

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



**Financial Statements
June 30, 2016 and 2015**

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Florida Courts E-Filing Authority, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Florida Courts E-Filing Authority basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Florida Courts E-Filing Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016 on our consideration of Florida Courts E-Filing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Courts E-Filing Authority's internal control over financial reporting and compliance.

Lanigan & Associates, PC

Tallahassee, Florida
December 29, 2016

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 year ended June 30, 2016.

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 provides attorneys and pro se litigants with a common entry point for filing and transmitting court records electronically. In addition, the portal provides these same persons, and other authorized persons, the ability to view court records electronically. The features of the portal 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

The Florida Courts E-Filing Authority works in close coordination with the Florida Courts Technology Commission to ensure that the statewide portal is developed in accordance with court system standards and rules.

Financial Highlights

- As of June 30, 2016, assets of the Authority exceed its liabilities by \$340,651.
- Operating expenses increased \$57,526 or 1% when compared to the prior fiscal year. As filings have increased, the Authority is reimbursing the Association for a greater portion of Association's costs to operate the electronic portal. This was performed in accordance with the agreement between the Authority and the Association.
- Service fee revenue was \$4,305,815 which is consistent with the prior year service fee revenue of \$4,304,833.

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 Position* 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, changes in the Authority's net position can 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 Position*. 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 Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* 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 position of the Authority and the changes in them.

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

**Financial Analysis of the Authority as a Whole
(Continued)**

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

	Statement of Financial Position		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Assets:			
Non-Capital Assets	\$ 1,079,986	\$ 994,412	\$ 85,574
Liabilities:			
Current Liabilities	739,335	493,456	245,879
Net Position:			
Unrestricted	<u>\$ 340,651</u>	<u>\$ 500,956</u>	<u>\$ (160,305)</u>

As of June 30, 2016, the vast majority of the Authority's assets were comprised of \$672,173 in cash and \$402,854 in accounts receivable. Liabilities represent accrued expenses and accounts payable at year end. The Authority did not have any long-term obligations with creditors.

For the year ended June 30, 2016, the Authority's total expenses exceeded its total revenue by \$160,305.

	Changes in Net Position		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Revenues:			
Service Fees	\$ 4,305,815	\$ 4,304,833	\$ 982
Public Records Request	186	-	186
Interest	631	658	(27)
Total Revenue	<u>4,306,632</u>	<u>4,305,491</u>	<u>1,141</u>
Operating Expenses	<u>4,466,937</u>	<u>4,409,411</u>	<u>57,526</u>
Increase in Net Position	<u>(160,305)</u>	<u>(103,920)</u>	<u>(56,385)</u>
Net Position at Beginning of Period	<u>500,956</u>	<u>604,876</u>	<u>(103,920)</u>
Net Position at End of Period	<u>\$ 340,651</u>	<u>\$ 500,956</u>	<u>\$ (160,305)</u>

Current Economic Factors and Assessment of Growth

Florida Supreme Court Opinion 11-399 required that attorneys e-file documents in criminal cases and civil cases filed in probate, family, circuit and county civil. The Florida Courts-Filing Authority expects continued growth and is considering adding more non-attorney users to the e-filing system.

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
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND JUNE 30, 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash	\$ 672,173	\$ 617,668
Accounts Receivable	402,854	371,892
Prepaid Insurance	<u>4,959</u>	<u>4,852</u>
Total Assets	<u>1,079,986</u>	<u>994,412</u>
Liabilities		
Current Liabilities:		
Accounts Payable	<u>739,335</u>	<u>493,456</u>
Net Position		
Unrestricted	<u><u>\$ 340,651</u></u>	<u><u>\$ 500,956</u></u>

FLORIDA COURTS E-FILING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating Revenues		
Service Fees	\$ 4,305,815	\$ 4,304,833
Expenses		
Audit Services	26,500	23,000
Accounting and Bank Services	357,949	277,717
Bank Fees	87,128	72,059
Contract Services	1,955,461	1,976,266
Insurance	840	772
Legal	14,946	18,337
Merchant Fees	2,024,113	2,041,260
Total Operating Expenses	4,466,937	4,409,411
Total Operating (Loss)	(161,122)	(104,578)
Nonoperating Revenues		
Public Records Requests	186	-
Interest Income	631	658
Total Nonoperating Revenues	817	658
(Decrease) in Net Position	(160,305)	(103,920)
Net Position at Beginning of Period	500,956	604,876
Net Position at End of Period	\$ 340,651	\$ 500,956

FLORIDA COURTS E-FILING AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Cash Received from Service Fees	\$ 4,275,039	\$ 4,278,117
Interest on Deposits	631	658
Cash Payments to Suppliers for Goods and Services	(4,221,165)	(5,506,672)
Net Cash Provided By (Used In) Operating Activities	54,505	(1,227,897)
Net Increase (Decrease) in Cash	54,505	(1,227,897)
Cash at Beginning of Period	617,668	1,845,565
Cash at End of Period	\$ 672,173	\$ 617,668
Reconciliation of Net Income to Net Cash		
Provided by (Used in) Operating Activities:		
(Decrease) in Net Position	(160,305)	(103,920)
Adjustments to Reconcile (Decrease) in Net Position to Net Cash		
Provided by (Used in) Operating Activities		
Change In Assets and Liabilities:		
Accounts Receivable	(30,962)	(26,716)
Prepaid Expenses	(107)	1,025
Accounts Payable and Accrued Expenses	245,879	(1,098,286)
Net Cash Provided By (Used In) Operating Activities	\$ 54,505	\$ (1,227,897)

FLORIDA COURTS E-FILING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 Governmental Accounting Standards Board (GASB) Statement No. 39 *Determining Whether Certain Organizations Are Component Units*. This Statement amends GASB Statement 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 GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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).

Revenue and Expense Recognition

Operating Revenues and Expenses – Operating revenues generally result from providing electronic filing of court documents in the State of Florida. Operating revenues consist of statutory filing fees. Statutory filing fees are recognized as revenue once the transaction is completed. 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: <i>Summary of Significant Accounting Policies (Continued)</i>
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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 year ended June 30, 2016 on June 1, 2015.

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 Position

Net position represents 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 position as follows:

- **Net Investment in Capital Assets**—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 position is 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**—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 December 29, 2016 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.

The Association contributes services for operating cost beyond what is reimbursed from the Authority. For the years ended June 30, 2016 and 2015, the contributed services were \$606,865 and \$507,195, respectively.

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

NOTE 4: *Concentrations*

The Authority derives substantially all of its revenue from statutory filing fees related to electronic filing. A reduction, or change, in statutory filing requirements or fees could have an adverse effect on the Authority.

Supplementary Information

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**INDEPENDENT AUDITOR'S 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

We have audited, in accordance with the 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, the financial statements of the business-type activities of Florida Courts E-Filing Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise Florida Courts E-Filing Authority's financial statements and have issued our report thereon dated December 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Courts E-Filing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florida Courts E-Filing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Florida Courts E-Filing Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Florida Courts E-Filing Authority's financial statements are free from 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*.

Purpose of this Report

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

Lanigan & Associates, PC

Tallahassee, Florida
December 29, 2016