

**MIKE HARIDOPOLOS**  
President



**DEAN CANNON**  
Speaker



# **Joint Legislative Auditing Committee**

**Senator Jim Norman, Chair**  
**Representative Debbie Mayfield, Vice Chair**

**Meeting Packet**  
Monday, October 17, 2011  
3:45 p.m. to 5:45 p.m.  
309 Capitol

**AGENDA**  
**JOINT LEGISLATIVE AUDITING COMMITTEE**

**DATE: Monday, October 17, 2011**

**TIME: 3:45 p.m. to 5:45 p.m.**

**PLACE: Room 309 Capitol**

**MEMBERS:**

**Senator Jim Norman, Chair**  
**Representative Debbie Mayfield, Vice Chair**

<b>Senator Arthenia L. Joyner</b>	<b>Representative Larry Ahern</b>
<b>Senator Evelyn J. Lynn</b>	<b>Representative Daphne D. Campbell</b>
<b>Senator Maria Lorts Sachs</b>	<b>Representative Jeff Clemens</b>
<b>Senator Stephen R. Wise</b>	<b>Representative Bryan Nelson</b>
	<b>Representative Kenneth Roberson</b>

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Consideration of Transparency Florida recommendations

Local Government Accountability

Update on entities the Committee took action against in April 2011 for failing to file required financial reports

Presentation on Special Districts by Ken Reecy, Department of Economic Opportunity

Presentation by Burton Marshall, Department of Financial Services

Presentation by Melinda Miguel, the Governor's Chief Inspector General

Presentation by the Auditor General, to include the Performance Audit of the Local Government Financial Reporting System; Auditor General Report No. 2011-196



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**DRAFT REPORT**

**TRANSPARENCY FLORIDA**  
**STATUS AND RECOMMENDATIONS**

**Joint Legislative Auditing Committee**  
**October 2011**

# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## SCOPE

As required by s. 215.985(15), F.S., this report from the Joint Legislative Auditing Committee (Committee) provides the progress made in establishing *Transparency Florida*<sup>1</sup> and recommendations for enhancing the content and format of the website and related policies and procedures.

## BACKGROUND

### Overview of the Transparency Florida Act

The “Transparency Florida Act,”<sup>2</sup> an act relating to governmental financial information, required a website for public access to government entity financial information. The initial phase included appropriations and expenditure data for all branches of state government, established by the Executive Office of the Governor in consultation with the legislative appropriations committees.

In addition, the act assigned several responsibilities to the Committee. One of these responsibilities was to recommend “a format for collecting and displaying information from state universities, public schools, community colleges, local governmental units, and other governmental entities receiving state appropriations.” The law states that the information may include expenditures, revenues, bond indebtedness, and links to entity websites. The Committee was required to develop a schedule for adding information for these entities to *Transparency Florida* by March 1, 2010.

### Previous Committee Effort

Committee staff gathered information needed to develop recommendations with the assistance of other legislative staff and representatives from the Governor’s Office, the Department of Financial Services (DFS), the Department of Education (DOE), the Florida Association of Counties, the Florida League of Cities, the Florida Association of Special Districts, the Florida Government Finance Officers Association, the Board of Governors, the Florida College System, the Florida Association of District School Superintendents, representatives of school districts, and individuals in financial and IT-related positions at some of the entities.

Of all of the types of entities included within the scope of this project, the state’s school districts have the most similarities in their financial data and reporting requirements. Each district uses the same chart of accounts and currently submits financial information to the DOE on a periodic basis, and to the Auditor General’s Office, as requested. For these reasons, the bill’s sponsors agreed that the initial effort should be focused on implementing transparency requirements for the state’s school districts. In February 2010, the Committee approved the following recommendations related to school districts:

- Provide access on *Transparency Florida* to numerous financial-related reports that are prepared on the state, school district, and school level; and
- Require each school district to provide a link to *Transparency Florida* on the homepage of its website.

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<sup>1</sup> For the purpose of this report, *Transparency Florida* refers to [www.transparencyflorida.gov](http://www.transparencyflorida.gov), the website created pursuant to the Transparency Florida Act, s. 215.985, F.S.

<sup>2</sup> [Ch. 2009-74, Laws of Florida](#).

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

The goal was to provide citizens who visit either the homepage of a school district's website or *Transparency Florida* to have easier access to the school district's financial information that is located on the website of a school district, the DOE, the Auditor General, and *Transparency Florida*. Although the Committee discussed including transaction-level detail for school districts on *Transparency Florida*, the members decided to defer that decision until a later date due to uncertainty about the cost.

The Committee also discussed a general framework to provide citizens with access to financial information from other educational and local governmental entities once the process of including school district information has been completed. Existing information that is user-friendly should be included early on. Transactional data for entities should gradually be included, working with one entity at a time. The remaining governmental entities should be added in the following order: charter schools and charter technical career centers, universities, colleges, water management districts, counties, municipalities, remaining special districts, and any other governmental entities, including metropolitan planning organizations and regional planning councils. The Committee recommended the revision of the Transparency Florida Act to include a financial threshold in lieu of a population threshold for municipalities and special districts required to comply with reporting requirements. Also, the Committee recommended that all special districts that meet this financial threshold should be required to comply, regardless of whether they receive state appropriations.

### Result of 2010 Legislative Session

During the 2010 Legislative Session, the Legislature adopted proviso language to implement the Committee's recommendations related to school districts. The DOE was required to provide access to existing school district financial-related reports on its website, create a working group to develop recommendations to provide school-level data in greater detail and frequency, and publish a report of its findings by December 1, 2010.

### Result of 2011 Legislative Session

Two bills, which revise various provisions related to the Transparency Florida Act, were passed during the 2011 Legislative Session and approved by the Governor.

[Senate Bill 1204](#)<sup>3</sup> deletes the Committee's responsibility to oversee and manage *Transparency Florida*.

[Senate Bill 2096](#):<sup>4</sup>

- Requires the Auditor General to annually notify the President of the Senate, the Speaker of the House of Representatives, and the DFS of all educational entities and water management districts that have failed to comply with transparency requirements as identified in audit reports. The first notification is due by July 2012;
- Deletes the requirement that entities must receive state appropriations to be included in the Committee's recommendations;
- Requires the Committee to develop a schedule for adding additional information to *Transparency Florida* by November 1, 2012, and annually thereafter;
- Exempts municipalities and special districts with total annual revenues of less than \$10 million from the requirements of the Transparency Florida Act. Deletes reference to the population threshold;

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<sup>3</sup> [Chapter 2011-34, Laws of Florida.](#)

<sup>4</sup> [Chapter 2011-49, Laws of Florida](#)

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

- Requires each water management district to provide monthly financial statements to its board members and post such on its website by September 1, 2011; and
- Requires the Chief Financial Officer to provide public access to a state contract management system.

In addition, two bills were passed which, although not directly related to the Transparency Florida Act, relate to efforts to provide more financial transparency to Florida's citizens. [Senate Bill 1292](#)<sup>5</sup> requires the Chief Financial Officer to conduct workshops with state agencies, local governments, and educational entities and develop recommendations for uniform charts of accounts. The final report is due in January 2014. If uniform charts of accounts are adopted, the effort and cost to include transaction-level data for all levels of government on *Transparency Florida* should be greatly reduced.

[Senate Bill 224](#)<sup>6</sup> requires counties, municipalities, special districts, and school districts to post their tentative budget, final budget, and adopted budget amendments on their official websites within a specified period of time. If a municipality or special district does not have an official website these documents are required to be posted on the official website of a county or other specified local governing authority, as applicable. Another provision requires each local governmental entity to provide a link to the DFS' website to view the entity's annual financial report (AFR). The AFR presents a financial snapshot at fiscal year-end of the entity's financial condition. It includes the types of revenue received and expenditures incurred by the entity. The format and content of the AFR is prescribed by the DFS.<sup>7</sup> See Appendix A for the specific requirements of the bill.

## PRESENT SITUATION

### Summary of State Information Available

The main focus of *Transparency Florida* is to provide current financial data related to the state's operating budget and daily expenditures made by the state agencies. Such financial data is updated nightly, as funds are released to the state agencies, transferred between budget categories, and used for goods and services. The website includes a training overview which provides general information about the financial data as well as tips on how to navigate the website, a glossary of terms and definitions, and frequently asked questions.

Various reports can be generated from *Transparency Florida*, including:

- Comparison of operational appropriations for two fiscal years by state agency and/or category;
- Comparison of operational appropriations to disbursements made within one fiscal year by state agency and/or category;
- Comparison of operational disbursements for two fiscal years by state agency, category, and/or object code;
- Fixed capital outlay appropriations and disbursements by category and/or state agency;
- Operating budgets by expenditure type, fund source, or program area;
- Schedule of Allotment Balances, which provides allotments, expenditures, and encumbrances maintained by state agencies to manage their budget and spending at the organizational level; and
- Cash and investment balances in the State Treasury for a specific trust fund within a state agency.

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<sup>5</sup> [Chapter 2011-44, Laws of Florida.](#)

<sup>6</sup> [Chapter 2011-144, Laws of Florida.](#)

<sup>7</sup> See s. 218.32, F.S.

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

In addition, *Transparency Florida* provides links to various reports, websites, and other documents related to the state budget as follows:

- Fiscal Analysis in Brief: an annual report prepared and published by the Legislature that summarizes fiscal and budgetary information for a given fiscal year;
- Long-Range Financial Outlook 3 Year Plan: an annual report prepared and published by the Legislature that provides a long-range picture of the state's financial position by integrating projections of the major programs driving annual budget requirements with revenue estimates;
- Florida's Checkbook:<sup>8</sup> the Chief Financial Officer's transparency webpage which includes links to:
  - State Budget Information;
  - Contracts;
  - State Receipts, Transfers and Disbursement;
  - Vendor Payments;
  - State Treasury;
  - Local Budget Information; and
  - State Reports.
- Reports on State Properties and Occupancy Rates: information from the Department of Management Services' Division of Real Estate Development and Management on state-owned buildings and occupancy rates; and
- Government Program Summaries: encyclopedia of descriptive information on over 200 major state programs compiled by the Office of Program Policy Analysis and Government Accountability (OPPAGA).

### Summary of School District Information Available

Proviso language in the 2010 General Appropriations Act<sup>9</sup> required the DOE to:

- Coordinate, organize, and publish online all currently available reports relating to school district finances, including information generated from the DOE's school district finance database;
- Coordinate with the Executive Office of the Governor to create links on *Transparency Florida* to school district reports by August 1, 2010;
- Publish additional finance data relating to school districts not currently available online, including school-level expenditure data, by December 31, 2010;
- Work with the school districts to ensure that each district website provides a link to *Transparency Florida*; and
- Establish a working group to study issues related to the future expansion of school finance data available to the public through *Transparency Florida*, develop recommendations regarding the establishment of a framework to provide school-level data in greater detail and frequency, and publish a report of its findings by December 1, 2010.

The first four of these requirements were recommended by the Committee in its initial report in 2010. Most of the proviso language requirements have been met. There are, however, several reports available on the DOE's website for which links have not yet been created on *Transparency Florida*. Also, some school districts have a link to *Transparency Florida* that is not functional.

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<sup>8</sup> Although the link is labeled Florida's Checkbook, the webpage has been renamed Transparency Florida – An Open Door to Florida's Finances.

<sup>9</sup> Proviso language for Specific Appropriations 116 through 130 of Chapter 2010-152, *Laws of Florida*.

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Appendix B describes the various school district reports and other information available on the DOE's website and other locations and whether [links](#) to such reports and information are available on *Transparency Florida*.<sup>10</sup> The reports include school district summary budgets, annual financial reports, audit reports, and program cost reports. The school district reports available on the DOE's website which have not yet been linked to *Transparency Florida* are:

- Return on Investment (ROI)/School Efficiency Measures;
- Financial Profiles of School Districts;
- Florida School Indicators Report (FSIR);
- Florida Education Finance Program (FEFP) Calculations; and
- Five-Year Facilities Work Plan.

Some of these reports are not easily located on the DOE's website. In addition, the websites of all school districts includes a link to *Transparency Florida*, although in some cases the links are not working properly. Generally, the link is located on the homepage of the school district's website; however, some school districts have included the link only on the webpage for their finance or business services department. This may make it more difficult for the public to easily locate.

The DOE published the required [report](#) in December 2010.<sup>11</sup> The School District Working Group's recommendations included:

- Providing school-level data at the sub-function (i.e., K-12, food services, and pupil transportation services) and sub-object (i.e., classroom teachers, travel, and textbooks) level;<sup>12</sup> and
- Uploading school district data to *Transparency Florida* via file transfer protocol (FTP) on a monthly basis.

The sub-function and sub-object levels were recommended as the most cost effective method due to the variety of accounting packages used by the school districts.

House Bill 5101 (2010)<sup>13</sup> required school districts to post online a summary of their tentative budgets, including the proposed millage levies. Senate Bill 224 (2011), effective October 1, 2011, requires school districts to post their tentative budget, adopted budget, and budget amendments on their official websites within a specified period of time. To date, a majority of the 67 school districts have included either a summary or the entire budget document on their websites, although links to some budget documents are not working properly. Budget documents for nine<sup>14</sup> school districts were not located on their websites.

On their own initiative, a few school districts have designed a financial transparency website containing links to financial-related information, including budgets documents, annual audit reports, annual financial

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<sup>10</sup> Links to school district reports on *Transparency Florida* are located at <http://transparencyflorida.gov/LinkInfo.aspx>.

<sup>11</sup> The report can be viewed at <http://www.fldoe.org/fefp/pdf/TransparencyFloridaWorkingGroup.pdf>.

<sup>12</sup> The level of detail required by *Financial and Program Cost Accounting and Reporting for Florida Schools*. Known as the Red Book, this is the uniform chart of accounts required to be used by all Florida school districts for budgeting and financial reporting (see Sections 1010.01 and 1010.20, F.S., and Rule 6A-1.001, F.A.C.).

<sup>13</sup> Chapter 2010-154, *Laws of Florida*.

<sup>14</sup> School districts in the following counties: Baker, Glades, Hamilton, Highlands, Levy, Madison, Putnam, Taylor, and Washington.

## **TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS**

reports submitted to the DOE, and monthly financial statements presented to their school board. These school districts have made it much easier for their citizens to see how their tax dollars are being used by providing a central location to access a variety of financial documents. Other school districts, mostly the mid-size to large ones, have posted some of these financial-related documents on their websites.

### **Entities Subject to Transparency Florida Requirements**

A governmental entity, as defined in the Transparency Florida Act, means any state, regional, county, municipal, special district, or other political subdivision whether executive, judicial, or legislative, including, but not limited to, any department, division, bureau, commission, authority, district, or agency thereof, or any public school district, community college, state university, or associated board. As originally passed, the act provided an exemption for any municipality or special district with a population of 10,000 or less. In 2011, the population threshold was replaced with a financial threshold. Currently, a municipality or special district is exempt if it has total annual revenues of less than \$10 million. Also, governmental entities that did not receive state appropriations originally were not required to be included in the Committee's recommendations; this has also been revised. All governmental entities excluding those that qualify for an exemption based on revenues are now included. The following table shows the number of non-state entities of each type expected to comply with the requirements of the Transparency Florida Act based on recent figures:

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## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

Type of Entity (Non-State)	Total Number	Number Subject to the Requirements of the Transparency Florida Act
District School Boards	67	67
Charter Schools and Charter Technical Career Centers	520 <sup>15</sup>	470
Universities	11	11
Colleges	28	28
Counties	67	67 <sup>16</sup>
Municipalities	410 active	206 <sup>17</sup>
Special Districts	1618 active <sup>18</sup>	179 <sup>17</sup>
Regional Planning Councils	11	11
Metropolitan Planning Organizations	26	26
Entities affiliated with Universities and Colleges, such as the Moffitt Cancer Center	Unknown	Unknown

To date, only district school boards have been assigned responsibility related to the Transparency Florida Act. As previously discussed, the DOE was directed to work with the school districts to ensure that each district website provided a link to *Transparency Florida*.

### Financial Transparency Effort by Other Entities

#### Chief Financial Officer

Senate Bill 2096 (2011) amended the Transparency Florida Act to require the Chief Financial Officer (CFO) to provide public access to a state contract management system that provides specified information and documentation relating to contracts procured by governmental entities. The DFS staff are currently in the process of developing the system which includes the following three phases:

- Phase 1 (*Statewide Contract Reporting System*): A web-based system for submitting, maintaining, editing, querying, and presenting contract information will be developed. Contract information will be loaded from existing databases. State agencies will be responsible for adding any missing information and maintaining the contract information on a daily basis. The target completion date for this phase is March 2012;
- Phase 2 (*Enhanced Statewide Contract Reporting System*): The system will be enhanced to tie contract information to Florida Accounting Information Resource (FLAIR) disbursements and general appropriations information and designed to store current and up to ten prior fiscal years'

<sup>15</sup> Estimate as of September 29, 2011.

<sup>16</sup> While there are 67 counties within the state, there are many more independent reporting entities since many of the constitutional officers operate their own financial management/accounting systems. The 38 counties that responded to a 2009 survey by the Florida Association of Counties reported 193 independent reporting entities.

<sup>17</sup> These numbers are approximate and are based on annual financial reports (AFR) submitted to the DFS for FY 2008-09 by municipalities and special districts, as applicable. The totals capture only those AFRs that have been certified by the DFS. If an audit is required it must be received before the DFS will certify the AFR. Note: Audit reports for this fiscal year were due to the Auditor General and the DFS by September 30, 2010. AFRs were due to the DFS by April 30, 2010 (if an audit was not required) or by September 30, 2010 (if an audit was required).

<sup>18</sup> Current as of October 14, 2011.

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## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

appropriations and disbursements data, starting with current fiscal year data. The target completion date for this phase is July 2012; and

- Phase 3 (*Statewide Contract Reporting System with Contract Images*): The System will be enhanced to store scanned procurement and contract documents for any contract that has been active during a ten-year period. State agencies will be responsible for providing redacted scanned images of contracts and any amendments. The target completion date for this phase is also July 2012.

Additionally, Senate Bill 1292 (2011) requires the CFO to conduct workshops with state agencies, local governments, and educational entities and develop recommendations for uniform charts of accounts. The following timelines established by law specify that the CFO shall:

- Conduct the required workshops beginning October 1, 2011;
- Provide a draft of the proposed charts of accounts to the stakeholder entities by July 1, 2013;
- Accept comments from the stakeholder entities and other interested parties regarding the proposed charts of accounts until November 1, 2013; and
- Submit a final report with recommendations to the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 15, 2014.

The DFS staff are currently in the process of scheduling and conducting the workshops with the various stakeholder entities. Some issues identified by the DFS staff that will need to be considered and addressed as recommendations are developed include impacts relating to the coding structure in the various accounting systems used by the entities (i.e., six-digit expenditure object codes used in the state system versus three-digit expenditure account codes used by local governments) and the potential costs of implementing any required changes to the chart of accounts.

### **Water Management Districts (WMDs)**

Senate Bill 49 (2011) required the five<sup>19</sup> WMDs to begin providing monthly financial statements to their boards and posting such on their websites effective September 1, 2011. Senate Bill 224 (2011) requires the WMDs to post their tentative and adopted budget on their official websites effective October 1, 2011. See Appendix A for further details. A review of the WMD websites by Committee staff disclosed that four<sup>20</sup> of the five WMDs have posted one or more monthly financial statements on their websites and all five WMDs have posted their tentative proposed budgets for the 2011-12 fiscal year. Each of the WMDs held their final public budget hearings in late September. The WMDs have up to 30 days from the final hearing to post the final adopted budgets on their websites. As of October 13, 2011, four of the five WMDs have posted their final adopted budget on their websites.<sup>21</sup>

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<sup>19</sup> Northwest Florida WMD, St. Johns River WMD, South Florida WMD, Southwest Florida WMD, and Suwannee River WMD.

<sup>20</sup> Committee staff could not locate any monthly financial statements on the Suwannee River WMD's website.

<sup>21</sup> Committee staff could not locate the final adopted budget on the Suwannee River WMD's website. Budget information to be presented at the final public budget hearing on September 27, 2011, was included on the website.

# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## RECOMMENDATION

### Educational and Local Governmental Entities Information

In 2010, the focus of the Committee's recommendations was to provide access to non-state entity financial information on *Transparency Florida*. The members recommended adding these entities to *Transparency Florida* in the following order:

- District School Boards
- Charter Schools
- Universities
- Colleges
- Water Management Districts
- Counties
- Municipalities
- Special Districts (other than Water Management Districts)
- Other Governmental Entities

The initial report primarily addressed recommendations related to school districts. The overall approach was to recommend that information which was readily available, with minimal effort and cost, should be included for school districts during the first phases of implementation. Most of the information should be located on the DOE's website with links to access it on *Transparency Florida*. This information included numerous reports prepared by the school districts, the DOE, and the Auditor General.

Ultimately, the goal was to provide transaction-level details of expenditures once all phases are implemented. Stakeholders expressed concern about the school districts' ability to provide this level of detail. School districts' accounting systems currently have the ability to capture expenditures at the sub-function and the sub-object level. These systems do not usually capture details of the amount spent on specific supplies, such as pencils or paper, or on a roofing project. Stakeholders also had concerns about the school districts' ability to provide this information on their websites, primarily due to cost and staffing issues. Their preference was for the state to build a data-system and require the school districts to upload via FTP a monthly summary of expenditures at the sub-function and sub-object level to *Transparency Florida*. Although Committee members were interested in more detailed information, this approach was agreed to with the idea that it was a starting point. In addition, the Committee recommended that the school districts provide vendor histories, to include details of expenditures for each vendor.

Although both the state and the school districts would incur costs, the main financial burden of the project would fall on the state. Rough estimates of the state's cost ran into the millions of dollars. Due to the uncertainty of the cost estimates, the Committee members voted to recommend to delay this phase until further information is available.

In light of the continued financial difficulties being faced by the state, the Committee has chosen to abandon this approach and recommend an alternative.

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## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

### **Recommendation: Keep Local Information at the Local Level, Provide Access on *Transparency Florida***

Although the goal of this project is to provide more financial transparency at all levels of government, the Committee recognizes that local governments<sup>22</sup> know best what information their citizens want. The Committee does not believe that it is the state's responsibility to design and build a system to collect and display local governments' information. Rather, the Committee recommends that the state work in partnership with local governments, as they increase transparency on their websites, so that the full financial burden does not fall on the local governments.

The Committee recommends that organizations, such as the Florida League of Cities, the Florida Association of Counties, the Florida Association of Special Districts, and similar groups representing the other types of entities, develop guidelines for the types of financial information and the level of detail that each type of entity should provide on its website. As the entities implement these guidelines, a link to each entity's financial information should be added to *Transparency Florida*. Ideally, this will provide a central access point for all local government financial information and allow users to view the number of entities that have taken the initiative to increase financial transparency.

The Committee suggests that an effort should be made to develop an agreed-upon framework in order to provide some uniformity between entities. Currently, a number of entities provide online access to various documents that provide users with financial-related information; however, it is often difficult to locate these documents. While suggested guidelines may provide for varying types of financial information and financial reports, it would be useful if the information that is provided online can be easily accessed in a consistent manner. For example, each entity could provide a link on its homepage to a single webpage which would be a central point of access for various financial-related documents.<sup>23</sup> Although users will not be able to make detailed comparisons between entities' spending patterns due to differences in most entities' charts of accounts, an effort to make general comparisons will be enhanced by providing easier access to the information across the board.

As some citizens are interested in transaction-level detail, this could be met by suggesting that entities post an electronic checkbook on their websites. The City of Palm Bay<sup>24</sup> provides an excellent example of a well-organized website with this level of detail. Its [website](#)<sup>25</sup> provides a searchable database of expenditures, salaries, and revenues. Access is also provided to the City's Comprehensive Annual Financial Report (CAFR) and monthly financial reports. According to the City Manager who was serving when this website was developed, the City paid approximately \$6,000 for the software license.<sup>26</sup> He stated that the staff added the City's information to the database "a couple of hours here and there over a nine-month period."

One of the major hurdles the Committee faced when considering recommendations for its original report was that, with the exception of school districts, similar entities do not generally use the same charts of

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<sup>22</sup> Local government refers to all non-state entities subject to the requirements of the Transparency Florida Act.

<sup>23</sup> St. Johns County School District provides an excellent example. Its homepage includes a link for "Financial Transparency." Users can then access a variety of financial-related reports that are well organized. This webpage also includes a link to *Transparency Florida*.

<sup>24</sup> The City of Palm Bay has a population of approximately 103,000, per the online Municipal Directory of the Florida League of Cities.

<sup>25</sup> <http://open.palmbayflorida.org/>

<sup>26</sup> The City purchased a license for Iron Speed Designer, a database and reporting application.

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accounts. This creates a challenge in the design and implementation of a state system; however, if each entity is responsible for its own financial transparency, this would not be an issue. Although an explanation of the data captured in the specific account codes should be provided to assist the users in understanding the data.

By using software similar to what was used by the City of Palm Bay, the software cost for many entities should be fairly minimal. The type and cost of database software may vary depending on the size of the entity and the number of financial transactions recorded in its accounting system throughout the fiscal year. If numerous entities intend to use the same software, an effort could be made to leverage their buying power and purchase it at a reduced rate. This would also be an opportunity for the state to provide some financial assistance. The main cost of implementation would likely be in staff time.

Other financial information that should be considered for suggested guidelines includes reports that are prepared during the normal course of business, such as budget documents,<sup>27</sup> monthly financial statements, audit reports, and contracts and related information.

### **Additional Recommendations**

Regardless of whether the recommendation above is implemented, the following steps can be taken to increase access to financial information on *Transparency Florida* with no additional cost:

- Link the following currently available reports on the DOE's website to *Transparency Florida*:
  - Return on Investment (ROI)/School Efficiency Measures
  - Financial Profiles of School Districts
  - Florida School Indicators Report (FSIR)
  - Florida Education Finance Program (FEFP) Calculations
  - Five-Year Facilities Work Plan
- Link transparency information required by Senate Bill 224 (2010) [budget documents and annual financial reports] to *Transparency Florida*

### **State Agency Information**

The Committee recommends that a link to the Governor's *Florida Has a Right to Know - Holding Government Accountable* website be included on *Transparency Florida*. This site provides a searchable payroll database for state employees, some pension data, and contract information.

## **SUMMARY**

Presently, *Transparency Florida* consists primarily of state agency financial information. The public has access to state spending like never before. Users can search by vendor, view state purchases at the transaction-level,<sup>28</sup> and compare appropriations amounts for a line item in the General Appropriations Act between two years. Much of this has been accomplished using existing resources. The site has been enhanced by also providing links to websites, including the CFO's Transparency Florida and OPPAGA's Government Program Summaries.

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<sup>27</sup> Senate Bill 224 (2011) requires many local governmental entities to provide budget documents on their websites.

<sup>28</sup> Although warrant (check) amounts can be viewed, users will need to contact agency staff for details about the goods or services purchased.

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

The Committee's focus has been to make recommendations to include financial information from other types of entities, such as school districts and municipalities. In a previous report, the Committee recommended some revisions to the Transparency Florida Act and initial steps to provide greater access to school district financial information. Bills passed during the 2010 and 2011 Legislative Sessions implemented these recommendations. Most of the requirements assigned to the DOE and school districts have been fulfilled.

For the next phase of *Transparency Florida*, the Committee recommends that the state work in partnership with local governments to provide additional financial transparency at the local level. Representatives for each type of entity should develop suggested guidelines for the type of financial information and the level of detail that should be included. The state should not, as originally contemplated, be responsible for designing and building a database to collect and display local government financial information. Each local government should be responsible for providing its financial information on its own website. A link should be included on *Transparency Florida* for each entity that implements the suggested guidelines in order to provide a central access point.

The Committee suggests that the guidelines include a uniform framework to display the information in a well-organized fashion so as to provide easy, consistent access to all online financial information for all local governments. When developing the suggested guidelines, some of the financial information that should be considered includes a searchable electronic checkbook, plus various documents that are prepared during the normal course of business, such as budget documents, monthly financial statements, audit reports, and contracts and related information. The Committee's intent is to provide an opportunity for increased financial transparency for Florida's citizens, by providing guidance and flexibility to local governments, without causing a financial burden in the process.

***DRAFT REPORT***

# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## APPENDICES

### Appendix A

<b>Summary of Senate Bill 224 (2011) Requirements Related to Financial Transparency</b> <i>Documents That Entities Are Required to Post on Their Official Websites</i>				
<b>Type of Entity</b>	<b>Tentative Budget</b> <i>(must be posted online)</i>	<b>Final Budget</b> <i>(must be posted online)</i>	<b>Adopted Budget Amendments</b> <i>(must be posted online)</i>	<b>If No Official Website</b>
Board of County Commissioners	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	N/A
Municipality	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	The municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located, transmit the tentative and final budget to the manager or administrator of such county or counties who shall post the budget on the county's website
Special District (excludes Water Management Districts)	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	The special district must, within a reasonable period of time as established by the local general-purpose government or governments in which the special district is located or the local governing authority to which the district is dependent, transmit the tentative budget or final budget to the manager or administrator of the local general-purpose government or the local governing authority. The manager or administrator shall post the tentative budget or final budget on the website of the local general-purpose government or local governing authority.
Property Appraiser	N/A	Within 30 days after adoption	N/A	Must be posted on the county's official website
Tax Collector	N/A	Within 30 days after adoption	N/A	Must be posted on the county's official website
Clerk of Circuit Court <i>(budget may be included in county budget)</i>	N/A	Within 30 days after adoption	N/A	Must be posted on the county's official website
Water Management District	2 days before public hearing	Within 30 days after adoption	N/A	N/A
District School Board	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	N/A
<b>Additional Requirement</b>				
Each local governmental entity website must provide a link to the DFS website to view the entity's AFR submitted; if an entity does not have an official website, the county government website must provide the link.				

**DRAFT REPORT**

# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## Appendix B

<p style="text-align: center;"><b>Transparency Florida Links:</b>  <b>Reports and Other Information Available for School Districts</b>  <i>(including reports recommended in the Committee's February 2010 report)</i></p>		
Title of Report / Other Information	Summary Description of Report / Other Information	Link Included on Transparency Florida?
School District Summary Budget	<i>At the beginning of each fiscal year, each district school board formally adopts a budget. The District Summary Budget is the adopted budget that is submitted to the DOE by school districts. The budget document provides millage levies; estimated revenues detailed by federal, state, and local sources; and estimated expenditures.</i>	Yes
School District Annual Financial Report	<i>The Annual Financial Report is the unaudited data submitted to the DOE by school districts after the close of each fiscal year. It includes actual revenues detailed by federal, state, and local sources, and actual expenditures.</i>	Yes
School District Audit Reports Prepared by the Auditor General	<i>The Auditor General provides periodic financial, federal, and operational audits of district school boards. The Auditor General also provides periodic audits of district school boards to determine whether the district 1) complied with state requirements governing the determination and reporting of the number of full-time equivalent students under the Florida Education Finance Program and 2) complied with state requirements governing the determination and reporting of the number of students transported.</i>	Yes
School District Audit Reports Prepared by Private CPA Firms	<i>The Auditor General maintains copies of district school board financial and federal audit reports, which are prepared on a rotational basis by private certified public accounting firms.</i>	Yes
Public School Websites	<i>Provides a link to the homepage of each school district. Each homepage also includes a link to the homepage of Transparency Florida.</i>	Yes
School District Program Cost Reports	<i>The Program Cost Report data is submitted to the DOE by public school districts after the close of each fiscal year. Actual expenditures by fund type are presented as either direct costs or indirect costs, and are attributed to each program at each school. A total of nine separate reports are produced from the cost reporting system.</i>	Yes

**DRAFT REPORT**

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

<b>Transparency Florida Links:</b> <b>Reports and Other Information Available for School Districts</b> <i>(including reports recommended in the Committee’s February 2010 report)</i>		
Title of Report / Other Information	Summary Description of Report / Other Information	Link Included on Transparency Florida?
Return on Investment (ROI)/ School Efficiency Measures  <a href="http://roi.fldoe.org/index.cfm">http://roi.fldoe.org/index.cfm</a>	<p><i>Two major categories of information are provided at the state and school district-level. Much of the information is also provided on an individual school level.</i></p> <p><i>Student/Staff Indicators include: School and District Demographics, School and District Staff, School and District Student Performance, School Students in Special Programs/School Discipline, School and District Graduation Follow-up, District School Readiness, and District Community Information. Financial Indicators include: School Return on Investment Index, School Total Costs Per Students, District Revenues, District Expenditures, District Financial Margins and Reserves, District Taxes, and District Debt.</i></p> <p><i>The ROI website allows users to evaluate measures of performance in light of the resources allocated to the individual schools and school districts.</i></p>	No
Financial Profiles of School Districts  <a href="http://www.fldoe.org/fefp/profile.asp">http://www.fldoe.org/fefp/profile.asp</a>	<p><i>The Financial Profiles of School Districts reports provide detailed summary information about revenues and expenditures of the school districts – revenues by source and expenditures by function and object.</i></p>	No
Florida School Indicators Report (FSIR)  <a href="http://www.fldoe.org/eias/eiaspubs/0809fsir.asp">http://www.fldoe.org/eias/eiaspubs/0809fsir.asp</a>	<p><i>The Florida School Indicators Report provides various indicators of school status and performance of public elementary, middle, and high schools for each school district. “Per Pupil Expenditures” is the only school indicator included in this report that relates to financial information. Some of the other school indicators reported are Graduation Rates, Dropout Rates, and Classes Taught by Out-of-Field Teachers.</i></p>	No
Florida Education Finance Program (FEFP) Calculations  <a href="http://www.fldoe.org/fefp/offrfefp.asp">http://www.fldoe.org/fefp/offrfefp.asp</a>	<p><i>The FEFP is the primary mechanism for funding the operating costs of the school districts, and calculations are made five times throughout each school year to arrive at each year’s final appropriation. The amount allocated to each of the components of the FEFP funding formula is shown for each school district.</i></p>	No

**DRAFT REPORT**

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

<i>Transparency Florida Links: Reports and Other Information Available for School Districts (including reports recommended in the Committee's February 2010 report)</i>		
Five-Year Facilities Work Plan <a href="http://www.fldoe.org/edfacil/workplanlibrary.asp">http://www.fldoe.org/edfacil/workplanlibrary.asp</a>	<i>Each school district must annually prepare a Five-Year Facilities Work Plan that includes long-range planning for its facilities needs over 5-, 10-, and 20-year periods.</i>	No

***DRAFT REPORT***



**Status of JLAC Action Taken Against Municipalities on April 4, 2011,  
for financial reports due September 30, 2010, or earlier**

<b>Municipality</b>	<b>Date DOR and DFS to be Contacted<sup>1</sup></b>	<b>Date Compliant</b>	<b>Notes</b>	<b>Fully Compliant Now?</b>
Bonifay (Holmes County)	April 5	April 29	No funds withheld; compliant within 30-day timeframe.	Yes
Cottondale (Jackson County)	July 1	July 25	Chairs approved an extension until July 31; <sup>2</sup> the completion of the audit was delayed for several weeks due to medical reasons.	Yes
Eatonville (Orange County)	October 3	September 20		Yes
Hawthorne (Alachua County)	April 5	April 22	No funds were withheld; compliance within 30-day timeframe.	Yes
Laurel Hill (Okaloosa County)	May 16	May 23	No funds were withheld; compliance within 30-day timeframe.	Yes
Miami Shores (Miami-Dade County)	May 2	April 21		Yes
Noma (Holmes County)	July 1	September 13	Chairs approved an extension until August 15; <sup>2</sup> a Town official indicated the work had been provided by the Town to the auditor; however, the auditor was backlogged. No funds were withheld; compliance within 30-day timeframe.	Yes
Pahokee (Palm Beach County)	July 1	September 8	Chairs approved an extension until August 31; <sup>2</sup> audit was in progress when extension was requested. No funds were withheld; compliance within 30-day timeframe.	Yes
Springfield (Bay County)	May 2	June 30	Chairs approved an extension until June 30. <sup>2</sup>	Yes
St. Lucie Village (St. Lucie County)	April 5	June 27	\$3,661.30 in half-cent sales tax funds were forfeited prior to compliance.	Yes
Westville (Holmes County)	June 30	August 15	Chairs approved an extension until August 15; audit was in progress when the extension was requested.	Yes

<sup>1</sup> The Committee directed staff to notify the Department of Revenue (DOR) and the Department of Financial Services (DFS) on this date to begin withholding certain state revenue from the entity as authorized by s. 11.40(2), F.S. (2011). No withholding occurs within the first 30 days after the notification is received by the agencies.

<sup>2</sup> During the Committee's April 4, 2011 meeting, the members passed a motion that allowed the Chairs, between May 1 and August 31, 2011, to delay action against these districts if additional information was brought to their attention that should be considered in determining the effective date of the Committee's action.

**Status of Remaining Municipalities:**  
*Non-Compliant with Financial Reporting for Multiple Years*

Municipality	Notes
<p>Caryville  <i>(Washington County)</i></p>	<p>During March 2009 meeting, the Committee voted to take action against the Town for failing to file audits and annual financial reports for multiple years, dating back to FY 2002-03. DOR began withholding state revenue from the Town in April 2009. As of September 2011, the Town has forfeited \$25,421.55.</p> <p>In October 2010, previous Committee Chairs approved to accept an audit of FY 2009-10 in lieu of past due audits and authorized the released of state funds once a letter of engagement for the audit is provided to the Committee.</p> <p>Committee staff have attempted to contact Town staff and officials on numerous occasions via telephone, fax, and letters. In March 2011, a response letter was received from the Council Chair stating that the Town was working on hiring a CPA firm and planned to have a signed audit engagement letter no later than mid-April 2011. Since then, additional phone calls have been made to Town staff to determine the status of the audit engagement letter and audit.</p> <p>In September 2011, Town staff provided to Committee staff the name of a CPA firm that was purported to be conducting the audit . Committee staff spoke with a partner in this CPA firm, who appears to be willing to conduct the audit; however, the firm has not yet been hired to do so. If the firm and the Town can reach an agreement, Committee staff expect an audit engagement letter shortly.</p>
<p>Weeki Wachee  <i>(Hernando County)</i></p>	<p>During March 2009 meeting, the Committee voted to take action against the City for failing to file audits and annual reports for multiple years, dating back to FY 2002-03. DOR began withholding municipal revenue sharing funds in excess of the minimum entitlement in April 2009. The City does not participate in Half-Cent Sales Tax distributions.</p> <p>Committee staff have attempted to contact City officials on numerous occasions over the past several years. No correspondence (letters, or e-mails) or phone calls have been received.</p> <p>As of September 2011, the City has forfeited \$717.60.</p>

**Status of JLAC Action Taken Against Special Districts on April 4, 2011,  
for financial reports due September 30, 2010, or earlier**

<b>Special District</b>	<b>Date DCA to be Contacted<sup>3</sup></b>	<b>Date Compliant</b>	<b>Notes</b>	<b>Fully Compliant Now?</b>
Baker Fire District <i>(Okaloosa County)</i>	June 1	May 31		Yes
Brevard Housing Authority <i>(Brevard County)</i>	April 19	May 13	Full compliance prior to DCA filing petition with court.	Yes
Chapel Creek Community Development District (CDD) <i>(Pasco County)</i>	July 1	August 17	Chairs approved an extension until July 31; the audit was near completion when the extension was requested.	Yes
CrossCreek CDD <sup>4</sup> <i>(Manatee County)</i>	July 1	—	Chairs approved to delay action indefinitely; the CDD is unable to pay for the cost of an audit due to lack of funding; some foreclosure actions are being taken.  Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.	No
Cypress Creek of Hillsborough County CDD <i>(Hillsborough County)</i>	May 20	May 20		Yes
Gardens at Millenia CDD <i>(Orange County)</i>	Delay action indefinitely	June 8	At the time of the Committee's meeting the CDD did not have funds to pay for an audit; a foreclosure case was being prosecuted & the district planned to pay for an audit once funds became available.	Yes
Gateway Services CDD <i>(Lee County)</i>	April 19	April 12		Yes
Hamilton County Memorial Hospital <i>(Hamilton County)</i>	May 20	April 5		Yes
Highland Meadows CDD <sup>5</sup> <i>(Polk County)</i>	July 1	—	Chairs approved to delay action indefinitely; the CDD is unable to pay for the cost of an audit due to lack of funding; some foreclosure actions are being taken.  Correspondence received from registered agent on 9/30/2011 indicates that there may be some movement toward releasing funds to address maintenance and utility issues; if this happens, funds are also expected to be released to enable District to become statutorily compliant.	No

<sup>3</sup> This is the date the Committee directed staff to notify the Department of Community Affairs (DCA) to proceed with legal action to enforce compliance; DCA was required to file a writ of certiorari in Leon County Circuit Court within 30 days (2010 Statutes).

<sup>4</sup> Manatee County Board of County Commissioners established the CDD by ordinance (No. 06-21), pursuant to ch. 190, F.S.

<sup>5</sup> City of Davenport City Commission established the CDD by ordinance (Nos. 573, 585, 615, 637, and 703), pursuant to ch. 190, F.S.

**Status of JLAC Action Taken Against Special Districts on April 4, 2011,  
for financial reports due September 30, 2010, or earlier (continued)**

<b>Special District</b>	<b>Date DCA to be Contacted<sup>6</sup></b>	<b>Date Compliant</b>	<b>Notes</b>	<b>Fully Compliant Now?</b>
Hillcrest Preserve CDD <i>(Pasco County)</i>	May 3	—	District was declared inactive by DCA on June 10.	N/A
Lafayette Soil & Water Conservation District (SWCD) <i>(Lafayette County)</i>	June 2	June 1		Yes
Longleaf CDD <i>(Pasco County)</i>	May 20	April 27		Yes
Martin SWCD <i>(Martin County)</i>	April 19	April 14		Yes
New River CDD <i>(Pasco County)</i>	July 1	August 1	Chairs approved an extension until July 31; the audit was near completion when the extension was requested.	Yes
Ocklockonee River SWCD <i>(Leon County)</i>	May 20	May 13		Yes
Palm River CDD <i>(Hillsborough County)</i>	July 1	July 11	Chairs approved an extension until July 31; a draft of the audit had been provided to the CDD.	Yes
Panther Trace II CDD <i>(Hillsborough County)</i>	May 20	April 12		Yes
Peace River SWCD <i>(DeSoto County)</i>	April 16	April 11		Yes
Saddle Creek CDD <i>(Polk County)</i>	June 2	June 30	DCA approved an additional 30-day extension; CDD reports due July 1.	Yes
South Dade SWCD <i>(Miami-Dade County)</i>	April 19	May 10	Full compliance prior to DCA filing petition with court	Yes
South Shore Corporate Park Industrial CDD <i>(Hillsborough County)</i>	June 2	June 30	DCA approved an additional 30-day extension; CDD reports due July 1.	Yes

<sup>6</sup> This is the date the Committee directed staff to notify the Department of Community Affairs (DCA) to proceed with legal action to enforce compliance; DCA was required to file a writ of certiorari in Leon County Circuit Court within 30 days (2010 Statutes).

**Status of Remaining Special Districts: Non-Compliant with Financial Reporting,  
for financial reports due September 30, 2010, or earlier**

Special District	Notes
<p>Bella Verde Golf CDD<sup>7</sup> (Pasco County)</p>	<p>In August 2010, previous Committee Chairs approved a delay of state action until a later date since District has filed for foreclosure in fall 2009 &amp; was unable to pay for an audit due to lack of funding. Negotiations are ongoing with all relevant parties to redress situation. One developer has filed bankruptcy.</p> <p>At 4/4/2011 meeting, Committee approved to continue to delay state action until a later date since District's situation has not changed. Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.</p>
<p>Broward Soil and Water Conservation District<sup>8</sup> (Broward County)</p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that District does not currently have funds to pay for FY 2008-09 audit and still owes a CPA firm for FY 2007-08 audit. Also stated that DEP owes District \$66,000 for work on re-vegetation project completed 2 years ago and are still trying to resolve issues with DEP related to a contract. Requested additional time to complete audit and AFR.</p> <p>Committee staff has been in contact with DEP staff and has unsuccessfully attempted on numerous occasions to contact the District (via telephone, e-mails, and letter). Based on conversations with, and documentation obtained from, DEP staff, the contract in question was a reimbursement grant and the DEP has reimbursed the district of all allowable expenditures for which DEP has received invoices or other supporting documentation. An attorney representing the District had been in contact with DEP regarding the disagreement. Correspondence received from DEP staff in October 2011 indicated that the District has not submitted any new documentation which would support any additional reimbursement under the grant terms. DEP's Inspector General's Office conducted a review of the related documentation and agreed with the conclusion made by other DEP staff.</p>
<p>Cordoba Ranch CDD<sup>9</sup> (Hillsborough County)</p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that there is currently no Board, it hasn't met since 2008, and District has filed for foreclosure. Progress is finally being made, and they anticipate more normal operations in next 6 to 9 months, depending on foreclosure litigation.</p> <p>Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.</p>
<p>Riverwood Estates CDD (Pasco County)</p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that District has been involved in active foreclosure, which was stalled by bankruptcy filing by development entity. Some progress has been made, and they anticipate more normal operations in next 6 to 9 months.</p> <p>District submitted FY 2008-09 AFR on 9/26/2011 and FY 2008-09 audit report on 9/28/2011 and is <u>now in compliance</u>.</p>

<sup>7</sup> Pasco County Board of County Commissioners established the CDD by ordinance (Nos. 04-44 and 05-53), pursuant to ch. 190, F.S.

<sup>8</sup> The District was established in Broward County in 1964 by petition to the State Soil Conservation Board, pursuant to ch. 582, F.S.

<sup>9</sup> Hillsborough County Board of County Commissioners established the CDD by ordinance (No. 05-23), pursuant to ch. 190, F.S.

Special District	Notes
<p>Santa Rosa Bay Bridge Authority<sup>10</sup> (Santa Rosa County)</p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that Authority does not have funds to pay for an audit and expects that soon there will not be sufficient funds for bond payments. Same situation as in previous years (Authority only has restricted funds, which cannot be used to pay for an audit. DOT's Inspector General's Office compiles financial statements for Authority and also staffs day-to-day operations of Authority.)</p> <p>On June 30, 2011, the Authority was unable to make its \$5 million bond payment, and the trustee alerted the bondholders to the default. Since the bonds were not backed by the full faith and credit of the state the state is not liable for the debt. DOT continues to operate and maintain the bridge.</p>
<p>Southbay CDD<sup>11</sup> (Manatee County)</p>	<p>In August 2010, previous Committee Chairs approved delay of state action until a later date since District is unable to pay for an audit due to lack of funding. Negotiations are ongoing with all relevant parties to redress situation. .</p> <p>At 4/4/2011 meeting, Committee approved to continue to delay state action until a later date since District's situation has not changed. Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.</p>
<p>Tidewater Preserve CDD<sup>12</sup> (Manatee County)</p>	<p>In August 2010, previous Committee Chairs approved no state action since District is in process of dissolving.</p> <p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in March 2011 stated that City of Bradenton has passed an ordinance to allow dissolution of the District subject to no objection by Manatee County. The County has objected for reasons addressed in his letter, which has delayed the dissolution.</p> <p>Correspondence received from registered agent on 9/30/2011 indicates that the County still has objections. The city attorney will be attempting to mediate a resolution shortly which will allow the County to withdraw its objections.</p>
<p>Vizcaya in Kendall CDD<sup>13</sup> (Miami-Dade County)</p>	<p>In August 2010, previous Committee Chairs approved delay of state action until a later date since developer has filed bankruptcy and bank is looking at property, but no agreement yet. No funds for audit now, but anticipate having audit performed once situation is resolved.</p> <p>At 4/4/2011 meeting, Committee approved to continue to delay state action until a later date since District's situation has not changed. Per a telephone conversation with the District's registered agent on 10/13/2011, the District is in the process of finalizing agreements with the District's two new owners. Once everything is finalized and the District returns to active development, he expects progress to be made toward getting all financial requirements of the District current.</p>

<sup>10</sup> Created by ch. 348, Part IX, F.S. (renumbered as Part IV in 2011 F.S.)

<sup>11</sup> Manatee County Board of County Commissioners established the CDD by ordinance (No. 07-53), pursuant to ch. 190, F.S.

<sup>12</sup> City of Bradenton City Council established the CDD by ordinance (No. 2830), pursuant to ch. 190, F.S.

<sup>13</sup> Miami-Dade County Board of County Commissioners established the CDD by ordinance (No. 05-95), pursuant to ch. 190, F.S.





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FLORIDA  
DEPARTMENT *of*  
ECONOMIC  
OPPORTUNITY

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# Joint Legislative Auditing Committee

*Presented by: Ken Reecy, Division of Community Development*

**Monday, October 17, 2011**

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# Special District Basics and Oversight



# Special District Information Program

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## ➤ Quick Summary:

- Administers the Uniform Special District Accountability Act – Chapter 189, F.S.
- Collects, disseminates, classifies, and distributes uniform special district information
- Does not create, approve, oversee, regulate, fund, or get involved in their policy issues
- Provides technical assistance
- Has limited enforcement authority as it relates to state and local reporting requirements



# Uniform Special District Information

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- **The Special District Information Program maintains the Official List of Special Districts Online**
  - **More than 685 state and local agencies use the list to monitor special districts for compliance purposes, gather financial information, and coordinate activities.**
  - **Citizens and the private sector (e.g., real estate, financial, insurance) use the list to find contact and other information.**



# Technical Assistance for Special Districts

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## ➤ The Florida Special District Handbook Online

- Reporting requirements
- Ethics
- Government-in-the-Sunshine
- Bond Financing
- Due dates by agency and by month
- Links to online forms and reports
- Direct contact information by specialty
- and much more . . .



# Introduction to Special Districts

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## ➤ What are special districts?

- Special districts are very similar to counties and municipalities:
  - ❖ Counties and municipalities are units of local general-purpose government operating in a limited geographical area.
  - ❖ Special districts are units of local special-purpose government operating in a limited geographical area.
    - Limited, explicit authority – not implied authority - that is specified in its charter and / or the laws under which it operates.
    - Governing board with policy-making powers (as opposed to an advisory function).



# Introduction to Special Districts

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## ➤ Special districts are not:

- School Districts
- Community College Districts
- Municipal Service Taxing or Benefit Units (MSTU / MSBU)
- Seminole and Miccosukee Tribe Special Improvement Districts
- Boards providing electrical services that are political subdivisions of a municipality or part of a municipality



# Introduction to Special Districts

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## ➤ Generally:

- The same accountability laws that apply to counties and municipalities also apply to special districts.
- The same accountability laws that apply to county and municipal governing board members also apply to special district governing board members.
- The oversight of special districts is very similar to the oversight of counties and municipalities.
- Counties, municipalities, and special districts are subject to enforcement provisions when they fail to comply with certain state financial reporting requirements.



# Introduction to Special Districts

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- **For financial reporting and other purposes, special districts are classified as either:**
  - **Dependent**
  - **Independent**



# Introduction to Special Districts

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- **Dependent** special districts are under some control by a single county or municipality (one or more of the following):
  - **May have identical governing board members (but always a separate governing board)**
  - **May appoint all members to the special district's governing body**
  - **May remove any member at will during unexpired terms**
  - **May approve the special district's budget**
  - **May veto the special district's budget**



# Introduction to Special Districts

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- A special district that does not have any dependent characteristics is **independent**.
- Multi-county special districts are usually independent.



# Introduction to Special Districts

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## ➤ Creating Special Districts:

- Generally, the Florida Legislature creates independent special districts by special act.
- Generally, counties and municipalities create dependent special districts by ordinance.

## ➤ Exceptions apply. For example, counties and / or municipalities can create independent:

- Community Development Districts
- County Health and Mental Health Care Districts
- County Hospital Districts
- County Children's Services Districts



# Why are special districts created?

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- **Special districts are created for the private and public sectors to finance, construct, operate, and maintain capital infrastructure, facilities, and services.**
- **Special districts generate revenue from only those taxpayers within their boundaries to pay for the additional or enhanced services, facilities, and infrastructure they provide.**



# Why are special districts created?

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- **Special districts allow municipal and county governing boards to focus on general-purpose government issues.**
- **Special districts may provide taxpayer savings by purchasing essential goods and services tax-free, and participating in state programs and initiatives, such as state-term contracting.**



# Why are special districts created?

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- **Special districts provide for a local special-purpose governmental agency with funding, employment, and missions separate from local general-purpose government.**
- **Special districts can provide services when growth and development issues transcend the boundaries, responsibilities, and authority of individual municipalities and counties (multi-jurisdictional / regional and multi-county districts).**



# Why are special districts created?

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- **Special districts can provide local governmental services - often in response to citizen demand - that a municipality or county is unable or unwilling to provide.**
- **The more focused, localized nature of many special districts can provide opportunities for a greater number of citizens to get involved in the governance of their community.**



# Introduction to Special Districts

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## ➤ Dissolution / Merger Methods

- County / municipal ordinance to repeal or merge a special district created by county / municipal ordinance
- Special act to repeal or merge a special district created by special act
- Independent special district approved by referendum, then a referendum to dissolve / merge the district
- Independent special district with ad valorem authority, then same procedure required to grant that authority to dissolve or merge the district
- The dissolved special district's property and debt are transferred to the county or municipality in which the special district was located.



# A “Snapshot” of Special Districts in Florida

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## ➤ Total Number: 1,633

- Independent: 1,006
- Dependent: 627
- Single County: 1,563
- Multicounty: 70
  
- Total Active: 1,618
- Total Inactive: 15

Source: *Official List of Special Districts Online*, October 14, 2011



# A “Snapshot” of Special Districts in Florida

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## ➤ Most common functions:

1. Community Development Districts: 578
2. Community Redevelopment Agencies: 204
3. Drainage and Water Control Districts: 86
4. Housing Authorities: 93
5. Fire Control and Rescue Districts: 67

Source: *Official List of Special Districts Online*, October 14, 2011



# A “Snapshot” of Special Districts in Florida

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## ➤ Governing Boards:

- Elected (874)
- Appointed By a Single County or Single Municipality (246)
- Identical to a County or Municipality (242)
- Appointed (136)
- Governor Appoints (66)
- Appointed / Elected (41)
- Other / Combination (28)

Source: *Official List of Special Districts Online*, October 14, 2011



# A “Snapshot” of Special Districts in Florida

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## ➤ Revenue Sources:

- Non Ad Valorem (791)
- Ad Valorem (212)
- Tax Increment Financing (204)
- User Fees (171)
- Federal Government (84)
- Other (59)
- None (46)
- Not Specified (34)
- Sales and Leases (24)
- County (22)
- State (16)
- Grants (13)
- Investments (9)
- Bond Issuer Fees (7)
- Tolls (7)
- Donations (6)
- Agreement (5)
- Private Enterprise (4)
- Municipality (3)
- Sales Surtax (1)

Source: *Official List of Special Districts Online*,  
October 14, 2011



# How are special districts held accountable?

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➤ **Various statutes (about 40) as applicable.  
Examples:**

- **Drainage and Water Control: *Chapter 298, Florida Statutes***
- **Community Development Districts: *Chapter 190, Florida Statutes***
- **Fire Control and Rescue: *Chapter 191, Florida Statutes***
- **Port Facilities: *Chapter 315, Florida Statutes***

➤ **Creation document (charter) requirements outlining:**

- **Purpose**
- **Powers**
- **Functions and duties**
- **Boundaries**
- **Revenue sources**
- **Governing board membership, organization, and compensation**



# How are special districts held accountable?

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- **The Uniform Special District Accountability Act (Chapter 189, F.S.) – provides minimum standards of accountability and conduct for all special districts.**
  - Financial reporting
  - Cooperation / coordination with state and local agencies
  - Regular public meeting schedule
  - Comply with Government-in-the-Sunshine / ethics laws
  - Creation, merger, inactive, and dissolution procedures
  - Charter requirements (purpose, powers, functions, etc.)
  - Adopt an annual budget; post on web site
  - Spend funds only as authorized by the adopted budget



# How are special districts held accountable?

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## ➤ Prepare and file an Annual Financial Report

- All special districts must report their revenues, expenditures, and long-term liabilities to the Department of Financial Services no later than 9 months after the fiscal year end. Online Reports:

- <https://apps.fldfs.com/LocalGov/Reports>



# How are special districts held accountable?

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- Provide for and file an Annual Financial Audit Report prepared by an independent Certified Public Accountant with the Florida Auditor General and the Department of Financial Services\*

\*Threshold: Revenues or combined expenditures and expenses exceed \$100,000 or revenues or combined expenditures and expenses fall between \$50,000 and \$100,000 and the district has not had a financial audit for the previous two fiscal years.



# How are special districts held accountable?

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## ➤ Comply with other requirements - as applicable:

- Retirement system reporting to the Department of Management Services
- Bond financing and surplus fund reporting to the State Board of Administration
- Public facilities reporting to counties and municipalities (for local comprehensive planning purposes)
- Budget / tax levy / financial information to counties / municipalities as requested
- Records management reports to the Department of State



# How are special districts held accountable?

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- **Truth-in-Millage Compliance Package Report to the Department of Revenue**
- **Board member ethics and financial disclosure documents to the Local Supervisor of Elections / Commission on Ethics**
- **Notification of a financial emergency condition (if warranted) to the Governor's Office (Chief Inspector General) and the Joint Legislative Auditing Committee**
- **Public Deposit Reports to the Department of Financial Services**



# The oversight of special districts

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- **Board members**
- **Citizens**
- **Ethics Commission investigates ethics complaints**
- **The Local State Attorney's Office investigates Government-in-the-Sunshine complaints**
- **Certified Public Accountants report suspected illegal activity to the special district's governing board or directly to the Florida Department of Law Enforcement**



# The oversight of special districts

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- **The Auditor General performs desk audits to make sure the audits comply with auditing standards, report financial emergency conditions, track findings, and may perform audits of any governmental entity in Florida, including special districts.**
- **The Joint Legislative Auditing Committee may investigate any matter within the scope of an audit conducted by the Auditor General, and use its powers of subpoena.**



# The oversight of special districts

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- **Counties and municipalities monitor their dependent special districts and can take action such as:**
  - **Removing / replacing district board members**
  - **Not approving the district's budget**
  - **Vetoing the district's budget**
  - **Amending the district's charter**
  - **Dissolving the district**
  
- **Oversight Review Process outlined in s. 189.428, F.S.**
  - **Counties and municipalities may review any special district within their boundaries to make recommendations to the Legislature.**



# The oversight of special districts

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- **Noncompliance with reporting requirements outlined in Chapter 189, F.S.**
  - **The Special District Information Program receives special district noncompliance status reports from five state agencies and any county or municipality that list those special districts that did not comply with statutory reporting requirements.**



# The oversight of special districts

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## ➤ The Special District Information Program:

- **Receives noncompliance status reports from the Auditor General and Department of Financial Services when the required financial and financial audit reports are not submitted by the special district:**
  - ❖ The Program will mail a certified technical assistance to help the special district come into compliance
  - ❖ Requires compliance within 60 days.



# The oversight of special districts

Number of Special Districts in Noncompliance Receiving Technical Assistance Letters							
Report	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Annual Financial Report	89	127	91	103	132	101	119
Annual Financial Audit Report	25	36	43	36	51	41	34



# Enforcement

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## ➤ If they don't comply after 60 days:

- If the Special District Information Program determines that the special district is not complying because it is no longer in operation, the Program will declare the special district inactive - which requires dissolution by the entity that created it
- If the special district is active but remains non-compliant, the Joint Legislative Auditing Committee
  - ❖ Determines whether to initiate enforcement, based on individual circumstances
  - ❖ If enforcement is justified, directs the Program to initiate enforcement



# Enforcement

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- **If the Committee directs the Program to initiate enforcement:**
  - **The Program files a petition for writ of certiorari with the circuit court in Leon County.**
  - **A hearing is scheduled before a judge.**
  - **Unless the court determines a material error occurred (the district did in fact file the report and the list from the Joint Legislative Auditing Committee was incorrect), the court will issue a writ of certiorari ordering the special district to produce the missing reports by a specified date.**



# Questions?

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**Ken Reecy**

Division of Community Development

Florida Department of Economic Opportunity

107 East Madison Street

Tallahassee, FL 32399-4135

[floridajobs.org](http://floridajobs.org)







# Department of Financial Services

*Division of Accounting & Auditing  
Bureau of Local Government*

*Statutory Authority/  
Responsibilities*

**October 17, 2011**

# Statutory Authority/Responsibilities

## Section 218.32, Florida Statutes

- 1)(a) Each local governmental entity that is determined to be a reporting entity, shall submit to the CFO a copy of its **annual financial report** for the previous fiscal year in a **format prescribed by DFS**. The county annual financial report must be a single document that covers each county agency.
- 1)(d) A copy of the audit report and annual financial report must be submitted to the department [DFS] within 45 days after the completion of the audit report but no later than 9 months after the end of the fiscal year.

# Statutory Authority/Responsibilities

## Section 218.32, Florida Statutes

- (2) The department shall annually by December 1 file a with the Governor, the Legislature, the Auditor General, and the Special District Information Program of the Department of Community Affairs showing:
- (a) The total revenues and expenditures of each local governmental entity including any governments' component unit.
  - (b) The amount of outstanding formal long-term debt by each local governmental entity.
- Total local governments reporting in FY 2009: 2,100
  - Total local government revenue for FY 2009: \$75.9 Billion
  - Total local government expenditures for FY 2009: \$75.5 Billion
  - Total local government long term debt for FY 2009: \$88.3 Billion

# Statutory Authority/Responsibilities

## Section 218.33, Florida Statutes

(2) Each local governmental entity shall follow **uniform accounting practices** and procedures as promulgated by rule of the department [DFS] to assure the use of proper accounting and fiscal management by such units. Such rules shall include a **uniform classification of accounts**.

- ☑ Creation of Uniform Accounting System Chart of Accounts and Manual
- ☑ Updated every 2-3 years based on Legislative and GAAP updates

# Operations Reconciliation – Annual Financial Report (AFR) and Audited Financial Statements

This reconciliation is conducted for the following fund types:

- 1.) General Fund
- 2.) Special Revenue Fund(s)
- 3.) Debt Service Fund(s)
- 4.) Capital Project Fund(s)
- 5.) Permanent Fund(s)
- 6.) Enterprise/Proprietary Fund(s)
- 7.) Internal Service Fund(s)
- 8.) Pension Fund(s)
- 9.) Trust Fund(s)
- 10.) Any Discretely Presented Component Unit Fund(s)

## **Debt Reconciliation – Annual Financial Report (AFR) and Audited Financial Statements**

The AFR's long term debt is reconciled to the audited financial that reported in the audit's Long Term Debt usually posted in Note 7/8 of the government's audit. Staff is responsible for ensuring the number reported on the AFR is "formal long term-debt". This entails making sure the number reported has eliminated:

- 1.) Short term portion of long term debt (due in one year)
- 2.) Compensated Absence Liability
- 3.) OPEB Liability
- 4.) Unscheduled Closure Liability

# Florida Administrative Code (FAC) Responsibilities

Bureau of Local Government has “Rule Making Authority” over 3 Florida Administrative Codes:

- 69I-51: Annual Financial Report
- 69I-61: Uniform Classification of Accounts
- 69I-73: Local Government Tangible Personal Property

# Contacts

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# Financial Emergencies

Duties of the  
Chief Inspector General  
Executive Office of the  
Governor

Presentation  
Joint Legislative Auditing  
Committee

October 17, 2011



# Governor's Authority

- Section 218.503, Florida Statutes, provides that local governmental entities (counties, municipalities or special districts) shall be subject to the review and oversight by the Governor when one of the conditions described in subsection (1) occurs.

# Financial Emergency Conditions



- Failure to pay short-term loans or make long-term debt service payments due to a lack of funds
- Failure to pay uncontested claims from creditors within 90 days, as a result of a lack of funds
- Failure to pay employees wages, taxes or benefits, due to a lack of funds
- Fund balance or net assets deficit for which sufficient resources are not available to cover *218.503(1), F.S.*



# Governor's Designee

The Chief Inspector General has been designated by the Governor to:

- Receive notifications from the local governmental entities and the Auditor General
- Contact entity officials to determine what actions have been taken to resolve the condition
- Determine if state assistance is needed by an entity
- For financial emergency entities, determine if state assistance is no longer needed
- Determine if an entity is eligible for release from financial emergency status
- Recommend to the Governor entities to be released from financial emergency status



# Notification to the Governor & Joint Legislative Auditing Committee

## ■ Local Governmental Entity

- when one or more of the conditions specified in subsection (1) have occurred or will occur if action is not taken - *218.503(2), Florida Statute*

## ■ Auditor General

- when audit report reviewed which contains a statement that a local governmental entity has a financial emergency - *11.45 (7)(e), Florida Statute*

# Financial Emergency Determination



- **Prior to 2004**
  - If an entity met a financial emergency condition, they were automatically declared to be in a state of financial emergency, regardless of the reason for the deficit.
- **After 2004**
  - If an entity meets a financial emergency condition, the Governor's designee will determine what actions have been taken to resolve the condition. If it is determined that State assistance is needed, the entity will be declared to be in a state of financial emergency.



# Chief Inspector General's Financial Emergency Committee

- Legislative Auditing Committee
- Department of Financial Services
- Others



# Financial Emergency Committee (cont.)

- Auditor General's Office
- Department of Economic Opportunity
- Department of Revenue
- Department of Environmental Protection
- Office of Policy and Budget
- Office of Tourism, Trade and Economic Development



# State Assistance

- Requiring approval of the entity's budget;
- Prohibiting an entity from issuing bonds or notes;
- Reviewing records and reports;
- Consulting with officials and auditors regarding steps to bring entity into compliance with State laws;
- Requiring and approving a plan to remove the entity from financial emergency status; *and/or*
- Establishing a financial emergency board to oversee the entity's activities.



# Governor's Financial Emergency Board

- Members may be appointed by and Chair selected by the Governor
- Reviews records, reports and assets
- Reviews operations, management, efficiency, productivity and financing functions
- Submits recommendations to the Governor

*218.503(3)(g), F.S.*

# Release from Financial Emergency Status



## ■ Requirements

- The original financial emergency condition has been resolved,
- No new financial emergency conditions exist,
- The entity has established and is operating an effective financial accounting and reporting system.

*218.504, Florida Statute*

# Financial Emergency Entities



- As of June 30, 2011, there were 40 entities in financial emergency status as defined in statutes. They are as follows:

- Municipalities

Caryville

Gretna

Hawthorne

Indian Creek Village\*

Noma

Paxton\*

Wausau\*

Welaka\*

Yankeetown\*

Eatonville

Hampton\*

Horseshoe Beach\*

Laurel Hill

Pahokee

South Bay

Webster

Westville

[\* being analyzed for release]

# Financial Emergency Entities



## ■ Special Districts

Crossings at Fleming Island CDD

Disston Island Conservancy District

East Manatee Fire Rescue District \*

Eastpoint Sewer and Water District\*

Falls Chase CDD

Hamilton County Development Authority

Hendry County Hospital Authority\*

Heritage Harbor CDD

Heritage Isles CDD

Indian River County Hospital District\*

Lanark Village Water and Sewer District

Leon County Educational Facilities Authority

Ocean Highway and Port Authority of Nassau Co.

# Financial Emergency Entities



## ■ Special Districts (continued)

Reserve CDD\*

Sebastian River Water Control District\*

St. Johns Water Control District

St. Lucie County Expressway and Bridge Authority

St. Lucie West Services District\*

Stoneybrook CDD

Suwannee Valley Transit Authority\*

Suwannee Water and Sewer District\*

Viera East CDD

West Palm Beach Downtown Development Authority



# Executive Office of the Governor

**Governor Rick Scott**

**Melinda M. Miguel**

**Chief Inspector General**

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Joint Legislative Auditing Committee  
October 17, 2011 Meeting

# Local Government Activities



## Audits:

- JLAC-directed Audits of Local Governments
- Local Government Financial Reporting System Performance Audit (triennial)
- Water Management District Audits (triennial)

## Review of Audit Reports Received:

- Reports on Desk Reviews
- Reports on Significant Financial Trends and Findings

# Local Government Activities



## JLAC Notifications:

- Financial Emergencies Act
- Noncompliant Entities - Audit Report Submissions
- Noncompliant Entities - Significant Items Omitted from Audit Reports
- Entities that Fail to Correct Audit Findings

## Other:

- Rules of the Auditor General
- Guidelines for Auditor Selection, Report Reviews, *Florida Single Audit Act*, Financial Emergencies Act
- Sample Management Letters for Auditors
- Technical Advice and Education



# Local Government Financial Reporting System Performance Audit

Report #2011-196  
June 2011

# Local Government Financial Reporting System



LGFRS means any statutory provisions related to local government financial reporting, which should provide for the accumulation of financial and other information to be used by the Legislature and other officials to:

- \* Enhance citizen participation in local government;
- \* Improve the financial condition of local governments;
- \* Provide essential government services in an efficient and effective manner; and
- \* Improve decision-making on the part of the Legislature, State agencies, and local government officials on matters relating to local governments.

# Local Government Financial Reporting System



Audit must be performed at least every three years and the purpose of the audit is to determine the accuracy, efficiency, and effectiveness of the system in achieving its goals and to make recommendations to the local governments, the Governor, and the Legislature as to how the system can be improved and how program costs can be reduced.

# Local Government Financial Reporting System



## \* Financial Emergencies Act:

- #1 Current law does not provide a time frame for entities to respond to requests from the Executive Office of the Governor (EOG).
- #2 Current law does not authorize EOG to release certain entities deemed to be in a state of financial emergency under the old law although they are not in need of State assistance.
- #3 Condition specified in Section 218.503(1)(e), Florida Statutes, does not appear to be an effective indicator of a financial emergency.

# Local Government Financial Reporting System



## \* Community Development Districts

- #4 Potential need for parameters addressing the amount of bonds a CDD may issue and oversight responsibility.
- #5 Additional disclosure requirements for prospective purchasers within a CDD may be needed.

## \* Local Government Bond Issues:

- #6 Local governments did not always document the conditions favoring the method of sale for bond issues or use an independent financial advisor.
- #7 Local governments did not always use a competitive process for selection of bond professionals.

# Local Government Financial Reporting System



## \* Department of Financial Services:

- #8 DFS needed to enhance procedures to notify JLAC of all entities that do not timely submit Annual Financial Reports (AFRs).
- #9 DFS needed to reconcile its database to the Special District Information Program's master list of special districts to ensure it had properly identified the population of special districts required to file an AFR.
- #10 DFS needed to enhance procedures in its AFR verification process. The level of agreement between the AFR and audited information is not specified for auditors of local governments.

# Local Government Financial Reporting System



## \* Department of Management Services, Division of Retirement:

- #11 DMS needed to enhance its procedures to ensure timely contact of newly created local governmental entities to obtain information on retirement systems or plans.
- #12 DMS did not always withhold insurance premium tax money from entities when actuarial reports of police and firefighter retirement plans had not been State accepted.

## \* SBA, Division of Bond Finance:

- #13 There no longer appears to be a need for the Division to produce a newsletter for the bond community and the public.

# Local Government Financial Reporting System



Audit Report No. 2011-196

Accessible through AG Web Site:

[www.myflorida.com/audgen/](http://www.myflorida.com/audgen/)

Under Auditor General Released Reports  
By Fiscal Year

2010-11 Fiscal Year  
(1<sup>st</sup> Report Listed)

## Summary of Findings, Report No. 2011-196

No.	Finding	Summary of the Finding	Recommendation
<b>Financial Emergencies Act</b>			
1	Determination of Financial Emergency Status	Current law does not provide time frames within which entities must respond to requests for information by the Executive Office of the Governor (EOG) or the Commissioner of Education, or provide consequences for failure to respond.	The Legislature should consider revising Section 218.503(3), Florida Statutes, to provide time frames within which entities must respond to requests for information by the Governor or the Commissioner of Education, and consequences for failure to respond.
2	Local Governmental Entities in a State of Financial Emergency	Current law does not authorize EOG to release certain entities deemed to be in a state of financial emergency prior to 2004 when they have been determined not to need State assistance.	The Legislature should consider authorizing EOG to release entities deemed in a state of financial emergency prior to 2004 for which EOG determines that the entities do not need State assistance. EOG should determine whether the 15 entities that have not been reported as meeting a condition specified in Section 218.503(1), Florida Statutes, since the 2006-07 fiscal year and the Town of Yankeetown have established and are operating effective financial accounting and reporting systems and, if so, consider releasing them from their financial emergency status.
3	Section 218.503(1)(e), Florida Statutes	The condition specified in Section 218.503(1)(e), Florida Statutes, regarding a deficit fund balance or net assets balance has not been an effective indicator of a state of financial emergency.	The Legislature should consider eliminating the condition specified in Section 218.503(1)(e), Florida Statutes, and revising Section 218.39(5), Florida Statutes, to require auditors to consider that condition in determining whether deteriorating financial conditions exist that are required to be discussed with the governing body.

Note: Finding Numbers in Blue Indicate Findings with Legislative Recommendations

## Summary of Findings, Report No. 2011-196

No.	Finding	Summary of the Finding	Recommendation
<b>Community Development Districts</b>			
4	Community Development Districts Bond Defaults	Many community development districts (CDDs) are facing financial difficulties, indicating a potential need for parameters addressing the amount of bonds a CDD may issue.	The Legislature should consider amending Chapter 190 Florida Statutes, to establish parameters addressing the amount of bonds a CDD may issue and oversight responsibility for CDD bond issuances.
5	Disclosures to Prospective Homeowners Within CDDs	Disclosure requirements for prospective purchasers within CDDs could be improved to ensure that such prospective purchasers are fully informed of current year and estimated future year assessments, monthly fees, and debt obligation repayment options.	The Legislature should consider amending Section 190.048, Florida Statutes, to require additional disclosures, such as a copy of the document creating the CDD, known current year and estimated future year assessments, a schedule of facilities not yet constructed or acquired, monthly fees, and debt obligation repayment options, and require the disclosures to be provided to all prospective purchasers (i.e., initial and subsequent) of property within CDDs.

Note: Finding Numbers in Blue Indicate Findings with Legislative Recommendations

## Summary of Findings, Report No. 2011-196

No.	Finding	Summary of the Finding	Recommendation
<b>Local Government Bond Issues</b>			
6	Method of Sale for Local Government Bond Issues	Local governments did not always document conditions favoring the method of sale selected for bond issues; did not always use the services of a financial advisor; and sometimes used the underwriter of a bond issue to assist in selecting the method of sale..	To promote public confidence in the bond sale process, and to ensure that an independent and adequate determination is made as to the best bond sale method, the Legislature should consider amending Section 218.385(1), Florida Statutes, to require local governments to use a financial advisor that is independent of the underwriter, or to otherwise demonstrate that the local governments have staff with sufficient expertise to act in a financial advisor capacity. To ensure that local governments adequately document and justify that a negotiated or private placement sale is the most appropriate type of sale, the Legislature should consider amending Sections 218.38 and 218.385, Florida Statutes, to require local governments to document the conditions favoring this type of sale and provide such documentation to the Division.
7	Selection of Bond Professionals	Local governments did not always use a request for proposal or request for qualifications process when selecting financial advisors and bond counsel for bond issues.	To ensure that qualified financial and professional services are acquired at the lowest possible cost consistent with the size, nature, and complexity of the bond issue, the Legislature should consider amending Section 218.385, Florida Statutes, to require local governments to select financial advisors and bond counsels using a competitive selection process whereby RFPs or RFQs are solicited from a reasonable number of professionals and, for negotiated bond issues, to use RFPs to solicit qualified underwriting firms to serve as the underwriter. Local governments should use written contracts with all bond professionals.

Note: Finding Numbers in Blue Indicate Findings with Legislative Recommendations

## Summary of Findings, Report No. 2011-196

No.	Finding	Summary of the Finding	Recommendation
<b>Department of Financial Services</b>			
8	Reporting of Noncompliant Local Governments to LAC	The Florida Department of Financial Services (DFS) needed to enhance its procedures to ensure that it properly notifies the Legislative Auditing Committee of all entities that fail to provide annual financial reports (AFRs).	DFS should enhance procedures to ensure that all known entities that fail to provide required AFRs on a timely basis are included in its notifications to the LAC. In doing so, DFS should revise its LOGER system to ensure all independent special districts comply with the separate filing requirement as set forth in Section 218.32, Florida Statutes.
9	Determination of Special Districts Required to Submit AFRs	DFS did not reconcile its database to the Special District Information Program's master list of special districts to ensure it had properly identified the population of special districts required to file AFRs.	To identify special districts that should be added or deleted in its database, and ensure that the population of special districts required to file AFRs is properly identified, DFS should reconcile its database to SDIP's master list at least annually.
10	Revenues, Expenditures, and Debt Reported on Local Government AFRs	DFS had inadequate policies and procedures regarding its certification (verification) process of AFRs. While auditors conducting financial audits of local governments are required to indicate whether the AFR is in agreement with the audit report, the level of agreement is not specified in the requirement. Also, current law does not provide time frames within which entities must respond to requests for information by DFS or provide consequences for failure to respond.	DFS should establish policies and procedures regarding its certification process, and enhance its procedures to ensure the more timely and complete reporting of AFR information on its Web site and in verified reports to the Governor, the Legislature, the Auditor General, and the Special Districts Information Program. The Legislature should consider revising Section 218.32, Florida Statutes, to provide time frames within which entities must respond to DFS requests for information, including audit reports, and consequences for failure to respond. The Legislature should also consider revising Section 218.32, Florida Statutes, to require auditors to state in the management letter whether the AFR substantially agrees with the audited financial statements at an appropriate level.

Note: Finding Numbers in Blue Indicate Findings with Legislative Recommendations

## Summary of Findings, Report No. 2011-196

No.	Finding	Summary of the Finding	Recommendation
<b>Department of Management Services, Division of Retirement</b>			
11	DMS Database of Municipalities and Special Districts	The Florida Department of Management Services (DMS) needed to enhance its procedures to ensure timely contact of newly created local governmental entities, to obtain data on retirement systems or plans, and entities that change to the Florida Retirement System from a local plan	DMS should implement procedures to survey, or otherwise contact entities that change to the FRS to determine if local plans are still in effect and any newly created entity to obtain data on all public employee retirement systems or plans as soon as possible after the creation of the entity.
12	Insurance Premium Tax Distributions	DMS did not always withhold insurance premium tax moneys from entities when actuarial reports of police and firefighter retirement plans had not been State accepted.	DMS should continue its efforts to ensure that actuarial reports are timely reviewed. Additionally, DMS should ensure that insurance premium tax distributions are not approved unless the actuarial reports for the retirement plans have been State accepted in accordance with Part VII of Chapter 112, Florida Statutes.
<b>Overview of the System</b>			
13	Florida State Board of Administrations Division of Bond Finance Newsletter	Current law requires the Florida State Board of Administration's Division of Bond Finance (Division) to publish a regular newsletter to the bond community and the general public; however, the Division is no longer publishing a regular newsletter as the type of information formerly included in the newsletter is published by other entities and available on the Internet.	The Legislature should consider repealing Section 218.37(1)(f), Florida Statutes, to no longer require the Division to issue a newsletter.

Note: Finding Numbers in Blue Indicate Findings with Legislative Recommendations

# AUDITOR GENERAL REPORT NO. 2011-196

## LOCAL GOVERNMENT FINANCIAL REPORTING SYSTEM Performance Audit

[http://www.myflorida.com/audgen/pages/pdf\\_files/2011-196.pdf](http://www.myflorida.com/audgen/pages/pdf_files/2011-196.pdf)

From the Auditor General's [website](#), select "By Fiscal Year," "By Entity Audited," or "Audit Type" then choose either "full report" or "summary." The link shown above is for the full report.