 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 and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

November 16, 2005

Management Letter

The Honorable James C. Watkins
Clerk of the Circuit Court
Lake County, Florida

We have audited the accompanying special purpose financial statements of the Clerk of the Circuit Court of Lake County, Florida (the Clerk) as of and for the year ended September 30, 2005, and have issued our report thereon dated November 16, 2005.

We have issued our Report of Independent Certified Public Accountants 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*, dated November 16, 2005.

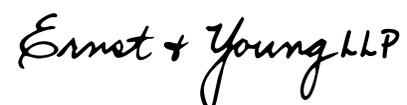
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

We noted no internal control or compliance matters that required disclosure during the current year's audit. Prior year recommendations have been implemented. The following is a required disclosure:

We noted no instances of noncompliance with Section 218.415, Florida Statutes, related to the investment of public funds.

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

We wish to thank the Clerk and his staff for the courtesy and cooperation shown during the audit. We look forward to a continued, good relationship.



November 16, 2005