

**Florida Courts E-Filing Authority
Tallahassee, Florida**



**Financial Statements
June 30, 2011**

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LANIGAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Courts E-Filing Authority
Tallahassee, Florida

We have audited the accompanying financial statements of the Florida Courts E-Filing Authority (the Authority), as of and for the ten months ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the Florida Courts E-Filing Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, presents fairly in all material respects, the financial position of the Florida Courts E-Filing Authority as of June 30, 2011, and the changes in its financial position and its cash flows, for the ten months 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 our report dated October 27, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lanigan + Associates, P. C.

October 27, 2011
Tallahassee, Florida

Florida Courts E-Filing Authority

Management's Discussion and Analysis

As management of the Florida Courts E-Filing Authority (the "Authority"), we offer users of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the ten months ended June 30, 2011.

Overview of the Authority

The Authority is an independent special district created pursuant to an Interlocal Agreement, dated September 3, 2010, between the various Clerks of Circuit Courts of the State of Florida and the Clerk of the Florida Supreme Court, as the designee of the Chief Justice of the Florida Supreme Court, in accordance with provisions of Chapter 163, Florida Statutes.

The Florida Courts E-Filing Authority contracted with the Florida Association of Court Clerks (the "Association") to design, develop, implement, operate, upgrade, support and maintain a uniform statewide electronic portal for the filing of court records. The portal will provide attorneys and pro se litigants with a common entry point for filing and transmitting court records electronically. In addition, the portal will provide these same persons, and other authorized persons, the ability to view court records electronically. The features of the portal will include the following:

- A single statewide log-in
- A single internet access point to court records by authorized users
- Transmission to and from the appropriate courts
- The ability to provide electronic service of notification receipt of electronic filing and confirmation of filing in the appropriate court file
- Open standards-based integration ability with existing statewide information systems and county e-filing applications
- Compliance with the Electronic Court Filing Standard 4.0, the Global Justice Extensible Markup Language and Oasis Legal Markup Language

This is the Authority's first year of operations; as a result, only ten months of financial information is presented and discussed.

Financial Highlights

- The Authority's assets exceed its liabilities as of June 30, 2011 by \$22,954. This amount represents unrestricted net assets that are available to meet ongoing obligations.
- During the ten months ended June 30, 2011, the Authority received \$60,000 in contributions. The Florida Bar, the Florida Supreme Court and the Florida Association of Court Clerks each contributed \$20,000.
- The Authority experienced minimal portal activity for the ten months ended June 30, 2011, resulting in total service fees of \$758.
- The Authority incurred operating expenses of \$37,836 for the ten months ended June 30, 2011.

- The Association designed and developed the Florida Courts E-Filing portal at a cost of \$1,477,971. On September 23, 2010, subsequent to completion, the portal was donated by the Association to the Authority.
- For the ten months ended June 30, 2011, the Association operated and maintained the portal on behalf of the Authority as a cost of \$728,915.

Required Financial Statements

The Authority follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. This reporting follows accounting methods similar to those used by private-sector companies. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The *Statement of Net Assets* includes all of the Authority's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). Additionally, it also provides the basis for assessing the liquidity and the financial flexibility of the Authority.

Over time, significant changes in the Authority's net assets serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any entity, the user must also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Authority's operations over the reporting period and can be used to determine whether the Authority has successfully recovered all its costs through user fees and other charges.

The other required statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. Answers to questions regarding the sources of cash, the use of cash and changes in cash balances during the reporting period may be found in this report.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority as a Whole

The *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Net Assets* report information about the Authority's activities in a way that will reflect whether the Authority is improving or deteriorating as a result of the year's activities. The two statements report the net assets of the Authority and the changes in them.

Net assets are the difference between assets (what is owned) and liabilities (what is owed).

A comparison of the Authority's assets, liabilities, and net assets is as follows:

Statement of Net Assets

	<u>2011</u>
Assets:	
Non-Capital Assets	<u>\$ 45,721</u>
Liabilities:	
Current Liabilities	<u>22,767</u>
Net Assets:	
Unrestricted	<u>\$ 22,954</u>

As of June 30, 2011, the vast majority of the Authority's assets were \$44,983 in cash, representing 98.2% of total assets. Liabilities represent accrued expenses and accounts payable at year end. The Authority did not have any long-term obligations with creditors.

Changes in Net Assets

	<u>2011</u>
Revenues:	
Service Fees	\$ 758
Contributions	60,000
Interest	32
Total Revenue	<u>60,790</u>
Operating Expenses	<u>37,836</u>
Changes in Net Assets	<u>22,954</u>
Net Assets at Beginning of Period	<u>-</u>
Net Assets at End of Period	<u>\$ 22,954</u>

For the ten months ended June 30, 2011, the Authority's total revenue exceeded its operating expenses by \$22,954.

Current Economic Factors and Assessment of Growth

As of June 30, 2011, there were 16 counties filing through the statewide portal with the remaining counties actively working to connect to the portal. The Authority is also working with members of the Florida Bar and the Clerks of Circuit Courts to educate the filers and assist the Clerks in continuing the development of the electronic acceptance of court documents into local maintenance systems.

Management is not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Florida Courts E-Filing Authority's accountability for the money it receives. Questions concerning any of the information provided in the report, or request for additional information, should be addressed to the Florida Courts E-Filing Authority P.O. Box 180519, Tallahassee, Florida 32318.

FLORIDA COURTS E-FILING AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>2011</u>
Assets	
Current Assets:	
Cash	\$ 44,893
Account Receivable	186
Prepaid Insurance	<u>642</u>
Total Assets	<u>45,721</u>
Liabilities	
Current Liabilities:	
Accounts Payable	<u>22,767</u>
Net Assets	
Unrestricted Net Assets	<u><u>\$ 22,954</u></u>

FLORIDA COURTS E-FILING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE TEN MONTHS ENDED JUNE 30, 2011

	<u>2011</u>
Operating Revenues	
Service Fees	\$ 758
Expenses	
Audit Services	22,500
Bank Fees	373
Insurance	128
Legal	14,264
Merchant Fees	571
Total Operating Expenses	<u>37,836</u>
Total Operating (Loss)	<u>(37,078)</u>
Nonoperating Revenues	
Interest Income	32
Capital Contributions	60,000
Total Nonoperating Revenues	<u>60,032</u>
Changes in Net Assets	22,954
Net Assets at Beginning of Period	<u>-</u>
Net Assets at End of Period	<u><u>\$ 22,954</u></u>

FLORIDA COURTS E-FILING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE TEN MONTHS ENDED JUNE 30, 2011

	2011
Cash Flows from Operating Activities	
Cash Received from Service Fees	\$ 572
Cash Payments to Suppliers for Goods and Services	(15,711)
Net Cash (Used in) Operating Activities	(15,139)
Cash Flows from Capital and Related Financing Activities	
Capital Contributions	60,000
Cash Flows from Investing Activities	
Interest on Deposits	32
Net Increase in Cash	44,893
Cash at Beginning of Period	-
Cash at End of Period	\$ 44,893
Reconciliation of Net Income to Net Cash	
Provided by (Used in) Operating Activities:	
Operating (Loss)	(37,078)
Adjustments to Reconcile Operating Income to Net Cash	
Net Cash Provided by (Used in) Operating Activities	
Change In Assets and Liabilities:	
Accounts Receivable	(186)
Prepaid Expenses	(642)
Accounts Payable and Accrued Expenses	22,767
Net Cash (Used in) Operating Activities	\$ (15,139)

FLORIDA COURTS E-FILING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: *Organization*

Nature of Activities

The Florida Courts E-Filing Authority (the Authority) is an independent special district created pursuant to an Interlocal Agreement, dated September 3, 2010, between the various Clerks of Circuit Courts of the State of Florida and the Clerk of the Florida Supreme Court, as the designee of the Chief Justice of the Florida Supreme Court in accordance with provisions of Chapter 163, Florida Statutes.

The Authority was created for the purpose of developing and implementing a single uniform access point for statewide electronic filing of Florida's county, circuit and appellate courts records in accordance with *Rule 2.525, Florida Rules of Judicial Administration*.

The Authority is subject to all applicable Florida statutes, Supreme Court rules and Administrative Orders that govern the individual clerks of court (county and appellate) in the performance of their record-keeping functions, as well as all Rules of Court relating to public records and all applicable laws and county ordinances relating to procurements by the clerks of the circuit court in their capacity as clerk of court.

NOTE 2: *Summary of Significant Accounting Policies*

Reporting Entity

The Authority began operations on September 23, 2010 and is governed by a Board of Directors comprised of the Chairperson of the Authority, seven Clerks of the Circuit Courts of Florida and the Clerk of the Florida Supreme Court as the designee of the Chief Justice of the Florida Supreme Court.

The Authority entered into an agreement for the design, development, implementation, operation, upgrading, support and maintenance of a Statewide E-Filing Court Records Portal with the Florida Association of Court Clerks, Inc. (the Association). The Association, through its wholly owned subsidiary the FACC Services Group, LLC, is responsible for running the Authority's day to day operations.

In evaluating how to define the Authority for financial reporting purposes, management has considered the criteria set forth in GASB No. 39 *Determining Whether Certain Organizations Are Component Units*. This Statement amends GASB No. 14, *The Financial Reporting Entity*, and provides additional guidance to determine whether an affiliated organization is considered a component unit of a financial reporting entity.

A Component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Determining factors of financial accountability includes appointment of a voting majority, imposition of will, financial benefit or burden on a primary government or fiscal dependency.

NOTE 2: *Summary of Significant Accounting Policies (Continued)*

Additionally, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading and incomplete.

Based on the Application of these criteria, the Authority has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities, or other governmental organizations operating within the jurisdiction of the Authority that would be required to be included in the Authority's financial statements. In addition, since the Board of Directors has financial accountability and control over all activities relating to Authority operations, the Authority is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board Statement Number 39.

Accounting Method

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Authority operates as a special-purpose government entity engaged in business type activities. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities, the Authority has elected not to do so.

Revenue and Expense Recognition

Operating Revenues and Expenses – Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues consist of service fees related to the electronic filing of court documents. Operating revenues are recognized as revenue in the period earned. Operating expenses consist of expenses incurred relating to the operation and maintenance of the Authority's system, including administrative expenses.

Nonoperating Revenue and Expenses – Nonoperating revenues consist of interest earned on deposits held with financial institutions and contributions received from other entities. Both are recognized as revenue in the period earned. Nonoperating expenses generally are related to financing, investing, or other ancillary activities.

When an expense is incurred for the purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

NOTE 2: *Summary of Significant Accounting Policies (Continued)*

Budget Process

Pursuant to the Interlocal Agreement, the Authority's Board of Directors is required to adopt a budget. The Authority adopted its final budget relating to the ten months ended June 30, 2011 on December 8, 2010.

Cash and Cash Equivalents

The Authority considers all deposits and financial instruments with a maturity of three months or less to be cash and cash equivalents. All bank accounts of the Authority are placed in banks that qualify as a public depository, as required by the Florida Security for Public Deposits Act, Chapter 280, *Florida Statutes*. Deposits whose values exceed the limits of Federal Depository Insurance are entirely insured or collateralized pursuant to Chapter 280.04, *Florida Statutes*.

Accounts Receivable

Accounts receivable consists of amounts due from the Florida Courts E-Filing Portal for service fees. The Authority considers all accounts to be collectible and, consequently, has not established a provision for uncollectible accounts.

Net Assets

Net assets represent the difference between assets and liabilities. The Authority is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- **Invested in capital assets, net of related debt**—consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets. At the present time there are no such restrictions.
- **Restricted net assets**—net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. At the present time, there are no such restrictions.
- **Unrestricted net assets**—consists of all other net assets that do not meet the definition of the above two components and are available for general use by the Authority.

NOTE 2: *Summary of Significant Accounting Policies (Continued)*

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through October 27, 2011 which is the date the financial statements were available to be issued. As of this date, no material subsequent events were noted.

NOTE 3: *Contributed E-Filing Portal and Services*

The Florida Courts E-Filing Authority contracted with the Florida Association of Court Clerks and Comptrollers (the Association) for the design, development, implementation, operation, upgrading, support and maintenance of a Statewide E-Filing Court Records Portal (the Portal).

The Association incurred a cost of \$1,477,971 to design, develop, and test the Portal. On September 23, 2010, in accordance with an agreement reached with the Florida Legislature and the Florida Supreme Court, the Association contributed the Portal to the Authority. The Authority will hold all rights, title and interest to the Portal until dissolution of the Authority, at which time ownership would transfer to the office of the Florida State Courts Administrator.

Subsequent to the September 23, 2010 transfer of ownership through June 30, 2011, the Association operated the Portal under its contract with the Authority at an internal cost of \$728,915.

These costs figures were an integral part of the audited financial statements taken as a whole.

Supplementary Information

LANIGAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS ADVISORS

www.lanigancpa.com

Please reply to:
Tallahassee

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*

To The Board of Directors
Florida Courts E-Filing Authority
Tallahassee, Florida

We have audited the financial statements of the Florida Courts E-Filing Authority as of and for the ten months ended June 30, 2011 and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Florida Courts E-Filing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Florida Courts E-Filing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 management, Board of Directors, others within the Authority, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lanigan & Associates, P.C.

Tallahassee, Florida
October 27, 2011