

**JOE NEGRON**  
President of the Senate



**RICHARD CORCORAN**  
Speaker of the House



# **Joint Legislative Auditing Committee**

**Senator Debbie Mayfield, Chair**  
**Representative Jennifer Sullivan, Vice Chair**

**Meeting Packet**  
**Thursday, November 16, 2017**  
**3:45 p.m. to 5:45 p.m.**  
**301 Senate Office Building**

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

**DATE:** Thursday, November 16, 2017

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

**PLACE:** Room 301, Senate Office Building

**MEMBERS:**

Senator Debbie Mayfield, Chair

Representative Jennifer Sullivan, Vice Chair

Senator Dennis Baxley

Senator Audrey Gibson

Senator Kathleen Passidomo

Senator Perry Thurston

Representative Tracie Davis

Representative Randy Fine

Representative Joe Gruters

Representative Roy Hardemon

Representative Cyndi Stevenson

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Consideration of a request for an Auditor General audit of the City of Palm Bay received from Representative Fine

Consideration of a request for an Auditor General audit of the City of Gulf Breeze received from Senator Broxson

Presentation of OPPAGA's review of the Florida Development Finance Corporation

Presentation and discussion related to the Transparency Florida Act, s. 215.985, F.S.

Pursuant to s. 11.40(2), F.S., the Committee is expected to consider taking action against local governmental entities that have failed to file an annual financial report and/or annual financial audit (if required) in accordance with ss. 218.32(1) and 218.39, F.S.

The Committee is expected to consider taking action against local governmental entities that have failed to provide the Auditor General with significant items missing from audit reports submitted in accordance with s. 218.39, F.S.





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**Randy Fine**  
**Florida House of Representatives**  
State Representative, District 53

The Honorable Debbie Mayfield, Chairman  
Joint Legislative Auditing Committee  
324 Senate Office Building  
404 South Monroe St.  
Tallahassee, FL 32399-1100

June 20, 2017

Dear Chairman Mayfield,

With this letter, I am requesting that the Joint Legislative Auditing Committee direct the Auditor General to conduct a comprehensive and in-depth audit of the operational practices and managerial oversight in the City of Palm Bay.

I represent the entirety of Palm Bay, and over the past several months have received numerous calls from my constituents in response to multiple media reports regarding two related issues.

First, my constituents are concerned that the City Council may not be acting in accordance with the City Charter. Specifically, they are concerned that the Mayor, who under the City's Charter is merely a Councilman and meeting Moderator, appears to be operating in a "Strong Mayor" form of government. The Mayor has, by his own admission, attempted to unilaterally put city employees on "probation," stated on behalf of the City that employees were "deemed... unfit" to be employed by the City, and used the official seal of the City to put a City-approved imprimatur on his individual opinions, which under the Charter have no more legal weight than any other Councilman.

Second, they are concerned that the resulting dysfunction at the Council level has led to inadequate controls and supervision amongst senior city managers, both by the Council and by the individual managers. They are concerned that the City Attorney is operating independent of the City Council and multiple additional mid-level managers are operating without appropriate oversight of senior managers or the City Council.

It has been reported that the Florida Department of Law Enforcement and the Federal Bureau of Investigation are actively investigating conduct that may have resulted from this lack of appropriate oversight, and it is not the purpose of this request to be duplicative of any criminal investigation. But criminal conduct, should it have occurred, can only exist in an environment of inadequate controls and oversight. It is not criminal to be a bad supervisor or to be a dysfunctional Council – but it can create an

**Committees and Subcommittees:**

Careers & Competition Subcommittee -- Health Quality Subcommittee -- Joint Legislative Auditing Committee  
Natural Resources & Public Lands Subcommittee -- PreK-12 Appropriations Subcommittee -- Public Integrity & Ethics Committee  
Vice Chairman, Brevard County Delegation



June 20, 2017

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environment where criminal activity can flourish. I am concerned that is what is occurring in Palm Bay.

As a new member of the JLAC, I was impressed by the level of thoroughness the Auditor General brought to the special audit of the city of Archer, a town of only approximately 1,000 residents. That Audit laid out many non-criminal failures of internal controls and provided a road map for that town to recover. I believe that Palm Bay requires a similar outside, top-to-bottom, review.

Cities in the State of Florida are the creation of the State, which has granted them Charters to operate. As our creation, we have an obligation to ensure that they are operating appropriately and protecting our constituents from out-of-control local governments. All indications are that Palm Bay is in crisis, and it is my hope that an independent, non-criminal audit can help them remedy these failings so they can administer their locality as designed by our Constitution and the Legislature.

I appreciate your support in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Randy Fine", with a stylized flourish at the end.

Representative Randy Fine

cc: Representative Daniel Raulerson, Vice Chair

## STAFF ANALYSIS

**Date:** October 27, 2017

**Subject:** Request for an Audit of the City of Palm Bay

Analyst                      Coordinator

White <sup>DW</sup>

DuBose <sup>KD</sup>

### I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Randy Fine to have the Committee direct the Auditor General to conduct a comprehensive and in-depth audit of the operational practices and managerial oversight of the City of Palm Bay.

### II. Present Situation:

#### Current Law

Joint Rule 4.5(2) provides that the Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in Section 11.45(2) or (3), *Florida Statutes*.

Section 11.45(3)(a), *Florida Statutes*, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

Section 11.45(2)(j), *Florida Statutes*, provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no later than 18 months after the release of the audit report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the previous audit report.

#### Request for an Audit of the City of Palm Bay

Representative Fine has requested the Committee to direct a comprehensive and in-depth audit of the operational practices and managerial oversight of the City of Palm Bay (City). He stated that he has received numerous calls from constituents in response to multiple media reports regarding two related issues: (1) "the City Council may not be acting in accordance with the City Charter;" and (2) "the

resulting dysfunction at the Council level has led to inadequate controls and supervision amongst senior city managers, both by the [City] Council and by the individual managers.”

### **Background**

The City of Palm Bay, Florida, was incorporated on January 1, 1960,<sup>1</sup> as a municipality, is located in Brevard County, and has an estimated population of 109,162.<sup>2</sup> The City is governed by a City Council composed of a Mayor and four City Council Members, each elected at-large for a four-year term.<sup>3</sup>

The City operates under a Council/Manager form of government,<sup>4</sup> and the City Council appoints the City Manager, who serves as the City’s Chief Executive Officer and is responsible for day-to-day administration and implementation of the policies established by the City Council. The City provides services to its residents, including general administrative, police and fire, public works, planning and zoning, permitting, parks and recreation, and water and sewer.<sup>5</sup>

### **Recent Concerns, Events, and Other Information**

#### Concerns

As previously mentioned, Representative Fine has received numerous calls from citizens of the City relating to:

- The City Council may not be acting in accordance with the City Charter. Specifically, there are concerns that “the Mayor, who under the City’s Charter is merely a Councilman and meeting Moderator, appears to be operating in a “Strong Mayor” form of government. The Mayor has, by his own admission, attempted to unilaterally put city employees on ‘probation,’ stated on behalf of the City that employees were ‘deemed...unfit’ to be employed by the City, and used the official seal of the City to put a City-approved imprimatur on his individual opinions, which under the Charter have no more legal weight than any other Councilman.”
- The resulting dysfunction at the Council level has led to inadequate controls and supervision amongst senior city managers, both by the City Council and the managers. There are also concerns that “the City Attorney is operating independently of the City Council and multiple additional mid-level managers are operating without appropriate oversight of senior managers or the City Council.”

In addition, Representative Fine stated that it has been reported that the Florida Department of Law Enforcement (FDLE) and the Federal Bureau of Investigation (FBI) are “actively investigating conduct that may have resulted from this lack of appropriate oversight, and it is not the purpose of this request to be duplicative of any criminal investigation. But criminal conduct, should it have occurred, can only exist in an environment of inadequate controls and oversight. It is not criminal to be a bad supervisor or

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<sup>1</sup> Note 1.A. to the Financial Statements, *City of Palm Bay Comprehensive Annual Financial Report for the Year Ended September 30, 2016*, page 40.

<sup>2</sup> University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population 2016*, page 5.

<sup>3</sup> *Letter of Transmittal, City of Palm Bay Comprehensive Annual Financial Report for the Year Ended September 30, 2016*, page ii.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

to be a dysfunctional Council – but it can create an environment where criminal activity can flourish.” He further stated that he is concerned this is what is occurring in the City.

He also referenced the audit of the City of Archer conducted by the Auditor General and stated that the audit “laid out many non-criminal failures of internal controls and provided a road map for that town to recover.” He further stated that he “believes that Palm Bay requires a similar outside, top-to-bottom review,” and “[a]ll indications are that Palm Bay is in crisis, and it is [his] hope that an independent, non-criminal audit can help them remedy these failings so they can administer their locality as designed by our Constitution and the Legislature.”

#### Investigations by FDLE and FBI

According to local news articles:

- May 2017:<sup>6</sup> FDLE confirmed that it was investigating several allegations related to activities inside City Hall, but would not confirm the investigation was related to the SHIP grant and/or Homes for Warriors, a City program funded by a SHIP grant and administered by City officials.

The City’s veterans affairs and business specialist was visited by a FDLE agent and a FBI agent in early May without warning, who asked questions related to the City’s Community Development Block Grant (CDBG) and State Housing Initiatives Partnership Program (SHIP) grant programs. See the *Financial Audit* section below for further information related to the CDBG and SHIP programs.

An FBI spokesperson stated that it was the agency’s policy to neither confirm nor deny if it is conducting an investigation.

- August 2017:<sup>7</sup> The City’s “handling of federal and state grants still is under investigation by the FBI and Florida Department of Law Enforcement.”
- September 2017:<sup>8</sup> “[O]ne of the deputy city managers just resigned under the cloud of an FBI and Florida Department of Law Enforcement investigation.”

If the Committee directs the Auditor General to conduct this audit, staff of the Auditor General will consult with the investigators to ensure that the audit fieldwork does not interfere with an ongoing investigation.

#### Events and Other Information

Since the spring of 2017, there have been numerous news articles regarding various issues and controversies at City Hall, including the following:

##### *Governance*

- The Mayor wrote an official letter to the City Manager in April 2017 stating, in part, that: (1) the City Manager misled the City Council relating to the raise they had just voted to give him, (2) the

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<sup>6</sup> Wayne T. Price and Rick Neale, *FDLE investigating ‘several allegations’ inside Palm Bay City Hall*, Florida Today, May 11, 2017/updated May 12, 2017.

<sup>7</sup> John McCarthy, *HUD: Palm Bay now compliant*, Florida Today, August 9, 2017.

<sup>8</sup> Wayne T. Price and Dave Berman, *Palm Bay wonders what’s next after series of political intrigue*, Florida Today, September 1, 2017.



Mayor had “no confidence in your [City Manager] ability to serve Palm Bay as our city manager,” and (3) the City Manager needed to tender his resignation.<sup>9</sup> The City Council then voted to request the Mayor to retract the letter and write an apology to the City Manager or they would seek an independent legal opinion to investigate whether the Mayor violated the City Charter or misused the City’s corporate seal by writing the letter seeking the resignation of the City Manager without the City Council’s approval.<sup>10</sup> In mid-May 2017, the City Council voted (three-member majority) to publicly censure the Mayor for how he handled the dispute with the City Manager in which he called for the City Manager’s resignation and have the letter removed from the City Manager’s personnel file.<sup>11</sup>

### Grants

- The Florida Housing Finance Corporation (FHFC) released a critical report in March 2017 demanding that the City account for how it spent tens of thousands of dollars through the *State Housing Initiatives Partnership Program* (SHIP) for the 2013-2015 years and explain why there was not proper supporting paperwork to justify recipients’ eligibility for the grant funds. SHIP provides grants to local governments to produce and preserve affordable home ownership and multi-family housing. The City’s “Homes for Warriors” program, a program to provide homes for disabled veterans who were wounded in combat, is funded by SHIP grants. The audit disclosed that the City “had not executed the proper mortgage documents in turning over the homes to the veterans nor had it verified that the veterans who received homes met all the qualifications for the program.” The City’s Growth Management Director, who was listed in the report as the City official responsible for overseeing the expenditure of the SHIP grant funds, resigned in April 2017.<sup>12</sup>
- In April 2017, the U.S. Department of Housing and Urban Development (HUD) cited the City for “non-compliance with timely expenditure requirements” for its *Community Development Block Grant* program (CDBG), a program designed to help low- to moderate-income residents. The City was required to forfeit “\$186,259 from its \$707,902 CDBG grant for the 2017 budget year” because it did not use the money in a timely fashion, HUD also notified the City that it was being designated as “a high-risk grantee” and would have contract conditions placed on the CDBG grant. The City had also received a letter from HUD in April 2016 regarding the City’s failure to submit an annual performance report, which was required to provide an accounting of how grant funds had been spent for a prior year. Some of the City’s problems with its HUD programs may be related to several allegedly forced changeovers in key personnel positions in the grant program areas.<sup>13</sup>

HUD officials told the City Attorney that the former Growth Management Director “knowingly submitted a false annual report on behalf of the city of Palm Bay representing the material contained therein to be true and accurate, knowing full well that representation was neither true nor accurate at the time it was made.” In addition, FHFC and HUD officials indicated that there was “gross mismanagement of the city’s state and federal grant funds, both receipts and expenditures, and at

<sup>9</sup> Dave Berman, *Palm Bay mayor seeks resignation of City Manager Lynk*, Florida Today, April 24, 2017.

<sup>10</sup> Rick Neale, *Palm Bay council wants retraction, apology from mayor*, Florida Today, April 24, 2017/updated April 25, 2017.

<sup>11</sup> Wayne T. Price, *Palm Bay City Council censures Mayor Capote*, Florida Today, May 18, 2017/updated May 24, 2017.

<sup>12</sup> Rick Neale, *Palm Bay’s growth director quits amid City Hall tumult*, Florida Today, April 25, 2017/updated April 26, 2017; and John McCarthy, Dave Berman and Wayne T. Price, *Palm Bay’s ‘Homes for Warriors’ program under state scrutiny*, Florida Today, May 4, 2017/updated May 5, 2017.

<sup>13</sup> Wayne T. Price, Dave Berman and Rick Neale, *HUD slams running of Palm Bay program*, Florida Today, May 4, 2017.

least one act of fraud, all by [the former Growth Management Director], meriting further investigation.”<sup>14</sup>

In response to these issues, in June the City hired a community development director, who has worked with City staff and HUD to get the City in compliance with federal regulations. In early August 2017, the City received two letters from HUD stating its concerns had been addressed and that the City will have to continue to provide documentation supporting its expenditures until December 2017.<sup>15</sup>

- In a May 2017 letter to City officials, a FHFC administrator stated that the City’s response to the March 2017 report “has been insufficient, and many of the items in the report remain outstanding” and instructed the City to conduct an independent audit and “return \$1.34 million in ‘unencumbered funds’ ...to be held until all compliance issues are resolved.” City staff had submitted “a disk containing several thousand documents, but they [were] not organized in a manner that FHFC [could] review them. In early June 2017, the City Council approved funds to pay for the audit, which will include “expenditure of resources received from FHFC and HUD.” The examination related to HUD funding, although not requested by HUD officials, was included to “clear the air.”<sup>16</sup>
- A “whistleblower” letter sent in May 2017 to the Mayor by the City official in charge of veterans’ programs alleged that: (1) “donations of material and money made to a nonprofit group helping wounded veterans were unaccounted for or misspent on food, dining and other items ‘not in alignment with the organization’s stated mission’;” and (2) the “figure at the center of the alleged abuses is [the] Palm Bay Deputy City Manager.” The nonprofit group<sup>17</sup> has been working with the City in a “troubled public-private partnership known as the Homes for Warriors program.” Related issues include the potentially inappropriate spending of donations on air conditioner repairs for a City Council member, the upcoming decision by the County Commission on its continued funding of this program, and the fact that one of the County Commissioners is married to the Deputy City Manager.<sup>18</sup> This County Commissioner stated that she plans to “stay out of any County Commission debate over continued county funding of [the veterans’] program,” which received \$40,000 from the county’s budget for the 2016-17 fiscal year.<sup>19</sup>
- A couple who received a “Homes for Warriors” house<sup>20</sup> in May 2016 listed it for sale,<sup>21</sup> a decision they stated was made “in the wake of investigations into the city’s handling of the grant program

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<sup>14</sup> Dave Berman and Wayne T. Price, *Palm Bay to consider probe of ex-official related to grants*, Florida Today, May 16, 2017/updated May 17, 2017.

<sup>15</sup> John McCarthy, *HUD: Palm Bay now compliant*, Florida Today, August 9, 2017.

<sup>16</sup> Rick Neale, *Forensic firm to review Palm Bay grant program expenditures*, Florida Today, June 2, 2017.

<sup>17</sup> In June 2017, this City-based veterans’ group decided to disband (Wayne T. Price, *Palm Bay veterans group disbanding after controversy*, Florida Today, June 5, 2017).

<sup>18</sup> Dave Berman, Rick Neale and Wayne T. Price, *Exclusive: Explosive allegations leveled by Palm Bay veterans chief*, Florida Today, May 17, 2017/updated May 24, 2017.

<sup>19</sup> Dave Berman and Wayne T. Price, *Palm Bay veterans’ chief fears loss of county funding*, Florida Today, May 19, 2017/updated May 24, 2017.

<sup>20</sup> Under the “Homes for Warriors” program, the veterans signed an interest-free mortgage, but no payments were required as long as the veterans remained in the homes. After 15 years, the mortgages would be forgiven. If the veterans sold or moved out of the homes, the full amount of the mortgages would have to be repaid to the City. However, the mortgages were only for \$50,000, regardless of the value of the homes or the amount the City spent to build them. The audit by FHFC, which looked at the program through 2014, highlighted the problem, and the City subsequently had four homeowners sign additional mortgages. However, the three homes built after 2014 were still covered by only single mortgages of \$50,000.

<sup>21</sup> The City spent \$154,584 building the couple’s 4-bedroom house. The house is listed for sale at \$200,000.

used to provide homes to families of disabled vets.” The City filed a lawsuit to block the sale or to at least ensure that the City recovered the money it spent building the home, stating that the couple would be “unjustly enriched if not required to pay the [City] the amount of money the [City] has invested in the purchase and construction of the property.” The lawsuit further alleged that the couple was “aware of the restriction that they live in the home for at least 15 years and should not be allowed to profit from a state program aimed at providing housing assistance to low- and moderate-income families” and stated that the “[C]ity would have to repay the state grant money used to build the house unless it was sold to a qualified buyer.”<sup>22</sup> In late August 2017, the house was sold for \$200,000, and the City reached a settlement with the couple, whereby the City recouped its investment in the property of \$154,584 and received payment for unpaid utility bills owed by the couple totaling \$1,291.95, and the couple received the remaining money from the sale of about \$44,124.<sup>23,24</sup>

- There are other issues surrounding the City’s “Homes for Warriors” program, funded by SHIP grants, including the forgiveness of a veteran’s HUD loan by the City after the veteran, a former business partner of the now Deputy City Manager, took possession of a “Homes for Warriors” home in 2014. The FBI has subpoenaed City records related to grant funds and loans from the City to the Deputy City Manager and the veteran and his wife related to a specific start-up business. The veteran stated that he has met with the FBI and FDLE to discuss the loan and his association with the Deputy City Manager.<sup>25</sup>
- Brevard County officials have criticized the City’s handling of another HUD-funded program, the HOME Investment Partnership Program and cited concerns about incomplete program records and unspent grant allocations for two consecutive years (2015 and 2016).<sup>26</sup>

#### *Waste management/garbage collection contracts*

- There are concerns relating to the City’s waste management/garbage collection contracts, including the contracting process and subsequent compliance with contract terms.

#### *Stormwater utility fees*

- Concerns have been expressed relating to the City’s use of the Stormwater Utility Fees charged to the City’s utility customers since October 2010 and whether such use complied with laws, ordinances, and other guidance governing such. In May and July 2017, the City Council voted to change the method for collecting Stormwater Utility Fees to a Stormwater Assessment Fee included on the tax bill and established the maximum rate of 14.76 per equivalent residential unit (ERU), respectively.<sup>27</sup> Per the City’s website, this increase from the previous ERU will support the necessary infrastructure, maintenance, and equipment needs to restore the health of the stormwater system.<sup>28</sup> It is reported that this new stormwater assessment system, meant to address long-neglected

<sup>22</sup> John McCarthy, “Homes for Warriors” house for sale, Florida Today, August 6, 2017/updated August 7, 2017.

<sup>23</sup> Wayne T. Price, *Palm Bay reaches settlement on Homes for Warriors property*, Florida Today, August 28, 2017/updated August 30, 2017.

<sup>24</sup> Several citizens commented to the news article, expressing concerns that the couple received the remaining sale proceeds although they did not fulfill the terms agreed to in the signed mortgage document (i.e., living in the house for 15 years).

<sup>25</sup> Wayne T. Price, *More questions about Homes for Warriors properties in Palm Bay*, Florida Today, August 7, 2017/updated August 8, 2017.

<sup>26</sup> Wayne T. Price, Dave Berman and Rick Neale, *HUD slams running of Palm Bay program*, Florida Today, May 4, 2017.

<sup>27</sup> City of Palm Bay, Florida – Stormwater Utility website:

[<http://www.palmbayflorida.org/government/departments/public-works/stormwater/stormwater-utility>].

<sup>28</sup> *Id.*

infrastructure problems in the City, will “in many cases pass along triple-digit increases to property owners.”<sup>29</sup>

*Payouts of accrued leave and severance pay*

- There are also concerns relating to payout of accrued leave and severance pay at the City and whether such is being done in compliance with laws, ordinances, and other guidance governing such.

### **Financial Audit**

The City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and has submitted the audit reports to the Auditor General’s Office in accordance with Section 218.39(1), *Florida Statutes*.<sup>30</sup> The most recent audit report submitted to the Auditor General is for the 2015-16 fiscal year and included the following audit findings:

- *Federal and State Grant Reports Were Not Submitted On Time In Compliance With Grant Requirements; CFDA<sup>31</sup> #14.218 - Community Development Block Grant (CDBG) and CSFA<sup>32</sup> #40.901 - State Housing Initiatives Partnership Program (SHIP) [material weakness<sup>33</sup>]:* The City is required to file quarterly HUD reports within 30 days after each quarter for the CDBG and an annual report by September 15 to the Florida Housing Finance Corporation each year for the SHIP grant. Because the City did not have an employee in charge of ensuring grant reports were completed and filed on time throughout the year, certain reports were: (1) filed with incorrect information for the CDBG grant, and (2) not timely filed or not filed at all for the CDBG and the SHIP grants, respectively. HUD suspended the City’s CDBG grant during 2016 until the required reports are submitted. The SHIP grant was also suspended in 2017. The auditors recommend that, in order to properly monitor grant projects and ensure all grant requirements are met, the City create a position directly responsible for overseeing the grant projects and/or utilize the consultant who was hired during the year to oversee other grants besides just the CDBG grant project.<sup>34</sup> [Note: This is a repeat finding from the FY 2014-15 audit report.]

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<sup>29</sup> Wayne T. Price, *Palm Bay approves stormwater fee increase, despite public outcry*, Florida Today, July 6, 2017/updated July 7, 2017.

<sup>30</sup> Pursuant to Section 218.39(7), *Florida Statutes*, these audits are required to be conducted in accordance with rules of the Auditor General promulgated pursuant to Section 11.45, Florida Statutes. The Auditor General has issued *Rules of the Auditor General, Chapter 10.550 - Local Governmental Entity Audits* and has adopted the auditing standards set forth in the publication entitled *Government Auditing Standards* (2011 Revision) as standards for auditing local governmental entities pursuant to Florida law.

<sup>31</sup> *Catalog of Federal Domestic Assistance*: a government-wide compendium of Federal programs, projects, services, and activities that provide assistance or benefits to the American public; contains financial and nonfinancial assistance programs administered by departments and establishments of the Federal government.

<sup>32</sup> *Catalog of State Financial Assistance*: a statewide compendium of Florida state projects that provide financial assistance to nonstate entities.

<sup>33</sup> Material Weakness: a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis: (a) a material misstatement of the entity’s financial statements, or (b) material noncompliance with a type of compliance requirement. For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

<sup>34</sup> *Section III – Federal Award and State Project Findings and Questioned Costs of the Schedule of Findings and Questioned Costs, City of Palm Bay Comprehensive Annual Financial Report for the Year Ended September 30, 2016*, pages 191.

- *Expenditure of SHIP Funds; CSFA #40.901 - State Housing Initiatives Partnership Program (SHIP) [material weakness]:* The City did not spend SHIP grant funds within the two-fiscal year timeframe as required by the grant terms because spending of the funds is not being tracked. The City had unspent SHIP grant funds, totaling \$560,000, still recorded in unearned revenue that were over two years old. The auditors recommend that the City inquire with the State if it is allowed to keep the funds and use them past the two-year allowed period or must remit the funds back to the State. Going forward, the City should carefully track which fiscal year funds are being spent since funds are received from the State in advance.<sup>35</sup>
- *Payroll Allocations; CFDA #14.218 - Community Development Block Grant (CDBG) and CSFA #40.901 - State Housing Initiatives Partnership Program (SHIP) [material weakness]:* Although required by grant terms, the City did not require employees to track their time worked per pay period by the applicable grant projects. Questioned costs total \$16,545. The auditors recommend that the City require employees that work on grants to track their hours on a timecard or in a similar format so that there is documentation for time worked on a grant for each pay period.<sup>36</sup>
- *Debarred and Excluded Vendors; CFDA #14.218 - Community Development Block Grant (CDBG) [significant deficiency]<sup>37</sup>:* Although required for any vendor that receives more than \$25,000 of grant money, for five of eight vendors the City did not properly run checks on SAM.gov for excluded and debarred vendors prior to contracting with the vendors. The SAM.gov checks were run after the fact, and no debarred vendors were noted. The SAM.gov check is a step during the regular RFP procurement process. However, the City passed an ordinance that exempts departments from this process, so the SAM.gov checks were not completed when the purchases were not obtained through the purchasing department. The auditors recommend that all departments be required to go through the procurement process.<sup>38</sup> [Note: This is a repeat finding from the FY 2012-13 audit report.]
- *Review of Reports; CFDA #20.219 - Recreation Trails Program [significant deficiency]:* The City is required to submit quarterly status reports on the Cross City Trails Project to the Florida Department of Environmental Protection. However, the City does not have a formal review process for such reports that requires evidence of review. The auditors recommend that the City establish and implement a formal review process of the reports.<sup>39</sup>
- *Wage Rate Requirements; CFDA #20.219 - Recreation Trails Program [significant deficiency]:* The City is required to comply with the Wage Rate Requirements as established by the U.S. Department of Labor when it pays a contractor for construction with federal grant funds. Audit testing disclosed that one of the two contractors for the Cross City Trails Project was not submitting weekly certified payroll reports. Questioned costs total \$12,450. The auditors recommend that, in order to properly monitor grant projects and ensure that all grant requirements are met, the City create a position directly responsible for overseeing the grant projects and/or utilize the consultant who was hired during the year to oversee other grants besides just the CDBG grant project.<sup>40</sup>

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<sup>35</sup> *Id.*, page 192.

<sup>36</sup> *Id.*, pages 192-193.

<sup>37</sup> Significant Deficiency: less severe than a material weakness, yet important enough to merit attention by those charged with governance.

<sup>38</sup> Section III – Federal Award and State Project Findings and Questioned Costs of the Schedule of Findings and Questioned Costs, City of Palm Bay Comprehensive Annual Financial Report for the Year Ended September 30, 2016, pages 193-194.

<sup>39</sup> *Id.*, pages 194-195.

<sup>40</sup> *Id.*, page 195.

- *Retention of Grant Documents; CSFA #40.901 - State Housing Initiatives Partnership Program (SHIP) [significant deficiency]:* The City did not maintain a copy of the SHIP grant documents, such as notifications of awards, or any additional communication from the grantor, as required. The auditors recommend that the City develop a process to ensure that all grant documents related to federal awards are properly retained and maintained on file.<sup>41</sup>
- *Housing Limits; CSFA #40.901 - State Housing Initiatives Partnership Program (SHIP) [significant deficiency]:* The SHIP grant requires that the City create and follow a local housing assistance plan. Three of 14 properties chosen for audit testing received funding in excess of the limits outlined in the City's local housing assistance plan at the time the funds were disbursed. The auditors recommend that the City develop a process to ensure that all projects completed on properties are within the limits set forth in the City's local housing assistance plan.<sup>42</sup>
- *Liens; CSFA #40.901 - State Housing Initiatives Partnership Program (SHIP) [significant deficiency]:* The City does not have a process in place to ensure that liens were filed for all properties that received funding in the correct amounts. Audit tests disclosed that one property that received funds had a lien filed with the County for less than the total amount of assistance, and the City did not file another lien to increase the amount for additional assistance until the State notified it regarding such. The auditors recommend that the City develop a process to ensure that all properties have a lien filed with the County.<sup>43</sup>
- *Building Fund Advances:* The City's building fund has three advances outstanding to one nonmajor governmental fund [\$609,000], one internal service fund [\$248,023], and the General Fund [\$502,961], and there are no agreements or terms governing the advances. The auditors recommend that agreements be created with terms that specify how and when the advances are to be repaid.<sup>44</sup>
- *Purchasing:* Code of Federal Regulations (CFR) 200.320 will require for small purchases (purchases in between the micro purchase threshold and the simplified acquisition threshold) that management obtain price quotes. For items procured with grant money less than the micro purchase threshold, purchases, to the extent practical, are required to be distributed among qualified suppliers. Currently there is an ordinance that allows certain purchases to be approved by the City Manager and bypass the purchasing department. The auditors recommend that all small purchases made with grant funds be processed through the purchasing department. In addition, micro purchases should be tracked and periodically monitored by the purchasing department to ensure diversity among qualified suppliers.<sup>45</sup>

*Summary of Certain Financial Information Included in the City's Audit Report:*

- "The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$129.2 million (net positon)."<sup>46</sup>

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<sup>41</sup> *Id.*, page 196.

<sup>42</sup> *Id.*, pages 196-197.

<sup>43</sup> *Id.*, page 197.

<sup>44</sup> *Independent Auditor's Management Letter, City of Palm Bay Comprehensive Annual Financial Report for the Year Ended September 30, 2016*, page 205.

<sup>45</sup> *Independent Auditor's Management Letter, City of Palm Bay Comprehensive Annual Financial Report for the Year Ended September 30, 2016*, pages 205-206.

<sup>46</sup> *Management's Discussion and Analysis; City of Palm Bay Comprehensive Annual Financial Report for the Year Ended September 30, 2016*, page 4.

- “Governmental activities increased the City’s net position by \$10.4 million, and revenues from governmental activities increased by \$14.9 million or 23.2%. A key element of this change is capital grants and contributions increased by \$11.4 million primarily due to capital assets conveyed by Brevard County.”<sup>47</sup>
- “The City’s business-type activities reported total net position of \$96.4 million, which is an increase of \$6.2 million or 6.9% in comparison to the prior year. Approximately 11% of the total, or \$11.1 million, is *unrestricted*.”<sup>48</sup> The business-type activities include the Utilities Fund, Solid Waste Fund, Stormwater Utility Fund, and Building Inspections Fund.<sup>49</sup> Key elements of the increase are increases in charges for service revenue for utilities funds and capital contributions from water and sewer and main-line connections.<sup>50</sup>
- “At September 30, 2016, the City’s governmental funds reported combined ending fund balances of \$21.6 million, as compared to \$25 million as of September 30, 2015.”<sup>51</sup>
- “At September 30, 2016, the City’s General Fund reported an *unassigned* balance of \$8.9 million or 13.0% of the total 2016 General Fund expenditures and transfers out.”<sup>52</sup>
- The ad valorem tax rate for the General Fund was decreased from 8.6326 mills in the prior fiscal year to 8.5 mills in the 2015-16 fiscal year.<sup>53</sup>
- “At the end of fiscal year 2016, the City had total long-term liabilities of \$149.7 million. Of this amount \$86.8 million is secured solely by specified revenue sources (i.e., revenue bonds).”<sup>54</sup>

### **Other Considerations**

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(g), *Florida Statutes*, and take steps to avoid duplicating the work efforts of other audits being performed of the City’s operations, such as the annual financial audit and grant-related audits and reviews conducted by federal and state grantor agencies. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management’s performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45 (2)(j), *Florida Statutes*, the Auditor General will be required to conduct an 18-month follow-up audit to determine the City’s progress in addressing the findings and recommendations contained within the previous audit report.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the City’s governance and also to appropriate law enforcement authorities. Audit reports released by the Auditor General are routinely filed with law enforcement authorities. Implementation of corrective action to address any audit findings is the responsibility of the City’s governing board and management, as well as the citizens living within the boundaries of the City. Alternately, any audit findings that are not corrected after three successive audits are required to be reported to the Committee by the Auditor General, and a process is provided in Section 218.39(8), *Florida Statutes*, for the Committee’s involvement. First, the City may be required

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<sup>47</sup> *Id.*, page 9.

<sup>48</sup> *Id.*, page 4.

<sup>49</sup> *Id.*, page 8.

<sup>50</sup> *Id.*, page 12.

<sup>51</sup> *Id.*, page 4.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*, page 19.

<sup>54</sup> *Id.*, page 18.

to provide a written statement explaining why corrective action has not been taken and to provide details of any corrective action that is anticipated. If the statement is not determined to be sufficient, the Committee may request the Chair of the City Council to appear before the Committee. Ultimately, if it is determined that there is no justifiable reason for not taking corrective action, the Committee may direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to the City until the City complies with the law.

### **III. Effect of Proposed Request and Committee Staff Recommendation**

If the Committee directs the Auditor General to perform an operational audit of the City of Palm Bay, the Auditor General, pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Representative Fine as included in his request letter and herein are considered.

### **IV. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the Committee directs the audit, the Auditor General will absorb the audit costs within her approved operating budget.

### **V. Related Issues:**

None.

This staff analysis does not reflect the intent or official position of the requestor.
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## THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

### COMMITTEES:

Military and Veterans Affairs, Space, and  
Domestic Security, *Vice Chair*  
Appropriations Subcommittee on General Government  
Appropriations Subcommittee on Pre-K - 12 Education  
Children, Families, and Elder Affairs  
Communications, Energy, and Public Utilities

### JOINT COMMITTEE:

Joint Committee on Public Counsel Oversight,  
*Alternating Chair*

### SENATOR DOUG BROXSON

1st District

June 27, 2017

Senator Debbie Mayfield, Chair  
Joint Legislative Auditing Committee  
324 Senate Office Building  
404 South Monroe Street  
Tallahassee, FL 32399-1100

Dear Chairman Mayfield:

I would like to request the Auditor General conduct an audit of the City of Gulf Breeze and would ask that this issue be included on the next meeting of the Joint Legislative Auditing Committee's agenda. Following the City's purchase of Tiger Point Country Club, I received over 400 petitions from my constituents requesting an audit be conducted of the City's operations and finances. I believe that I am honor bound to represent these citizens in addressing this issue and the spirit of transparency that is the standard for government in Florida.

Thank you and please let me know if there is any additional information you may need.

Best Regards,

A handwritten signature in black ink, appearing to read "Doug Broxson".

Doug Broxson  
State Senator

#### REPLY TO:

- 418 West Garden Street, 4th Floor, Room 403, Pensacola, Florida 32502-4731 (850) 595-1036
- 311 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5001

Senate's Website: [www.flsenate.gov](http://www.flsenate.gov)

**JOE NEGRON**  
President of the Senate

**ANITERE FLORES**  
President Pro Tempore

## STAFF ANALYSIS

**Date:** October 27, 2017

**Subject:** Request for an Audit of the City of Gulf Breeze

Analyst

Coordinator

White <sup>DW</sup>

DuBose <sup>KD</sup>

### I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Senator Doug Broxson to have the Committee direct the Auditor General to conduct an audit of the City of Gulf Breeze.

### II. Present Situation:

#### Current Law

Joint Rule 4.5(2) provides that the Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in Section 11.45(2) or (3), *Florida Statutes*.

Section 11.45(3)(a), *Florida Statutes*, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

Section 11.45(2)(j), *Florida Statutes*, provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no later than 18 months after the release of the audit report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the previous audit report.

#### Request for an Audit of the City of Gulf Breeze

Senator Broxson has requested the Committee to direct an audit of the City of Gulf Breeze (City). He stated that last year, following the City's purchase of Tiger Point Country Club, he received over 400 petitions from constituents requesting an audit be conducted of the City's operations and finances. The statement at the top of the petitions from the citizens stated that, by signing the petition, the citizens were supporting the request to the State Legislative to conduct an audit of the financial records of the City and the South Santa Rosa Utilities System to determine the legality of charging certain rate payers more than other rate payers for the same services provided.

## **Background**

### **City**

The City of Gulf Breeze, Florida, was chartered as a municipality by Special Act of the Florida Legislature on May 1, 1961, under Chapter 61.2207, *Laws of Florida*. On August 10, 1961, the residents voted to adopt the charter and elected the first City officials.<sup>1</sup> The City is located in Santa Rosa County in the western panhandle of the state, and has an estimated population of 5,818.<sup>2</sup> The City is governed by a four-member City Council and a Mayor, each elected at-large for a four-year term.<sup>3</sup>

As authorized by the City charter, the City provides the following services: public safety (police, fire, and inspection), highways and streets, water and sewer, natural gas, sanitation, stormwater drainage, culture and recreation, public improvements, planning and zoning, and general administrative services.<sup>4</sup> The City owns and operates the South Santa Rosa Utility System (SSRUS). The SSRUS currently has a nine-member Board of Directors, which includes the City Mayor, as a permanent member. The City Mayor appoints one City Council member to serve on the Board; the other Board members are appointed by the City Council.<sup>5</sup>

### **South Santa Rosa Utilities System**

The South Santa Rosa Utility System (SSRUS) provides water and sewer service for residents east of the City of Gulf Breeze to Midway and sewage disposal for City residents.<sup>6</sup> It was originally founded in 1958 as a private utility (Santa Rosa Shores Utilities, Inc.) by a local businessman, and the City purchased the utility in 1989 and assumed full management of the utility in 1996. According to the City's website, the SSRUS "consists today of 4,128 water customers, and 4,521 sewer customers. The wastewater treatment facility has a 2.0 MGD<sup>7</sup> capacity and has extended its service to include reuse water being supplied to both residential and commercial customers."<sup>8</sup>

During the 2012-13 fiscal year, the City was "approached with an offer to acquire the Tiger Point Golf Course properties consisting of approximately 308 acres designed for two courses, 36 holes, of which 27 were operating, located outside the City limits. The Tiger Point property is immediately adjacent to the City's waste water treatment facility and the golf course is the most important means of reintroducing the treated water from the treatment plant back into the local aquifer through the golf course's irrigation system, which was permitted for 1.3 million gallons per day. Permanent closure of the golf course might

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<sup>1</sup> Note 1 to the Financial Statements, *City of Gulf Breeze Comprehensive Annual Financial Report for the Year Ended September 30, 2015*, page 36.

<sup>2</sup> University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population 2016*, page 16.

<sup>3</sup> Note 1.A. to the Financial Statements, *City of Gulf Breeze Comprehensive Annual Financial Report for the Year Ended September 30, 2015*, page 36.

<sup>4</sup> Note 1 to the Financial Statements, *City of Gulf Breeze Comprehensive Annual Financial Report for the Year Ended September 30, 2015*, page 36.

<sup>5</sup> Sections 19-350 and 19-351, *Gulf Breeze, Florida - Code of Ordinances*.

<sup>6</sup> Note 1.D. to the Financial Statements, *City of Gulf Breeze Comprehensive Annual Financial Report for the Year Ended September 30, 2015*, page 41.

<sup>7</sup> "Flow" is the actual amount of water flowing by a particular point over some specified time. In most cases, flow is reported in terms of millions of gallons per day. This unit of measurement is abbreviated as "MGD." (Source: Florida Department of Environmental Protection – webpage "Capacity" versus "Flow" ([http://www.dep.state.fl.us/water/wastewater/dom/cap\\_flow.htm](http://www.dep.state.fl.us/water/wastewater/dom/cap_flow.htm)))

<sup>8</sup> City of Gulf Breeze website (<http://cityofgulfbreeze.us>) – Departments tab. South Santa Rosa Utilities System webpage

have required the treatment plant to find or acquire properties to accept equivalent volumes of treated water. Further, the City's utility department had been anticipating the need to expand treatment capacity for over a decade, but without the ability to expand in its current location, a site had been procured and permitted slightly less than nine miles east of its current location. Engineering estimates indicated that a building the required treatment capacity at the new site would require between \$20 and \$25 million in capital to develop. Analysis of the potential to expand capacity at the current location using a small portion of the Tiger Point property indicated that expanding to facilitate that same capacity would require an estimated \$10 to \$15 million to accomplish comparable treatment capacity. Staff recommend that the City Council consider the acquisition based on the following:

- Potential savings to utility ratepayers expanding existing treatment and irrigation capacity;
- Better coordination with and avoiding the loss of the primary treated water user; and,
- Support of a core element of the Tiger Point area property values.<sup>9</sup>

### **Recent Concerns and Events**

As previously mentioned, Senator Broxson has been receiving petitions over a period of time from citizens of the City of Gulf Breeze and unincorporated Santa Rosa County related to the City and its operation of the South Santa Rosa Utilities System. The citizens' concerns communicated to Senator Broxson include the following:

- The City's purchase of the Tiger Point Golf Course property, located outside the City's jurisdiction and which was having financial issues at the time, and the unfulfilled items promised to both the citizens and the Santa Rosa County Board of County Commissioners in order to receive Board approval of conditional use allowing the expansion of a wastewater treatment facility on the property. The items included landscaping projects and reopening the west 18-hole golf course, which has fallen into disrepair. No conditional stipulations regarding these items were agreed to at the time.<sup>10</sup>
- The charging of certain SSRUS rate payers more than other SSRUS rate payers for the same services provided.
- Noncompliance with Environmental Protection Agency (EPA) standards and EPA disposal agreements on the use of Effluent water disposal spray on all 36 (functioning) holes of the Tiger Point Golf Course. Specifically, that the SSRUS not equally distributing the Effluent waste water over all 36 holes is causing heavy overspray on the areas surrounding the sewer treatment facility and the surrounding homes on Tiger Point Golf Course, which can have health concerns from the impacted ground water.

### **Financial Audit**

In accordance with Section 218.39(1), *Florida Statutes*, the City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and has timely submitted the audit reports to the Auditor General's Office as required. Pursuant to Section 218.39(7), *Florida Statutes*, these audits are required to be conducted in accordance with rules of the Auditor General promulgated pursuant to Section 11.45, *Florida Statutes*. The Auditor General has issued *Rules of the Auditor General, Chapter 10.550 - Local Governmental Entity Audits* and has adopted the auditing

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<sup>9</sup> Letter of Transmittal; City of Gulf Breeze, Florida; Comprehensive Annual Financial Report, For the Year Ended September 30, 2015, xii.

<sup>10</sup> Pensacola News Journal, 6/17/2015 (online).

standards set forth in the publication entitled *Government Auditing Standards* (2011 Revision) as standards for auditing local governmental entities pursuant to Florida law. The most recent audit report submitted to the Auditor General is for the 2014-15 fiscal year and included the following:

*Summary of Certain Financial Information Included in the City's Audit Report:*

- “The assets and deferred outflows of the City of Gulf Breeze exceeded its liabilities and deferred inflows by \$41,219,531 (net position). Of this amount \$13,223,502 may be used to meet the City’s ongoing obligations to citizens and creditors.”<sup>11</sup>
  - “The City’s total net position decreased by \$2,916,399 or 6.6%. The governmental net position decreased by \$998,351 or 5.3% and the business-type net position decreased by \$1,918,048 or 7.7%. During fiscal year 2015, the City continued with several major projects to: 1) recover from flood damage resulting from a 24 inch deluge of rain within a 12 hour period on April 30, 2014; 2) upgrade utility meter systems; and, 3) repair and upgrade facilities at the Tiger Point golf course (acquired in fiscal year 2013). These are reflected as small decreases in total current and capital assets resulting from the use of reserves to fund the excess of expenditures over revenues for the year and scheduled principal payments resulting in reduction of long term debt.”<sup>12</sup>
  - “The City’s governmental funds reported combined ending fund balances of \$8,504,706, a decrease of \$64,805 or 0.8%. Of the total ending unassigned fund balance, \$6,162,112 the equivalent of 80.7% of total General Fund expenditures, is available for spending at the City’s discretion (unassigned fund balance).”<sup>13</sup>
  - At fiscal year-end, the City had total bonded debt and outstanding loans of \$24,732,062.<sup>14</sup>
- Business-Type Activities:
- “South Santa Rosa Utility (SSRU) experienced \$191,389 or 3.7% increase in revenues due to a 4% price increase in base fees and a 9% increase in usage rates which offset a decline in water and sewer volume. A \$27,621 increase in operating expenses (excluding depreciation) relates primarily to increased professional fees and contract service costs.”<sup>15</sup>
  - As previously noted under the heading ***Background - South Santa Rosa Utility System***, “[e]arly in fiscal 2013, the City was presented with an opportunity to acquire the assets of the Tiger Point Golf Course which is adjacent to the SSRU treatment plant. The utility depends on irrigation of the golf course for disposal of a great deal of effluent. Acquisition of the property allowed planning for expansion of the treatment plant in its current location, rather requiring relocation of the facility. As a result, Golf Course operations are reported as operating revenues and expenses within the SSRU fund.”<sup>16</sup>

*Audit Findings:*

- There were no audit findings that related to the areas of concern in this request in the annual financial audit reports for either the 2014-15 or 2013-14 fiscal years.
- The 2014-15 fiscal year financial audit report included two current year audit findings related to: (1) *Financial Reporting* (repeated from the prior year although the condition had improved), and (2) *Bank Reconciliations*. There were also two prior year audit findings that had been corrected by

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<sup>11</sup> *Management’s Discussion and Analysis; City of Gulf Breeze, Florida; Comprehensive Annual Financial Report, For the Year Ended September 30, 2015, 5.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*, p. 16.

<sup>15</sup> *Id.* p. 13.

<sup>16</sup> *Id.*

management and were not repeated; they related to *Fraud Prevention and Detection Program* and *Utility Accounts Receivable*.

### **Other Considerations**

The Auditor General, if directed by the Committee, will conduct an operational audit and take steps to avoid duplicating the work efforts of other audits being performed of the City's operations. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management's performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45 (2)(j), *Florida Statutes*, the Auditor General will be required to conduct an 18-month follow-up audit to determine the City's progress in addressing the findings and recommendations contained within the previous audit.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the City's governance and also to appropriate law enforcement authorities. Audit reports released by the Auditor General are routinely filed with law enforcement authorities. Implementation of corrective action to address any audit findings is the responsibility of the City's governing board and management, as well as the citizens living within the boundaries of the City. Alternately, any audit findings that are not corrected after three successive audits are required to be reported to the Committee by the Auditor General, and a process is provided in Section 218.39(8), *Florida Statutes*, for the Committee's involvement. First, the City may be required to provide a written statement explaining why corrective action has not been taken and to provide details of any corrective action that is anticipated. If the statement is not determined to be sufficient, the Committee may request the Chair of the City Council to appear before the Committee. Ultimately, if it is determined that there is no justifiable reason for not taking corrective action, the Committee may direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to the City until the City complies with the law.

### **III. Effect of Proposed Request and Committee Staff Recommendation**

If the Committee directs the Auditor General to perform an audit, the audit should be an operational audit, as defined in Section 11.45(1)(g), *Florida Statutes*, of the City of Gulf Breeze. Pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, the Auditor General shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Senator Broxson are considered.

### **IV. Economic Impact and Fiscal Note:**

#### A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the Committee directs the audit, the Auditor General will absorb the audit costs within her approved operating budget.

**V. Related Issues:**

None.

This staff analysis does not reflect the intent or official position of the requestor.
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**3 Florida Development  
Finance Corporation ( FDFC)**



# Florida Development Finance Corporation Has Recently Taken Steps to Improve Accountability

A presentation to the Joint Legislative Auditing Committee

Alex Regalado  
Chief Legislative Analyst

November 16, 2017

*oppaga* | THE FLORIDA LEGISLATURE'S OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

## Research Questions

1. How does the FDFC operate as a conduit bond issuer?
2. What mechanisms are in place to protect taxpayers and investors?
3. How does the FDFC use industry best practices when issuing debt?
4. How is the FDFC unique from other conduit bond issuers?
5. What do bond project participants think about their experiences with the FDFC?

# Background

## Overview

- ▶ The Florida Development Finance Corporation (FDFC) is a statewide development financing authority created by the Florida Legislature in 1993
- ▶ Primary purpose is to assist businesses with financing capital projects that promote economic development
- ▶ FDFC is governed by a five member board appointed by the Governor and confirmed by the Senate for four year terms

## Activities

- ▶ Traditional Revenue Bonds
  - FDFC is a conduit bond issuer; it issues bonds on behalf of borrowers
  - FDFC has authority to issue tax-exempt or taxable municipal bonds
  - Bonds can finance projects that further public purposes for a range of organizations
- ▶ Property Assessed Clean Energy bonds
  - Bonds for financing energy conservation home improvements; no bonds issued yet

## FDFC Issued Bonds for 80 Projects Totaling \$1.5 Billion Between Fiscal Years 1996-97 and 2016-17

- ▶ FDFC issued \$932.8 million (64%) of this amount in the last five years
- ▶ Projects involved 117 bond transactions with 98 different borrowers
  - 64% involved tax-exempt bonds only and one-third were both tax-exempt and taxable
  - 86% involved non-rated bonds

## Charter Schools Received the Majority of FDFC Bond Funds from Fiscal Years 1996-97 to 2016-17

Use	Number of Projects	Total Issuance
Charter School	23	\$759,318,500
Health Care	3	208,645,000
Manufacturing	35	186,080,499
Senior Living Facility	5	147,600,000
Private School	7	78,577,130
Radio Station	3	33,450,000
Solid Waste	1	32,500,000
College	1	1,800,000
Day Care	1	1,955,000
Multiple Uses	1	4,970,000
<b>Total</b>	<b>80</b>	<b>\$1,454,896,129</b>

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## Almost Half of FDFC Bond Funds Issued Involved Projects Located in Multiple Counties

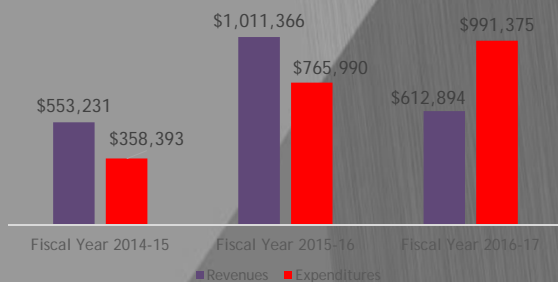
County	Number of Projects	Total Issuance
<b>Multiple</b>	<b>28</b>	<b>\$714,820,000</b>
Duval	3	\$208,645,000
Osceola	2	\$94,750,000
Miami-Dade	4	\$92,835,000
Hillsborough	6	\$76,715,000
Sarasota	5	\$41,706,499
Brevard	6	\$35,570,000
Lee	2	\$31,550,000
Pasco	2	\$30,275,000
Seminole	4	\$30,175,000
Martin	3	\$23,934,000
Okeechobee	1	\$18,750,000
St. Lucie	2	\$15,200,000
Orange	3	\$14,843,500
Lake	3	\$12,300,000
Marion	2	\$5,100,000
Manatee	1	\$3,250,000
Volusia	1	\$2,700,000
Pinellas	1	\$1,200,000
Broward	1	\$577,130
<b>Total</b>	<b>80</b>	<b>\$1,454,896,129</b>

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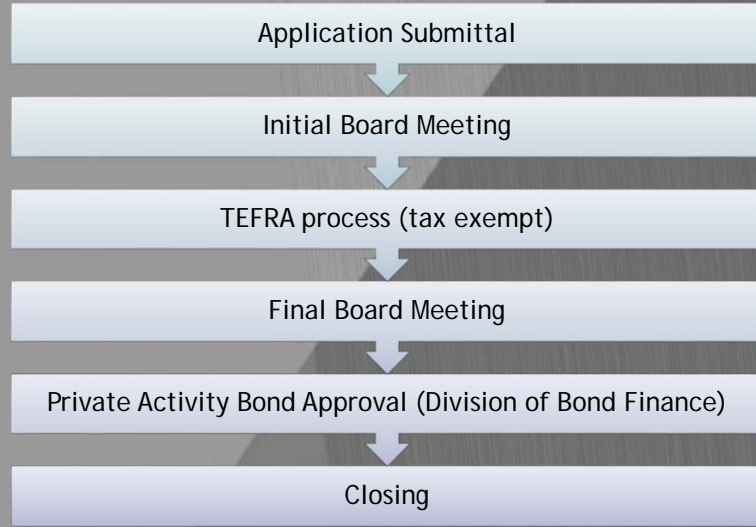
## Revenues and Expenditures

- FDFC does not receive state funds and is funded from bond issuance fees
- FDFC's expenses include salaries and benefits for staff and professional fees for contractors
- FDFC revenues have fluctuated, while expenses have increased over the last three fiscal years



**How does the FDFC operate as a conduit bond issuer?**

## FDFC Bond Issuance Process Involves Multiple Steps



**What mechanisms are in place to protect taxpayers and investors?**

## FDFC Policies Protect the State from Default and Investors from Risks of Non-rated Bonds

- ▶ All bonds issued by FDFC are payable solely from the revenues and assets or security provided by the borrowers
- ▶ Defaults are rare in the FDFC’s history: 2.6% of all transactions
- ▶ Non-rated bonds are only sold to Qualified Institutional Buyers or Accredited Investors; FDFC confirms the identity of these investors
- ▶ FDFC added a requirement for borrowers and underwriters to verify documents are factual and complete

## 2017 Changes to FDFC Policies Further Reduce Investor Risk

- ▶ FDFC increased minimum denominations for non-rated bonds, particularly with traveling investor letter

Sales Restriction	Former Policy (July 16, 2014)	New Policy (May 3, 2017)
Limited offering or public offering to be sold only to Qualified Institutional Buyers	None	\$100,000 with a traveling investor letter; or \$250,000
Limited offering or public offering to be sold to Qualified Institutional Buyer and Accredited Investors	\$25,000 with a traveling investor letter; or \$100,000	< \$10,000,000 (Par Amount): \$250,000 ≥\$10,000,000 (Par Amount): \$500,000



## Other State and Federal Entities Provide Additional Safeguards for Investors

- ▶ Florida Division of Bond Finance - Requests additional documentation from FDFC to ensure adequate credit analysis and financial due diligence
  - Project summary
  - Authorizing bond resolution
  - 3 years of financial statements from the borrower
  - Cost of issuance breakdown
  - Feasibility study
- ▶ Internal Revenue Service - Enforces tax-exempt bond provisions
- ▶ Securities and Exchange Commission - Regulates sale of securities and activities of municipal securities professionals

**How does the FDFC use industry best practices when issuing debt?**

## FDFC Reports Adhering to Some Best Practices for Bond Issuance

- ▶ Florida Law does not require FDFC to follow any specified best practices
- ▶ Sources of best practices
  - Council of Development Finance Agencies
  - Government Finance Officers Association

Best practices that FDFC employs

- ✓ Public access to program materials
- ✓ Annual reports
- ✓ **New:** Requiring a municipal advisor for all transactions
- ✓ **New:** Competitive selection of bond professionals

## However, FDFC Could Further Their Adherence to Industry Best Practices for Oversight and Marketing

- ▶ FDFC does not report on the economic effects of projects funded, despite its statutory charge of facilitating projects that promote economic development
- ▶ FDFC does not conduct an active outreach program to market its services statewide in an effort to attract projects that would stimulate economic development

## How is the FDFC unique from other conduit bond issuers?

### FDFC's Scope Is Unlike Most Other Conduit Bond Issuers

- ▶ FDFC is authorized to issue tax exempt or taxable bonds in multiple counties of the state where they have an interlocal agreement
  - FDFC currently has 41 agreements with 35 counties, 5 cities, and 1 town
- ▶ Only one similar Florida entity exists; differs on fee structure
- ▶ Some entities can only issue bonds in a limited geographic area
- ▶ Other entities can issue statewide, but only for specific purposes

## What do bond project participants think about their experiences with the FDFC?

### Bond Process Participants Generally Pleased With Past Experience, but Expressed Concerns

- ▶ Borrowers, underwriters, and trustees for projects within the last three fiscal years were generally satisfied with their FDFC experience
  - Bond issuance process is fast
  - Staff are responsive
  - Costs less
- ▶ These participants also expressed concerns
  - Not having an interlocal agreement slows projects down and increases the likelihood of not achieving project goals
  - Traveling investor letter will discourage investors

## Options for Legislative Consideration

To further improve FDFC's adherence to best practices for oversight and marketing, the Legislature consider directing the FDFC to take two actions

- ▶ Annually report on the effects of funded projects - Would help the Legislature assess the economic benefits of FDFC projects
- ▶ Conduct more active statewide outreach - Would help FDFC establish more interlocal agreements and expand the types of economic development projects

QUESTIONS

# Contact Information

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LEGISLATURE'S  
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## Florida Development Finance Corporation Has Recently Taken Steps to Improve Accountability

November 15, 2017

### **Summary**

As directed by the Legislature, OPPAGA reviewed the revenue bond issuance function of the Florida Development Finance Corporation (FDFC) and answered five questions.

1. How does the FDFC operate as a conduit bond issuer?
2. What mechanisms are in place to protect taxpayers and investors?
3. How does the FDFC use industry best practices when issuing debt?
4. How is the FDFC unique from other conduit bond issuers
5. What do bond project participants think about their experiences with the FDFC?

### **Background**

The Florida Development Finance Corporation is a statewide development financing authority created by the Legislature in 1993.<sup>1</sup> The corporation's purpose is to assist for-profit and not-for-profit businesses with financing capital projects that promote economic development.<sup>2</sup> The corporation has the power to function within the corporate limits of any public agency including local governments with which it enters into an inter-local agreement. FDFC has established 41 agreements with 35 counties, 5 cities, and 1 town.

FDFC is governed by a five-member board appointed by the Governor and confirmed by the Senate for four-year terms. State law requires that at least three members are bankers and one member is an economic development specialist.<sup>3</sup> An executive director oversees the daily operations of the FDFC.

FDFC offers traditional revenue bonds and bonds for an energy conservation program. FDFC is a conduit bond issuer, meaning it issues bonds on behalf of borrowers. In this capacity, the FDFC has been granted authority by the Legislature to issue municipal bonds, either tax-exempt or taxable revenue bonds.<sup>4,5</sup> These bonds can provide financing for projects that further public purposes and are issued on behalf of a range of organizations, including charter schools, small manufacturers, and health care facilities. Tax-exempt bonds have advantages because they tend to have a lower interest rate than bank loans or taxable fixed-income securities such as corporate bonds. Moreover, investors benefit by not paying income taxes on interest payments. FDFC may issue tax-exempt bonds providing that the corporation meets certain requirements, including public notice and hearings required under federal Tax Equity and Fiscal Responsibility Act (TEFRA).

<sup>1</sup> Chapter 288 Part X, *F.S.* The corporation was created as a "public body corporate and politic" meaning that it is a legal entity or corporation with a public function.

<sup>2</sup> Section 288.9605 (2) (f), *F.S.*

<sup>3</sup> Section 288.9604 (2), *F.S.*

<sup>4</sup> Municipal bonds are debt securities issued by states, cities, counties, and other governmental entities to finance capital projects such as building schools or sewer systems.

<sup>5</sup> Tax-exempt bonds issued under this act means the interest from the bond is exempt from federal income taxes as well as most state taxes. Section 288.9606 (2), *F.S.*

Bonds issued by the FDFC are typically sold through a private placement process or through a negotiated sale following a public offering.<sup>6</sup>

The corporation also has responsibilities under the Property Assessed Clean Energy (PACE) program created by the 2010 Legislature. The program allows property owners to place a voluntary non-ad valorem special assessment on their property. A property owner can use the equity accrued over time as an extension of credit for financing home improvements pertaining to energy conservation. FDFC’s role in the program includes overseeing PACE providers as well as structuring and creating revenue bonds.<sup>7</sup> Since FDFC has not issued any bonds for the PACE program, our review focused only on the corporation’s issuance of traditional revenue bonds.

The corporation issued bonds for 80 projects totaling \$1.5 billion between Fiscal Years 1996-97 and 2016-17. Of the \$1.5 billion in bonds issued, \$932.8 million (64.1%) occurred in the last five fiscal years. A project can have multiple bond transactions involving different borrowers, locations, dollar amounts, and tax conditions (i.e., tax-exempt or taxable). The 80 projects involved 117 bond transactions with 98 different borrowers.

A majority of projects (63.8%) involved only tax-exempt bonds. Almost one-third of projects had a combination of tax-exempt and taxable bonds. In those projects, the majority of the bond funds were tax exempt. Four projects had only taxable bonds. Moreover, most FDFC projects involved issuances of non-rated bonds. Of the 80 FDFC projects, 69 (86.3%) had bonds issued that were not rated by rating firms evaluating credit worthiness.

The type of projects funded by FDFC bonds has changed over time. Manufacturing projects comprised 91% of the FDFC bond funds issued in the first 10 years (1997-2006); these manufacturing projects involved multiple borrowers. Starting in 2006, most FDFC bond funds went to charter school projects. Charter schools have received \$759.3 million and the majority (52.2%) of bond funds issued since Fiscal Year 1996-97. (See Exhibit 1.)

**Exhibit 1  
Charter Schools Received the Majority of FDFC Bond Funds From Fiscal Years 1996-97 to 2016-17**

Use	Number of Projects	Total Issuance
Charter School	23	\$759,318,500
Health Care	3	208,645,000
Manufacturing	35	186,080,499
Senior Living Facility	5	147,600,000
Private School	7	78,577,130
Radio Station	3	33,450,000
Solid Waste	1	32,500,000
Day Care	1	1,955,000
College	1	1,800,000
Multiple Uses <sup>1</sup>	1	4,970,000
<b>Total</b>	<b>80</b>	<b>\$1,454,896,129</b>

<sup>1</sup> This project involved both a college and a manufacturing company.

Source: OPPAGA Analysis of Florida Development Finance Corporation data.

<sup>6</sup> Private placements are bond issuances to banks or financial institutions. These financial institutions purchase the bonds for their own accounts and intend to hold the bonds as investors.

<sup>7</sup> As of September 2017, FDFC has contracted with one residential PACE program administrator and 16 projects are moving forward in the process. FDFC expects that the first bond issuance for PACE will occur in November 2017. FDFC plans to increase the number of residential PACE program administrators and move forward with its commercial PACE program in 2018.

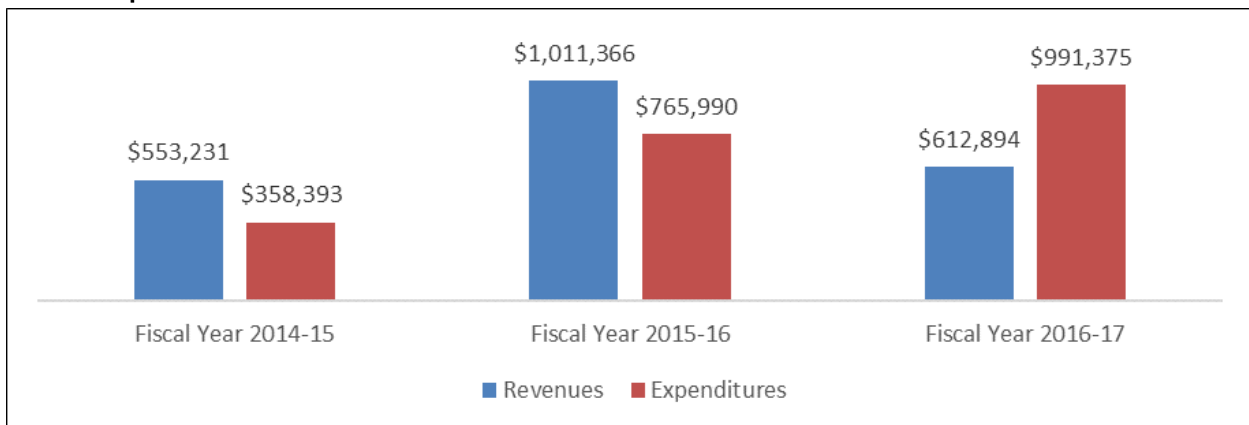


Of the 80 projects, 52 were located in 19 counties throughout the state. Most FDFC projects were located in single counties. Of projects located in single counties, Brevard and Hillsborough had the most with six each. Duval received the most bond funds with four projects totaling \$208.6 million. Over one-third (35%) of all FDFC projects were located in multiple counties. For instance, one project can have charter schools located in multiple counties. (See Appendix A for more information on FDFC projects.)

FDFC revenues have fluctuated, while expenses have increased in the last three fiscal years. FDFC receives no state funds and is funded from bond issuance fees. The corporation requires applicants to submit a non-refundable processing fee of \$1,500. FDFC does not require an annual fee, but a one-time issuance fee after the bonds are closed.<sup>8</sup> The corporation’s revenues have varied over the last three fiscal years, ranging from \$553,231 to \$1.0 million. (See Exhibit 2.)

FDFC’s expenses consist of administrative and professional fees for staff and contractors, including bond counsel, financial advisor, and lobbyist. The corporation currently has four full-time staff. FDFC has also expended funds in establishing the PACE program. Expenses have increased over the last three fiscal years. Expenses in Fiscal Year 2016-17 exceeded revenues by \$378,481 due to higher than expected expenses for the PACE program, an increase in personnel costs, and project-related reimbursable expenses.

**Exhibit 2**  
**FDFC’s Expenses Have Increased Over the Last Three Fiscal Years**



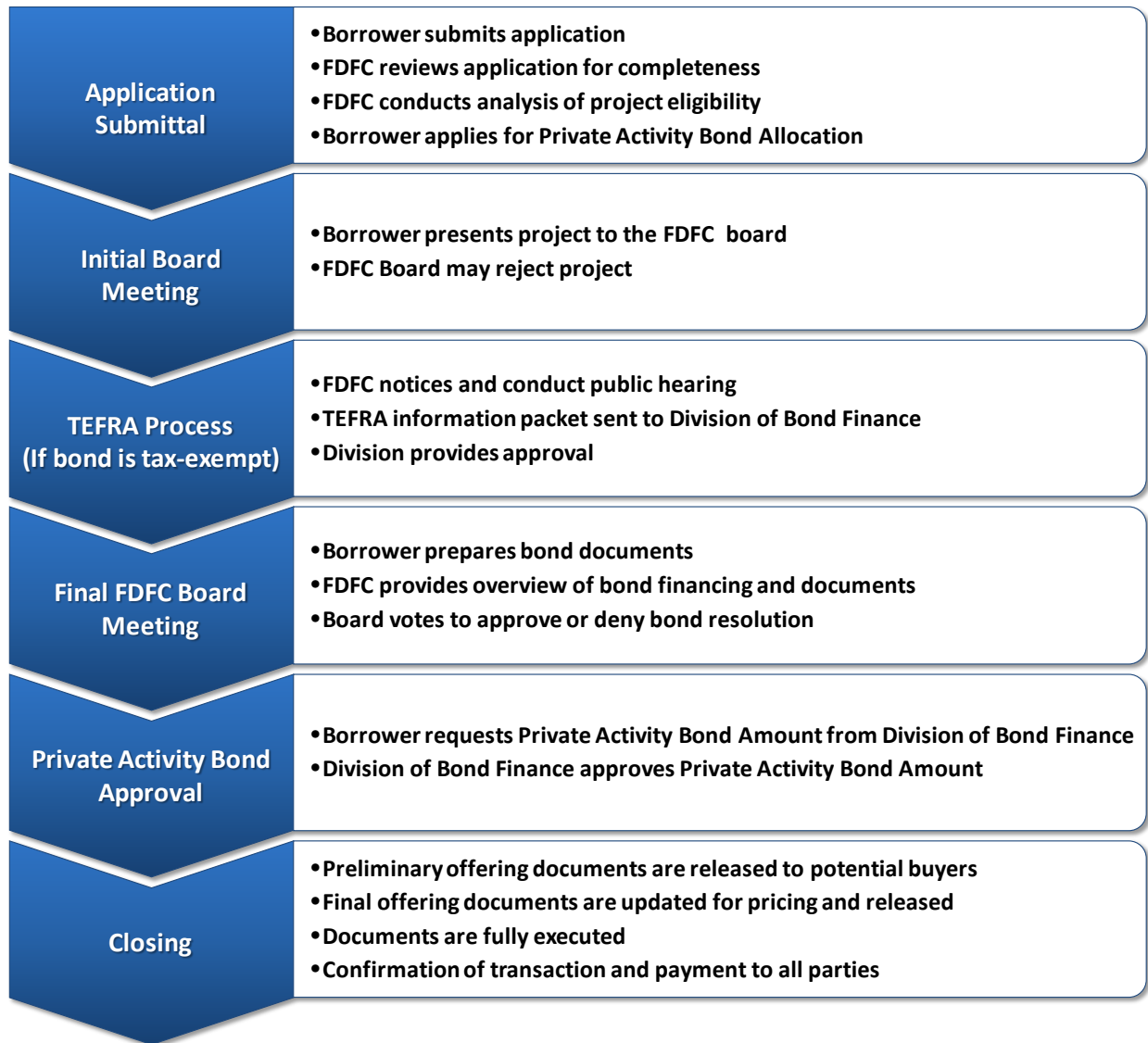
Source: OPPAGA analysis of Florida Development Finance Corporation audited financial statements.

***How does the FDFC operate as a conduit bond issuer?***

The FDFC process involves multiple steps that include application submittal, two FDFC board meetings for project consideration and approval, and in cases of tax-exempt bonds, public hearings and approval by the State Board of Administration’s Division of Bond Finance. Once these steps are completed, the closing process involves completion of documents and sale of bonds. (See Exhibit 3.)

<sup>8</sup> FDFC has established a tiered issuance fee schedule based on the face value of the bond. Bonds valued from \$0-\$2.5 million pay 75 basis points (0.75%); bonds valued from \$2.5-\$32.5 million pay 25 basis points (0.25%); and bonds valued over \$32.5 million pay 10 basis points (0.10%).

**Exhibit 3  
FDFC’s Bond Issuance Process Includes Reviewing Application Completeness and Board Approval**



Source: OPPAGA analysis of US Census Bureau data, and data provided by St. Johns River State College and First Coast Technical College. Students identified with any other county of residence were excluded.

FDFC staff is responsible for analyzing information provided by the borrower and managing TEFRA and FDFC board review. Before an application is submitted, FDFC staff conducts a pre-submittal discussion with the borrower. FDFC staff discusses the uses of the bonds, whether the project qualifies for tax-exempt bonds, and the length of the bond issuance process. The borrower then submits an application to FDFC, and corporation staff reviews it for completeness.

FDFC also ensures that the borrower has provided documents to demonstrate that the proposed project is financially feasible and has the ability to repay investors. FDFC staff also makes initial assessments regarding whether the bonds will constitute qualified private activity bonds for tax-exempt purposes and whether a private activity bond allocation will be required. FDFC staff makes these determinations with the assistance of their contracted financial advisor and bond

counsel. If required, the borrower then applies to the Division of Bond Finance for a Private Activity Bond allocation to determine if funding is available for the project.<sup>9</sup>

The FDFC board meets at this stage in the process to receive an overview of the project. FDFC staff and the borrower present a preliminary review of the proposed project and financing details to provide an opportunity for questions and determine support to continue with the process. The FDFC board considers the borrower's presentation and documentation as well as staff's project summary. The board has the ability to reject a project if it does not meet the corporation's criteria, including whether the

- project is located in Florida;
- project benefits a Florida corporation, business, or organization;
- project or Florida entity qualify for tax-exempt bonds per the Internal Revenue Service code;
- borrower has the ability to repay the debt; and
- financial institution or broker-dealer has committed to financing the project.<sup>10</sup>

If a project involves the issuance of tax-exempt bonds, the FDFC is also responsible for conducting the federal Tax Equity and Fiscal Responsibility Act review process. FDFC staff notices the public hearing in the county where the project is located and conducts the hearing, which allows the public to comment on the proposed project. Board members do not attend the hearings and no board action is taken after the hearing. FDFC sends the TEFRA packet, including the public hearing advertisement, meeting minutes, and attendance sheet, to the Division of Bond Finance for approval. The division requires the FDFC to provide additional documentation, including the project summary, authorizing bond resolution, borrower financial statements for the prior three years, cost of issuance breakdown, and feasibility study.

The FDFC board meets a second time to provide final project approval for all bond projects. The borrower's bond counsel and financial advisor prepare the final bond resolution documents, along with any financial and legal reviews by FDFC's financial advisor and bond counsel. FDFC staff, financial advisor, and counsel provide an overview of the project and its financial structure as well as bond documents to the FDFC board. The FDFC board will vote to approve or deny the bond resolution.

The Division of Bond Finance approves the allocation of Private Activity Bonds prior to project closing. At this stage, the borrower's financial team requests the actual funding amount of Private Activity Bonds and submits documentation to the Division of Bond Finance. The division approves the Private Activity Bond allocation if there are sufficient funds. Upon receiving the TEFRA approval and Private Activity Bond Allocation, the borrower and underwriter can market the bonds.

The closing process involves several steps to ensure all documentation is complete, which facilitates the payment of bond proceeds. Before the closing, FDFC's counsel and financial advisor review the closing documents to ensure that all terms and conditions are being met. FDFC requires that the borrower certify the accuracy of the offering document, which includes details of the project and financing. The FDFC also requires the underwriter to provide certification of its

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<sup>9</sup> Every year, the federal government allocates each state the amount of tax-exempt Private Activity Bonds that can be issued. Private Activity Bonds are municipal financing arrangements that are exempt from federal taxes. Borrowers seeking tax-exempt bond financing need to request use of this state-allocated bonding authority from the Division of Bond Finance. A borrower does not apply for a specific amount, just a share of the allocation. The division reports that the Private Activity Bond allocation for Florida in calendar year 2017 was \$2.1 billion.

<sup>10</sup> Since its inception, the FDFC has rejected only one project at this stage. The board rejected the project because it felt that the project was highly speculative and not consistent with the financing of capital expenses for construction.

compliance with sales restrictions and applicable securities regulations. When investors and the borrower agree to the interest rate, the bond purchase agreement is executed and preliminary offering documents are updated and sent to all parties. The bond will close the following day after the closing documents are executed. The borrower confirms payment by the investors and all other parties receive payments.

### ***What mechanisms are in place to protect taxpayers and investors?***

Previously, FDFC policies were designed to safeguard taxpayers from being obligated to pay for FDFC-issued bonds that go into default. Recently adopted FDFC policies are intended to add protections for unsophisticated taxpayers from the risks involved in purchasing these types of bonds. Federal entities may also provide safeguards for investors.

FDFC policies protect the state from default and investors from the risks of non-rated bonds. All bonds issued by FDFC are conduit bonds, payable solely from the revenues and assets of the conduit borrowers or from assets or security otherwise provided by such borrowers. According to corporation officials, neither the revenues nor the assets of FDFC, the state, or any local governmental entity are pledged to repay FDFC bonds that are in default. FDFC ensures that provisions protecting it and the state from default are written into bond documents. However, Division of Bond Finance staff noted that defaults on any bond issued by a state-authorized entity have the potential to affect the state's and corporation's reputation.

The rate of defaults for FDFC projects has been low. FDFC reports that as of October 2017, 3 out of 117 (2.6%) bond transactions have defaulted. A default typically is managed between the investor and the borrower. In cases of default, the trustee will notify all parties to the bond after exhausting all means to remedy the situation. The FDFC is notified but is not party to any default process.

Most bonds issued for FDFC projects are non-rated and privately placed or placed through a negotiated sale following a public offering. These bonds have a higher degree of risk of default than rated bonds. FDFC's current conduit issuance policy limits the sale of non-rated bonds to Qualified Institutional Buyers (QIB) or Accredited Investors who have the appropriate knowledge and sophistication to understand the risks involved in investing in non-rated and non-investment grade rated bonds.<sup>11</sup> FDFC is required to confirm the identity of the initial QIBs or Accredited Investors or obtain investor letters with support as needed from the underwriter. Data reported by FDFC shows that all bond transactions were only sold to QIBs since Fiscal Year 2012-13.

To further limit the risk to investors, FDFC revised its policy in May 2017, increasing the limit of minimum denominations of non-rated or non-investment grade rated bonds sold. (See Exhibit 4.) FDFC officials reported that the increase to \$250,000 for minimum denomination is above industry standards for comparable conduit issuers at \$100,000.

The FDFC also changed its policy on traveling investor letters. An investor signs the investor letter acknowledging the risks associated with the bond being purchased. The letter "travels" from one bond purchaser to another. The FDFC executive director may require such a letter based on the nature of the project financing and borrower's credit history. A traveling investor letter is tied to a particular minimum denomination. Under the former policy, this amount was \$25,000 to be sold to QIBs and Accredited Investors. However, the FDFC increased the minimum denomination to \$100,000 with a traveling investor letter to be sold only to QIBs.

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<sup>11</sup> A Qualified Institutional Buyer is a corporation that owns and invests a minimum of \$100 million in securities on a discretionary basis. An Accredited Investor is an individual with earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years or has a net worth over \$1 million. Both definitions are covered under the Securities Act of 1933.

**Exhibit 4**  
**Changes in FDFC Bond Policy Increases Minimum Denominations for Non-Rated Bonds, Limiting Risk to Investors**

Sales Restriction	Former Policy (July 16, 2014)	New Policy (May 3, 2017)
Limited offering or public offering to be sold only to Qualified Institutional Buyers	None	\$100,000 with a traveling investor letter; or \$250,000
Limited offering or public offering to be sold to Qualified Institutional Buyers and Accredited Investors	\$25,000 with a traveling investor letter; or \$100,000	< \$10,000,000 (Par Amount): \$250,000 ≥\$10,000,000 (Par Amount): \$500,000

Source: OPPAGA analysis of FDFC documents.

In addition, the new policy requires verification by the borrower and the underwriter that all bond documents are factual and no material facts have been omitted. FDFC staff reviews and analyzes the application for evidence that the project is financially feasible and demonstrates the ability to repay the investors. The bond offering documents must include the disclosure of this policy. The policy also requires FDFC to confirm the identity of the initial QIBs or Accredited Investors. These sales restrictions apply to the initial and subsequent sale of bonds.

Division of Bond Finance’s involvement in the TEFRA process helps reduce investor risk; federal entities may also provide safeguards. The Division of Bond Finance’s interface with FDFC is limited to the TEFRA process. The FDFC provides the division a packet of information that includes the public hearing advertisement, meeting minutes, and attendance sheet for TEFRA approval. The division also requests that the FDFC provide additional non-TEFRA documentation such as the project summary, the authorizing bond resolution, borrower financial statements for the prior three years, cost of issuance breakdown, and the feasibility study. The division reports that its review is intended to ensure that FDFC has conducted an adequate credit analysis and financial diligence before it approves the project’s financing. In addition, the division’s review may assess whether FDFC is using industry best practices in connection with managing the transaction and adhering to its policies regarding measuring the project’s performance and the minimum denominations of non-rated and non-investment grade bonds.

At the federal level, a borrower could be subject to an enforcement action by the U.S. Treasury Department related to compliance with the provisions of the Internal Revenue Code for tax-exempt bonds, or the Securities and Exchange Commission related to compliance with applicable federal securities regulations. For example, federal security laws prohibit fraud in the offering or sale of securities and proscribe rules for fair dealing and disclosure by municipal security professionals.

***How does the FDFC use industry best practices when issuing debt?***

Florida law authorizing the FDFC and its operations does not require the corporation to follow any specified best practices. However, several entities have developed best practices for bond issuance, and FDFC officials reported that they are using some of these practices. Our evaluation of these criteria suggests that FDFC could take additional steps to report the economic effects of the projects funded by the corporation and improve its marketing efforts.

Several entities have developed best practices for bond issuance; FDFC is generally meeting best practice areas. Our research identified two organizations that have issued best practices for bond issuance: the Council of Development Finance Agencies and the Government Finance Officers Association. The Council of Development Finance Agencies issued guiding principles for developing or implementing an Industrial Development Bond program. The three main best practice areas are program management, marketing, and oversight. Recommendations within

these areas include proper oversight, public access to program material, marketing to the community and target audiences, and building relationships with realtors, banks, and other financial institutions. Additional recommendations included producing annual reports and performing regular independent audits.

The Government Finance Officers Association's best practice areas include debt issuance transition costs, pricing bonds in a negotiated sale, selecting and managing municipal advisors, selecting and managing the method of sale of bonds, and selecting bond counsel. Within these areas are best practices that include obtaining needed services from auditors and others at a fair and reasonable cost, understanding marketing conditions, and hiring municipal advisors unless there is sufficient in-house expertise. The Division of Bond Finance has recommended that FDFC consider adopting several of the association's best practices.

FDFC officials reported that the corporation adheres to the practices outlined by the council, and their documentation generally supports this assertion. For example, FDFC provides annual reports such as an annual financial audit and information on bond transactions. While FDFC contends that the association's guidance focuses primarily on state and local government debt issuance rather than conduit bond issuance, our research found that it has adopted several policies that generally address the best practice areas. These policies include using a competitive process to select bond professionals and a municipal advisor on bond issuances. (Additional information on the best practices and FDFC efforts in these areas are contained in Appendix B.)

However, FDFC could further their adherence to industry best practices for marketing and oversight. As noted above, the council recommends marketing of programs and services to state and local community business groups. We found that the corporation allows the public access to program materials through its website. However, it does not conduct an active outreach program to market its services statewide. Instead, it relies on professional relations with public finance professionals.

In addition, the association's best practices for oversight include a report on performance compared to expectations. As specified in state law, projects financed by FDFC are expected to benefit Florida's economy. One economic benefit to the state is job creation. As part of a project's application, the FDFC collects data on projected jobs. FDFC reports that 38 projects funded from 2009 to 2017, for which data were available, were projected to create 4,681 jobs; however, there is no available data to confirm these projections. As part of its revised Conduit Issue Policy, FDFC plans to report on jobs created (temporary and permanent) for future projects for a minimum of seven years.

### ***How is the FDFC unique from other conduit bond issuers?***

FDFC's scope is unlike most other conduit bond issuers. FDFC is authorized to issue tax-exempt or taxable bonds in multiple counties of the state and for multiple purposes when FDFC has an interlocal agreement with the local jurisdiction. We found only one other similar Florida entity, the Capital Trust Agency, which can issue revenue bonds for multiple purposes statewide. One difference between FDFC and the agency is the fee structure. The agency charges a one-time and an annual fee rather than the one-time fee assessed by the FDFC.

Other entities can only issue bonds within a limited geographic area. For example, cities and counties can only issue bonds in their jurisdictions, except where an interlocal agreement with another local government exists. There are 122 Industrial Development Authorities that are created by counties and can only issue bonds for projects in that county.

Some conduit issuers can issue bonds statewide, but only for specific purposes. For example, the Florida Housing Finance Corporation issues conduit bonds for affordable housing projects. Similarly, the Higher Educational Facilities Financing Authority of Florida is a statewide tax-exempt conduit bond issuer for non-profit institutions of higher education that are located in Florida and that are accredited by the Southern Association of Schools and Colleges. The Florida League of Cities' Florida Municipal Loan Council can issue bonds across the state, but only for local governments, not private companies.

### ***What do bond project participants think about their experiences with the FDFC?***

Participants involved in FDFC projects were generally satisfied with the FDFC's process. There are several entities participating in the bond issuance process. The main participants include the borrower, underwriter, and trustee.

- *Borrower* hires the finance team, provides information for application and support materials, approves the prices of the bonds, and signs the bond purchase agreement and other bond documents. The borrower's finance team may include bond counsel, financial advisor, and disclosure counsel.
- *Underwriter* advises the borrower and finance team on the bond structure. The underwriter buys the bonds from the borrower and sell the bonds to investors.
- *Trustee* maintains lists of the bondholders in addition to receiving and distributing interest payments. The trustee also monitors the borrower's compliance with the bond agreements and communicates with the bondholders when the borrower is not in compliance.

We interviewed four borrowers, three underwriters, and two trustees for four projects with bonds issued in the last three fiscal years. These projects included a charter school, senior living facility, hospital, and solid waste company. These participants indicated that they were generally satisfied with FDFC's process and FDFC staff's responsiveness. Some participants stated that the FDFC process was faster and less costly than other bond conduit issuers. Most respondents stated that they would be interested in using FDFC's services again.

However, some participants expressed concerns. For example, some respondents expressed concerns about the FDFC requirement for the use of interlocal agreements for bond projects. They stated that the FDFC did not have agreements with all local governments within their project's scope. As a result, they were not able to get funds for the project sites because of delays in establishing interlocal agreements. In addition, some participants stated that the use of a traveling investor letter would limit the number of potential investors. Participants indicated that the traveling investor letter delays a bond transaction because the buyer's legal counsel generally reviews the letter before it is signed.

### ***Options for Legislative Consideration***

FDFC's recent policy changes help protect the state from default and investors from the risks of non-rated bonds. In addition, FDFC has adopted some industry best practices, including competitive bidding for bond professionals and contracting for financial and municipal advisors. To further improve FDFC's adherence to best practices for oversight and marketing, the Legislature could consider directing the FDFC to do the following.

- Annually report on the economic effects of funded projects. The information could include actual versus projected jobs created, capital investments made, and average

wages. This information could help the Legislature assess the economic benefits of FDFC projects.

- Conduct more active statewide outreach to economic development organizations, industry associations, and local governments about their conduit bond issuance services. This outreach may include presentations to business groups or print and electronic media. Increasing outreach could help FDFC establish more interlocal agreements with local governments, which could address concerns raised by past participants. In addition, enhanced outreach could assist in expanding the types of economic development projects for which FDFC issues bonds.



**Appendix A**

**Florida Development Finance Corporation Projects Funded From Fiscal Years 1996-97 to 2016-17**

Since Fiscal Year 1996-97, the corporation funded 80 projects throughout the state. Of the 80 projects, 52 projects were located in 19 counties. Most FDFC projects were located in single counties with the largest amount issued in Duval County. However, 49% of the bond funds issued went to projects located in multiple counties.

**Exhibit A-1  
Almost Half of FDFC Bond Funds Issued Involved Projects Located in Multiple**

County	Number of Projects	Total Issuance
Multiple	28	\$714,820,000
Duval	3	\$208,645,000
Osceola	2	\$94,750,000
Miami-Dade	4	\$92,835,000
Hillsborough	6	\$76,715,000
Sarasota	5	\$41,706,499
Brevard	6	\$35,570,000
Lee	2	\$31,550,000
Pasco	2	\$30,275,000
Seminole	4	\$30,175,000
Martin	3	\$23,934,000
Okeechobee	1	\$18,750,000
St. Lucie	2	\$15,200,000
Orange	3	\$14,843,500
Lake	3	\$12,300,000
Marion	2	\$5,100,000
Manatee	1	\$3,250,000
Volusia	1	\$2,700,000
Pinellas	1	\$1,200,000
Broward	1	\$577,130
<b>Total</b>	<b>80</b>	<b>\$1,454,896,129</b>

Source: OPPAGA analysis of FDFC data.

## Appendix B

# Best Practices for Conduit Bond Issuers

### Exhibit B-1

### Recent Policy Changes by the FDFC Board of Directors Include Elements of Many Best Practices

BEST PRACTICES	EXAMPLES OF FDFC’S EFFORTS IN THESE AREAS
<b>Council of Development Finance Agencies</b>	
<p><b>Program Management</b></p> <ul style="list-style-type: none"> <li>▪ Having trained and competent staff and resources involved in the issuance process</li> <li>▪ Having public access to applications and informational materials on the program</li> <li>▪ Developing a mission statement</li> </ul>	<p>FDFC manages its conduit bond programs through staff and a contracted industry professional (e.g., bond counsel). While not having a formal mission statement, the primary purpose of the program is contained in <i>Florida Statutes</i>. FDFC allows the public access to program materials through its website.</p>
<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>▪ Marketing the bond issuer’s ability to meet financial needs through bonding to the state and local community business groups</li> <li>▪ Building relationships with local financial institutions and economic development organizations</li> </ul>	<p>FDFC does not market its bond services to business groups, manufacturers, or other industries through traditional marketing efforts (e.g., presentations to business groups or print/electronic media). Rather, FDFC’s executive director has built relationships with bond industry professionals in Florida to make them aware of FDFC’s services. These professionals have referred their clients to FDFC. Referrals from bond industry professionals are how FDFC gets all its bond applications. Most applicants have used FDFC in the past.</p>
<p><b>Oversight</b></p> <ul style="list-style-type: none"> <li>▪ Having clearly defined goals and objectives with measurable results</li> <li>▪ Documenting a detailed oversight process that ensures the bond financing process complies with laws and regulations</li> <li>▪ Producing an annual report including performance compared to expectations along with a regular independent audit as necessary</li> </ul>	<p>FDFC produces annual reports, which include the annual audit, a list of bonds issued, amounts paid on the bonds during the year, and the balance of the bonds. A new FDFC policy should improve oversight by requiring the measurement of performance against projections as well as the performance of certain quantitative metrics within the resolution approving the project for a minimum of seven years. FDFC requires that the borrower provide annual reports on economic and financial performance.</p>
<b>Government Finance Officers Association</b>	
<p><b>Debt Issuance Transaction Costs</b></p> <ul style="list-style-type: none"> <li>▪ Obtaining needed services from financial advisors, bond counsels, auditors, and others at a fair and reasonable cost</li> <li>▪ Reviewing all invoices to ensure that expenses are not billed to multiple parties</li> </ul>	<p>Board policy requires FDFC to use a competitive process to select all service providers (such as bond counsel, issuer’s counsel, and municipal advisors) involved in the review and approval of transactions and the offering and sale of bonds.</p>
<p><b>Pricing Bonds in a Negotiated Sale</b></p> <ul style="list-style-type: none"> <li>▪ Understanding market conditions and indicators and assessing how these factors will likely affect the timing and outcome of the pricing</li> <li>▪ Evaluating whether features such as call features will result in greater overall borrowing costs</li> <li>▪ Developing a database with pricing performance information on each issue sold</li> </ul>	<p>In the past, FDFC depended on internal staff for the evaluation of market conditions and features of issued bonds. When dealing with non-typical companies, such as new companies or those who are not financially strong, FDFC would use financial advisors. Current policy (as of May 3, 2017) is to retain a municipal advisor on all transactions.</p>

BEST PRACTICES	EXAMPLES OF FDFC'S EFFORTS IN THESE AREAS
<p><b>Selecting and Managing Municipal Advisors</b></p> <ul style="list-style-type: none"> <li>▪ Hiring a municipal advisor, unless there is sufficient in-house expertise and access to current bond market information</li> <li>▪ Selecting municipal advisors using a competitive merit-based process and reviewing those relationships periodically</li> <li>▪ Municipal advisor fees should be on an hourly or retainer basis, reflecting the nature of the services to the issuer</li> </ul>	<p>FDFC has used municipal advisors on bond issuances involving new companies or those that were not financially strong, with other bond issuances handled internally by staff. Municipal advisors are now required for all transactions with selection of the advisor made using a competitive process.</p>
<p><b>Selecting and Managing the Method of Sale of Bonds</b></p> <ul style="list-style-type: none"> <li>▪ Selecting a method of sale such as a competitive or negotiated sale that is more likely to result in the lowest cost of borrowing</li> </ul>	<p>Bonds issued by FDFC typically are sold through a private placement process or through a negotiated sale.</p>
<p><b>Selecting Bond Counsel</b></p> <ul style="list-style-type: none"> <li>▪ Selecting bond counsel using a competitive merit-based process</li> <li>▪ Ongoing contracts should be reviewed regularly and re-subjected to competitive selection periodically</li> </ul>	<p>Current FDFC policy is that bond counsel is selected using a competitive process such as a Request for Proposals or Request for Qualifications.</p>

Source: OPPAGA analysis of documents from the Council of Development Finance Agencies, the Government Finance Officers Association, and FDFC.



November 15, 2017

Senator Debbie Mayfield &  
Representative Jennifer Sullivan  
Alternating Chairs  
Joint Legislative Auditing Committee  
111 W. Madison Street  
Tallahassee, FL 32399-1400

Re: OPPAGA's Review of the Florida Development Finance Corporation

Dear Alternating Chairs Mayfield and Sullivan:

We write regarding the Joint Legislative Auditing Committee (JLAC) meeting that will be held on November 16, 2017 to, among other things, discuss the Office of Program Policy Analysis and Government Accountability (OPPAGA) review of the Florida Development Finance Corporation (FDFC).

Citizens Against Rail Expansion in Florida (CARE FL), Indian River County and Martin County share a number of serious concerns relating to the FDFC's consideration and ultimate approval of Private Activity Bonds (PABs) for the All Aboard Florida (AAF)/Brightline passenger rail project. These concerns span more than three years and include substantial procedural defects in the actions and composition of the FDFC's Board of Directors. We believe the AAF PAB issue can and should be used as a case study for OPPAGA's review of FDFC's most questionable practices.

### **Background**

New information has been made public regarding AAF's plans to use a tax-exempt PAB allocation from the U.S. Department of Transportation (DOT). While this funding is reportedly only for Phase I of the AAF project (Miami to West Palm Beach), not Phase II from West Palm Beach to Orlando that will affect our communities, it is nonetheless important to unpack this latest development.

After DOT granted AAF a \$1.75 billion PAB allocation in December 2014 for Phases I and II, AAF attempted to sell the bonds four times beginning in August 2015 and was never able to do so. In November 2016, AAF was forced to abandon this \$1.75 billion allocation, following an adverse U.S. District Court ruling in August 2016 that found the PABs were subject to the National Environmental Policy Act (NEPA). To avoid compliance with safety, health and environmental requirements, AAF terminated the bonds.

On November 22, 2016, DOT provided a "new" \$600 million PAB allocation for Phase I only. This was a transparent attempt to give AAF approximately one-third of the original \$1.75 billion



PAB allocation but, by tying it to Phase I only, escape safety, health and environmental requirements on Phase II. Nearly one year later, on October 27, 2017, the FDFC renewed its agreement to serve as the conduit issuer of the bonds on behalf AAF.

In the August 2016 ruling, District Court Judge Cooper found that the \$1.75 billion PAB allocation would cost the U.S. Treasury up to \$600 million in foregone tax revenue over 10 years. Extrapolating from that conclusion, we can assume that the foregone tax revenue would equal up to approximately one-third of the new \$600 million PAB allocation—approximately \$200 million over 10 years.

### **Questionable FDFC Practices – Then and Now**

Public notice of the FDFC's October 27 meeting, during which it approved a bond resolution and related financing documents for the \$600 million PAB allocation, was publicly posted 72 hours before the meeting took place. We have now reviewed FDFC's documents and recent exchanges with AAF. These records reveal that AAF officials were in touch with the FDFC staff by email and phone regularly before the public posting. It shows a contempt for opponents to provide so little notice of the proceeding when AAF and FDFC staff were long aware of the hearing.

Additionally, we are concerned by the lack of a public hearing required under the Tax Equity and Fiscal Responsibility Act (TEFRA) for the \$600 million PAB allocation. In 2015, a TEFRA hearing was held for the issuance of the \$1.75 billion PAB request. In 2017, the October 27 FDFC meeting packet indicates that TEFRA approval occurred on August 1, 2017, without a hearing.

Upon review of the August 1 TEFRA approval letter, an obvious concern is that the 2017 letter describes the maximum bond amount as \$1.75 billion, not the current \$600 million. In addition, the current \$600 million PAB allocation is specifically for Phase I of the project, yet the TEFRA letter of August 1 lists two Counties located in Phase II—Brevard County and Orange County. The FDFC needs to explain to the public and OPPAGA if this letter was written in error, or if AAF intends to exploit this ambiguity to use some of the new \$600 million allocation for Phase II of the project.

These questionable practices are nothing new. During the 2014-2015 FDFC approval process, Indian River County, Martin County, CARE FL and other concerned parties repeatedly raised numerous concerns, including, but not limited to:

- **Multiple Communications Between FDFC Board Members and AAF.** Previous public records requests revealed that the FDFC Board Members and FDFC staff engaged in extensive communications with AAF and/or its affiliates. In fact, while Indian River County, Martin County, CARE FL and other opposition voices often got no response to formal correspondence to the FDFC, AAF was having a series of private meals and briefings with the Board Members. For instance:



- A string of texts between a Board Member and Matt Mohler (AAF consultant) regarding meetings for lunch, getting together with AAF to review documents, and coordinating the date for the FDFC meeting continued from April 8, 2015, to July 17, 2015. The Board Member also met with Rusty Roberts—the Vice President of Government Affairs for AAF—as referenced in an email dated April 26, 2015, where the Board Member tell Mr. Roberts “thanks for making the trip last week.” An email from Joseph Stanton (FDFC Counsel) references a meeting in Pensacola with the Board Member, Mr. Spivey, and AAF. In addition, the Board Member met with Mr. Mohler on numerous other occasions regarding this Project.
  - Then-Vice Chairman Daniel Davis met with Husein Cumber of Florida East Coast Industries (FECI), Joe Gould of Fortress and Ali Elam of Fortress on March 30, 2015; with Mr. Cumber on April 28, 2015; and with Mr. Cumber, Michael Reininger (AAF President), Heather Enderby (AAF CFO), and Vincent Signorello (CEI and President of FECI) on July 7, 2015.
  - Board Member Kevin Hale met with Mr. Spivey, Mr. Stanton, Mr. Cumber, and Bank of America representatives on May 21, 2015, in Omaha, Nebraska for a 2 hour meeting.
  - Board Member Ryan Tennyson met with AAF on June 29, 2015. In an email to Mr. Spivey the day after that meeting, Mr. Tennyson notes that he is getting many emails from Florida citizens who have AAF concerns, mainly related to safety issues. He states to Mr. Spivey: “I’m sure there must be a dozen or so regulatory bodies to address those concerns. I assume our role is limited to whether the project meets the criteria for tax exempt financing.”
- **FDFC’s Prejudgment in Formally Including in its Budget an Allocation for \$1.8M to be Paid By AAF Before the FDFC Hearing to Approve the Bonds.** The FDFC also improperly benefited by the improper contacts in that the FDFC received \$1,809,750.00 in fees from AAF for approving the \$1.75 billion in PABs. Historically, the FDFC’s yearly budget has been approximately \$200,000 to 300,000. This \$1.8 million fee from AAF appears to be the single largest fee ever charged by FDFC. In and of itself, this pay-to-play fee being booked in advance received created a tainted process. FDFC counted this amount in its budget before the FDFC meeting on August 5, 2015. This indicated a “prejudgment” of approval by the FDFC Board, or at least the FDFC staff, prior to its August 5, 2015, meeting date. No explanation was afforded to the public as to how such a budget decision was made, who made the decision, when the Board was notified of such a decision.

More recently, it is also unclear what fees AAF paid for the \$600 million bond offering in 2017. FDFC should be asked if the 2015 fee is “covering” the 2017 engagement as well.

- **Improper Constitution of the FDFC Board of Directors.** On August 20, 2014, the FDFC Board agreed by a vote of 3-0 to authorize staff to enter into a memorandum of



understanding with AAF to act as a conduit for the \$1.75 billion PAB allocation. The Board's vote, however, was later revealed to be invalid due in large part to the fact that the voting Board members' terms had expired. In the Spring of 2015, attempts were made to establish a properly constituted Board, but there continued to be flaws in the constitution of the FDFC's Board of Directors, including lack of Senate confirmation, a lack of the statutorily required appointment of at least three bankers and potential conflicts of interest.

### **How Will These Tax Exempt Bond Dollars Be Used?**

Based on the documents that were part of the FDFC's meeting packet, AAF will use the \$600 million to retire its current high price debt, replacing it with lower price debt. Specifically, documents indicate that AAF intends to use almost all of the money from the new tax exempt bonds to pay off the only prior funds it had raised from the market—originally \$405 million at 12% but now ballooning above \$500 million with interest owed.

In addition, documents indicate AAF intends to pay off \$98 million of the Siemens' manufacturer financing of the five train sets it purchased. The \$98 million is only a portion of the cost of the five train sets, and leaves AAF with a debt of approximately \$160 million. The trains were financed by Siemens to accommodate the AAF buyer.

In a nutshell, nearly 100 percent of the new \$600 million in financing would go to refinance debt already incurred in Phase 1. All AAF has accomplished is to get the right to issue tax exempt bonds to replace expiring or expensive existing debt that was either coming due (the trainsets) or was very expensive (the "toggle" bonds).

Further, a recent article in Bond Buyer reveals the bonds will not be "rated" (because they are unratable) and that they are "junk bonds".

### **Updated Ridership and Revenue Study**

The OPPAGA Research Memorandum dated November 13, 2017 stated: "FDFC staff is responsible for analyzing information provided by the borrower...FDFC also ensures that the borrower has provided documents to demonstrate that the proposed project is financially feasible and has the ability to repay investors." (Page 4)

FDFC's most recent meeting materials included a new Ridership and Revenue Study prepared by Louis Berger US, Inc. ("Louis Berger") for Phase I of the project. This 2017 study (titled "Brightline Ridership and Revenue Study: Miami – Fort Lauderdale – Palm Beach Segment" dated October 2017) sets forth the projections as to ridership and revenue that underpin the *pro forma* financials for the bond issue that FDFC approved. As explained below, this 2017 study is remarkably more optimistic about the prospects for the new train line than the 2013 study that Louis Berger prepared for the senior secured PIK toggle notes that AAF marketed in 2014. (The



2013 Louis Berger study for the PIK toggle notes, dated April 3, 2013, was titled “All Aboard Florida Ridership and Revenue Study.”)

The 2013 Louis Berger study included the following Table 6.3-1 providing ridership and revenue projections for the first year of stabilized operation following the ramp-up period:

**Table 6.3-1**

**Forecast Summary - All Aboard Florida - Base Case**

**Annual Segment Volumes and Revenues, 2019 (First Stabilized Year Following Ramp-up)**

*(Revenue in 2012 \$)*

Station Pairs	Northbound Volume	Southbound Volume	Total Volume	Average of Assumed Segment Fare	Estimated Revenue
Miami / Fort Lauderdale	277,300	270,400	547,700	\$12.56	\$6,877,100
Miami / West Palm Beach	362,500	332,300	694,800	\$19.08	\$13,255,200
Fort Lauderdale / West Palm Beach	362,900	339,100	702,000	\$14.85	\$10,421,700
<b>Total</b>	<b>1,002,700</b>	<b>941,800</b>	<b>1,944,500</b>	<b>\$15.71</b>	<b>\$30,554,000</b>

Source: LBG, 2012.

The 2017 Louis Berger study included the following Table 5-5 providing ridership and revenue projections for the first year of stabilized operation following the ramp-up period:

**TABLE 5-5 FORECAST BRIGHTLINE – ANNUAL SEGMENT VOLUMES AND REVENUES, 2020 (2016 \$)**

Station Pairs	Northbound Volume	Southbound Volume	Total Volume	Segment Fare	Estimated Revenue
Miami / West Palm Beach	288,901	274,244	563,145	\$45.36	\$25,541,656
Fort Lauderdale / West Palm Beach	520,358	528,179	1,048,538	\$29.90	\$31,347,885
Fort Lauderdale / Miami	660,793	664,327	1,325,120	\$29.55	\$39,156,773
<b>Subtotal</b>	<b>1,470,052</b>	<b>1,466,750</b>	<b>2,936,802</b>	<b>\$32.70</b>	<b>\$96,046,313</b>

Source: Louis Berger, 2017

It is evident from a comparison of these two tables that Louis Berger’s forecasts have become far more optimistic during the four year period between its 2013 and 2017 studies. Fares in 2020 (the first year after ramp-up) are projected to be approximately 100% higher (an average fare of \$32.70 instead of \$15.71), yet even with much higher fares, there is a projection for 2.94 million trips, instead of 1.94 million trips – a 52% increase in the number of trips. As a result, revenue in 2020, as projected in the 2017 Louis Berger study, is expected to be \$96 million rather than the \$31 million projected in the 2013 Louis Berger study – a 300% increase in projected revenues.

It would appear that the staggering 300% increase in Louis Berger’s revenue projections for the project form the keystone of the *pro forma* financial analysis for the project that FDFC reviewed in approving the new tax-exempt bond issue. Without the extraordinary increase in projected





revenues, the cash flows would be dramatically lower and would appear to preclude the bond offering.

The following *pro forma* projections are from the 2017 draft preliminary offering memorandum provided to FDFC in connection with its approval of the tax-exempt bonds:

Cash Flow Summary

(\$ and Passengers In Millions)	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Ramp Up	40%	80%	100%	100%	100%	
Passengers	1.1	2.3	2.9	3.0	3.0	12.3
<b>CASH FLOW</b>						
Revenue	\$57	\$112	\$142	\$147	\$154	\$612
Opex	<u>(60)</u>	<u>(60)</u>	<u>(63)</u>	<u>(65)</u>	<u>(66)</u>	<u>(314)</u>
EBITDA	(3)	52	79	82	88	298
Maintenance Capex	(7)	(4)	(4)	(4)	(4)	(23)
Cash Flow Before Debt Service	(10)	48	75	79	84	276
Interest	24	24	24	24	24	120
Debt Amort. (1)	N/A	N/A	N/A	N/A	N/A	N/A
Cash Flow After Debt Service (2)	(\$34)	\$24	\$51	\$55	\$60	\$156

(1) Per Company, assumes amortization begins in Year Six, Debt fully amortized over 25 year period. Initial interest only period estimated Term Mode Rate of 4.00%.

(2) Shortfalls in ramp up period expected to be covered via withdrawal from Ramp Up Reserve Fund, and this Reserve to be funded at closing of 2017 from Borrower Funds.

Putting the issue of interest rates aside,<sup>1</sup> if revenue in 2020 were in line with the 2013 Louis Berger study instead of the 2017 Louis Berger Study (with its 300% revenue increase), the

<sup>1</sup> The 4.00% interest rate (assumed in the *pro forma* above) is hardly expected for these unrated junk bond bonds. A higher interest rate, if required to market the bonds successfully, would require higher annual interest payments, further reducing cash flow after debt service.



revenue in 2020 would be \$47 million instead of \$142 million. This would reduce 2020 cash flow after debt service from a positive cash flow of \$51 million to a negative cash flow of \$44 million. The negative cash flow would be higher in magnitude at an interest rate higher than 4.00%.

On an aggregate basis for the 5-year period 2018 through 2022, if revenue were in line with the 2013 Louis Berger study instead of the 2017 Louis Berger Study (with its 300% revenue increase), the revenue for this 5-year time period would be \$204 million instead of \$612 million. This would reduce cash flow after debt service for the 5-year period from a positive cash flow of \$156 million to a negative cash flow of \$252 million. The negative cash flow would be higher in magnitude at an interest rate higher than 4.00%.

Based on the foregoing, it would appear that the extraordinarily more optimistic revenue forecasts presented in the 2017 Louis Berger study are absolutely critical to the marketing of the 2017 tax-exempt bonds. The 2017 bonds, as structured, could not be marketed using the 2013 Louis Berger revenue projections, because the *pro forma* presented in the draft 2017 preliminary offering memorandum would indicate massive negative cash flows after debt service.

There is no evidence from FDFC's deliberations that: (a) AAF informed FDFC that the changes in Louis Berger's projections for the project form the keystone to the *pro forma* financial analysis presented for the project; or (b) FDFC provided any scrutiny whatsoever to whether Louis Berger had any *bona fide* basis for increasing its revenue projections for the project by 300% between the time it prepared the 2013 study and the 2017 study. Louis Berger's 2017 study does not acknowledge that its AAF forecasts have become far more optimistic since its prior 2013 study. Louis Berger's new-founded optimism for the project is particular surprising in light of the following:

- Tri Rail fares (in 2016\$) are only \$6.90 between Miami and West Palm Beach; \$5 between Miami and Ft. Lauderdale; and \$6.25 between Ft. Lauderdale and West Palm Beach. Tri Rail is a slower service, with greater headways between trains at certain hours, but its fares are far below those projected for the AAF project.
- An entirely new transportation industry has emerged between 2013 and today: the Uber/Lyft phenomenon. These services are widespread in southern Florida. These taxi companies provide beginning-of-journey to end-of-journey service, eliminating the need for travel to stations and travel from stations to the passenger's ultimate destination. According to the 2017 Louis Berger study, the Uber fare is currently \$27 - \$35 between Miami and Ft. Lauderdale – about the same as a single ticket on the AAF train. But Uber takes the rider door-to-door and does not charge more for a second or third passenger.



We will leave to the sophisticated buyer of AAF bonds the decision about whether such numbers are credible, when they have gotten so much “better” over the last four years. If AAF has an explanation for the mismatch, it is not apparent from the materials provided to the FDFC in connection with its approval of the new bond offering.

There’s no word yet on what average ticket prices would be for the longer haul from Miami to Orlando (approximately 235 miles) in Phase II. However, if we take the fares from the 2013 Louis Berger study and assume increases similar to the 2017 Louis Berger study, the numbers are probably enormously higher but proportionately similar.

### **Timing – Other Factors to Consider**

With respect to timing, two factors may have come into play with respect to the hurried nature of the FDFC’s October 27, 2017 decision to move forward on the \$600 million PAB allocation.

First, the provisional allocation that DOT granted to AAF in November 2016 is due to expire on January 1, 2018, so AAF’s time was running out.

Second, the draft tax reform legislation unveiled by House Republicans on November 2 includes a provision that would terminate all PABs issued after 2017. This provision was added to the comprehensive tax reform bill as one of many “offsets” needed to pay for the overall legislation. According to estimates from the Joint Committee on Taxation, eliminating PABs would increase revenues by \$38.9 billion over 10 years.

The Republican tax reform bill still has a long way to go before being enacted, and the provision eliminating PABs could certainly be altered or eliminated as the measure makes its way through the legislative process. However, its inclusion—and the possibility that AAF got wind of it before the tax bill was officially unveiled—could explain why AAF moved into “hurry up” mode, in order to be one of last entities ever to be able to take advantage of the crony capitalist loophole that House Republicans are seeking to eliminate.

### **Tallahassee Review**

CARE FL, Indian River County and Martin County appreciate JLAC’s efforts to review this issue, including the OPPAGA review of FDFC practices. We urge these entities to continue to investigate the questionable practices of the FDFC, using the AAF PAB issue as a case study.

Please do not hesitate to contact us if we can provide you with additional information or answer any questions.



Sincerely,

A handwritten signature in black ink, appearing to read "Dylan Reingold".

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# Transparency Florida

*Shining the Light on Florida's Budget*



Joint Legislative Auditing Committee  
November 2017

# Transparency Florida

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Transparency Florida was created to provide the public with access to state government spending information by posting Florida's operating budget and associated expenditure records online.

Data on the site is updated nightly and includes:

- Operating Budget (appropriations, vetoes, budget amendments and other items that impact funding)
- Expenditures (vendor payments written for goods/service and funds transferred between budget categories)
- Personnel data (Agency personnel data is updated weekly. Legislative personnel data is updated monthly)

Users can review the data at varying levels of detail from a statewide perspective down to a specific category within a program or service. Several search options allows users to look for information based on language in the appropriations bill, object type or even vendor name. Reporting has been included to allow the user to download the information for external review.

Additional information can be obtained by contacting each state agency. We have included a list of [agency contacts](#) should you have additional questions, need more information, or wish to make a public records request.

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Agency STATEWIDE

Update

Agency: STATEWIDE

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Agency Descriptions	Agency	Fiscal Year 2017-18	
		Operating Budget	Amount Spent
	ADMINISTERED FUNDS	257,666,709	95,702
	AGENCY FOR HEALTH CARE ADMINISTRATION	28,001,400,330	3,439,041,174
	AGENCY FOR PERSONS WITH DISABILITIES	1,337,396,188	35,718,835
	AGRICULTURE AND CONSUMER SERVICES, DEPARTMENT OF, AND COMMISSIONER OF AGRICULTURE	1,765,733,032	89,364,514
	BUSINESS AND PROFESSIONAL REGULATION, DEPARTMENT OF	151,975,929	13,863,527
	CHILDREN AND FAMILIES, DEPARTMENT OF	3,169,070,610	410,192,860
	CITRUS, DEPARTMENT OF	33,089,251	658,639
	CORRECTIONS, DEPARTMENT OF	2,436,903,116	231,508,046
	ECONOMIC OPPORTUNITY, DEPARTMENT OF	1,109,485,328	34,700,170
	EDUCATION, DEPARTMENT OF	25,303,135,122	3,489,785,277
	ELDER AFFAIRS, DEPARTMENT OF	313,955,324	15,199,570
	ENVIRONMENTAL PROTECTION, DEPARTMENT OF	1,473,214,690	78,135,990
	FINANCIAL SERVICES, DEPARTMENT OF	374,520,979	42,551,995
	FISH AND WILDLIFE CONSERVATION COMMISSION	371,268,771	35,519,530
	FLORIDA COMMISSION ON OFFENDER REVIEW	10,528,688	1,522,026
	GOVERNOR, EXECUTIVE OFFICE OF THE	466,287,762	21,858,328
	HEALTH, DEPARTMENT OF	3,102,935,144	413,920,498
	HIGHWAY SAFETY AND MOTOR VEHICLES, DEPARTMENT OF	480,224,601	71,340,802
	JUSTICE ADMINISTRATION	890,639,203	142,797,808
	JUVENILE JUSTICE, DEPARTMENT OF	560,573,122	55,044,364
	LAW ENFORCEMENT, DEPARTMENT OF	304,035,457	27,508,503
	LEGAL AFFAIRS, DEPARTMENT OF, AND ATTORNEY GENERAL	296,898,893	21,275,199
	LEGISLATIVE BRANCH	469,862,566	24,325,813
	LOTTERY, DEPARTMENT OF THE	167,559,047	16,109,388
	MANAGEMENT SERVICES, DEPARTMENT OF	688,152,709	46,595,231
	MILITARY AFFAIRS, DEPARTMENT OF	72,302,921	8,935,188
	PUBLIC SERVICE COMMISSION	24,731,143	3,559,429
	REVENUE, DEPARTMENT OF	572,764,028	73,788,441
	STATE COURT SYSTEM	518,733,923	77,317,878
	STATE, DEPARTMENT OF	117,935,475	5,508,624
	TRANSPORTATION, DEPARTMENT OF	10,859,245,505	452,637,173
	VETERANS' AFFAIRS, DEPARTMENT OF	151,570,611	11,972,167
	<b>Total</b>	<b>85,853,796,176</b>	<b>9,392,352,689</b>



2017-18 Operating Budget & Spending

Fiscal Year 2017-18 ▼

Update

Print

Agency AGENCY FOR HEALTH CARE ADMINISTRATION ▼

OR




Update



< ALL PROGRAMS AND SERVICES > ▼

Agency: AGENCY FOR HEALTH CARE ADMINISTRATION

Export

Agency Descriptions	Program/Service	Fiscal Year 2017-18	
		Operating Budget	Amount Spent
	<a href="#">PROGRAM: ADMINISTRATION AND SUPPORT</a>	46,353,429	4,296,777
	<a href="#">PROGRAM: HEALTH CARE REGULATION</a>		
	<a href="#">HEALTH CARE REGULATION</a>	109,370,125	9,994,817
	<a href="#">PROGRAM: HEALTH CARE SERVICES</a>		
	<a href="#">CHILDREN'S SPECIAL HEALTH CARE</a>	457,466,412	72,374,523
	<a href="#">EXECUTIVE DIRECTION AND SUPPORT SERVICES</a>	215,482,989	10,915,543
	<a href="#">MEDICAID LONG TERM CARE</a>	6,081,047,309	849,379,875
	<a href="#">MEDICAID SERVICES TO INDIVIDUALS</a>	21,091,680,066	2,492,079,641
	<b>Total</b>	<b>28,001,400,330</b>	<b>3,439,041,174</b>

2017-18 Operating Budget & Spending

Fiscal Year 2017-18 ▼

Update

Print

Agency AGENCY FOR HEALTH CARE ADMINISTRATION ▼



...CHILDREN'S SPECIAL HEALTH CARE ▼

OR

Update

Agency: AGENCY FOR HEALTH CARE ADMINISTRATION  
 PROGRAM: HEALTH CARE SERVICES  
 CHILDREN'S SPECIAL HEALTH CARE

Export

Appropriation Category	Fiscal Year 2017-18	
	Operating Budget	Amount Spent
SPECIAL CATEGORIES CHILDREN'S MEDICAL SERVICES NETWORK	105,641,278	17,152,885
SPECIAL CATEGORIES CONTRACTED SERVICES	4,372,420	0
SPECIAL CATEGORIES GRANTS AND AIDS - CONTRACTED SERVICES - FLORIDA HEALTHY KIDS ADMINISTRATION	17,330,394	2,866,381
SPECIAL CATEGORIES GRANTS AND AIDS - FLORIDA HEALTHY KIDS CORPORATION	244,210,334	38,911,353
SPECIAL CATEGORIES GRANTS AND AIDS - FLORIDA HEALTHY KIDS CORPORATION DENTAL SERVICES	29,083,879	4,760,245
SPECIAL CATEGORIES MEDIKIDS	56,828,107	8,683,658
<b>Total</b>	<b>457,466,412</b>	<b>72,374,523</b>

Agency STATEWIDE

Update

Agency: STATEWIDE

Export

Agency Format

Ledger Format

Agency	Fiscal Year Budget 2017-18	
	Dollars	Positions
ADMINISTERED FUNDS	257,666,709	0.00
AGENCY FOR HEALTH CARE ADMINISTRATION	28,001,400,330	1,533.50
AGENCY FOR PERSONS WITH DISABILITIES	1,337,396,188	2,702.50
AGRICULTURE AND CONSUMER SERVICES, DEPARTMENT OF, AND COMMISSIONER OF AGRICULTURE	1,765,733,032	3,653.25
BUSINESS AND PROFESSIONAL REGULATION, DEPARTMENT OF	151,975,929	1,617.25
CHILDREN AND FAMILIES, DEPARTMENT OF	3,169,070,610	11,975.50
CITRUS, DEPARTMENT OF	33,089,251	41.00
CORRECTIONS, DEPARTMENT OF	2,436,903,116	24,238.00
ECONOMIC OPPORTUNITY, DEPARTMENT OF	1,109,485,328	1,475.00
EDUCATION, DEPARTMENT OF	25,303,135,122	3,000.75
ELDER AFFAIRS, DEPARTMENT OF	313,955,324	421.50
ENVIRONMENTAL PROTECTION, DEPARTMENT OF	1,473,214,690	2,899.50
FINANCIAL SERVICES, DEPARTMENT OF	374,520,979	2,607.50
FISH AND WILDLIFE CONSERVATION COMMISSION	371,268,771	2,118.50
FLORIDA COMMISSION ON OFFENDER REVIEW	10,528,688	132.00
GOVERNOR, EXECUTIVE OFFICE OF THE	466,287,762	431.00
HEALTH, DEPARTMENT OF	3,102,935,144	13,746.82
HIGHWAY SAFETY AND MOTOR VEHICLES, DEPARTMENT OF	480,224,601	4,374.00
JUSTICE ADMINISTRATION	890,639,203	10,383.50
JUVENILE JUSTICE, DEPARTMENT OF	560,573,122	3,269.50
LAW ENFORCEMENT, DEPARTMENT OF	304,035,457	1,890.00
LEGAL AFFAIRS, DEPARTMENT OF, AND ATTORNEY GENERAL	296,898,893	1,396.50
LEGISLATIVE BRANCH	469,862,566	1,688.48
LOTTERY, DEPARTMENT OF THE	167,559,047	418.50
MANAGEMENT SERVICES, DEPARTMENT OF	688,152,709	1,284.50
MILITARY AFFAIRS, DEPARTMENT OF	72,302,921	453.00
PUBLIC SERVICE COMMISSION	24,731,143	267.00
REVENUE, DEPARTMENT OF	572,764,028	5,058.00
STATE COURT SYSTEM	518,733,923	4,304.50
STATE, DEPARTMENT OF	117,935,475	408.00
TRANSPORTATION, DEPARTMENT OF	10,859,245,505	6,299.00
VETERANS' AFFAIRS, DEPARTMENT OF	151,570,611	1,112.50
<b>Total</b>	<b>85,853,796,176</b>	<b>115,200.55</b>

Agency STATEWIDE

Update

Fund Type ALL FUNDS

Agency: STATEWIDE

Fund Type: ALL FUNDS

Agency Format

**Ledger Format**

	Appropriations	Unbudgeted Reserve	Approved Budget	Releases	Approved Budget Unreleased	Disbursements
General Revenue	31,847,130,905	400,685,830	31,446,445,075	8,859,915,777	22,586,529,298	4,979,485,413.49
Trust Funds	54,006,665,272	2,438,036,976	51,568,628,296	48,996,162,640	2,572,465,656	4,412,867,275.73
<b>Total</b>	<b>85,853,796,176</b>	<b>2,838,722,806</b>	<b>83,015,073,370</b>	<b>57,856,078,416</b>	<b>25,158,994,954</b>	<b>9,392,352,689.22</b>

**Appropriations, Approved Budget, and Releases** [Export](#)

07/01/2017	Appropriations Bill (GAA) - Laws of Florida, Chapter 2017-70 (Senate Bill 2500)	82,418,458,905	939,889,318	81,478,569,587	56,869,153,756	
07/01/2017	Supplemental Appropriations	14,432,949,690	1,936,847,103	12,496,102,587	127,237,500	
07/01/2017	Contingents	-1,747,673	0	-1,747,673	0	
07/01/2017	Vetoes	-11,903,691,228	0	-11,903,691,228	0	
07/01/2017	Lottery Debt Service	320,800,587	0	320,800,587	64,160,117	
07/03/2017	Budget Amendment B0021 - Department of Environmental Protection	245,152	0	245,152	245,152	
07/03/2017	Budget Amendment B0023 - Agency for Health Care Administration	0	0	0	42,955,779	
07/03/2017	Budget Amendment B0027 - Department of Management Services	0	0	0	552,800	
07/06/2017	Budget Amendment B0028 - Department of Corrections	0	0	0	32,800,844	
07/07/2017	Continuing Appropriations - Carry Forward	336,470,725	0	336,470,725	336,470,725	
07/07/2017	Budget Amendment B0026 - Department of Law	375,000	0	375,000	375,000	
	<b>Total - All Funds</b>	<b>85,853,796,176</b>	<b>2,838,722,806</b>	<b>83,015,073,370</b>	<b>57,856,078,416</b>	

**Disbursements**

[View Disbursements by Object](#)

Operational	8,910,683,351.17
Fixed Capital Outlay	481,669,338.05
<b>Total - All Funds</b>	<b>9,392,352,689.22</b>

Bill Index

OR

Line Item

Update



A bill to be entitled

An act making appropriations; providing moneys for the annual period beginning July 1, 2017, and ending June 30, 2018, and supplemental appropriations for the period ending June 30, 2017, to pay salaries and other expenses, capital outlay - buildings, and other improvements, and for other specified purposes of the various agencies of state government; providing effective dates.

Be It Enacted by the Legislature of the State of Florida:

The moneys contained herein are appropriated from the named funds for Fiscal Year 2017-2018 to the state agency indicated, as the amounts to be used to pay the salaries, other operational expenditures, and fixed capital outlay of the named agencies, and are in lieu of all moneys appropriated for these purposes in other sections of the Florida Statutes.



\*\*\*\*\* Appropriation authorization was established through means other than a line item in the original General Appropriations Act.

**Veto** A portion or all of this appropriation has been vetoed by the Governor. Click on the amount to see further details.

Bill Index

OR Line Item

Update



EDUCATION, DEPARTMENT OF  
 UNIVERSITIES, DIVISION OF  
 PROGRAM: EDUCATIONAL AND GENERAL ACTIVITIES

Funds in Specific Appropriations 12 through 16 shall be expended in accordance with operating budgets which must be approved by each university's board of trustees.

- 12 AID TO LOCAL GOVERNMENTS  
 GRANTS AND AIDS - EDUCATION AND GENERAL ACTIVITIES  
 FROM EDUCATIONAL ENHANCEMENT TRUST FUND

[229,344,945](#)

Funds in Specific Appropriation \*\*\*\*\* shall be allocated as follows:

University of Florida.....	42,170,813
Florida State University.....	35,233,672
Florida A&M University.....	13,304,267
University of South Florida.....	31,435,222
University of South Florida, St. Petersburg.....	1,388,156
University of South Florida, Sarasota/Manatee.....	1,181,138
Florida Atlantic University.....	18,696,001
University of West Florida.....	7,054,953
University of Central Florida.....	32,260,049
Florida International University.....	27,579,460
University of North Florida.....	11,487,992
Florida Gulf Coast University.....	6,383,204
New College of Florida.....	926,870
Florida Polytechnic University.....	243,148

- 13 AID TO LOCAL GOVERNMENTS  
 GRANTS AND AIDS - IFAS (INSTITUTE OF FOOD AND AGRICULTURAL SCIENCE)  
 FROM EDUCATIONAL ENHANCEMENT TRUST FUND

[12,533,877](#)

2017-18 State Positions

Fiscal Year 2017-18 ▼

Update

Show Codes

Print

Agency STATEWIDE ▼

Update

Agency: STATEWIDE

Export

Agency	Fixed	Excess	Total	Reserve	Authorized	Established	Filled	Vacant
<a href="#">AGENCY FOR HEALTH CARE ADMINISTRATION</a>	1,533.50	0.00	1,533.50	0.00	1,533.50	1,523.50	1,395.00	128.50
<a href="#">AGENCY FOR PERSONS WITH DISABILITIES</a>	2,702.50	0.00	2,702.50	0.00	2,702.50	2,703.00	2,492.00	211.00
<a href="#">AGRICULTURE AND CONSUMER SERVICES, DEPARTMENT OF, AND COMMISSIONER OF AGRICULTURE</a>	3,653.25	0.00	3,653.25	3.00	3,650.25	3,643.25	3,360.25	283.00
<a href="#">BUSINESS AND PROFESSIONAL REGULATION, DEPARTMENT OF</a>	1,617.25	0.00	1,617.25	0.00	1,617.25	1,617.25	1,519.25	98.00
<a href="#">CHILDREN AND FAMILIES, DEPARTMENT OF</a>	11,975.50	0.00	11,975.50	0.00	11,975.50	11,996.00	11,219.65	776.35
<a href="#">CITRUS, DEPARTMENT OF</a>	41.00	0.00	41.00	0.00	41.00	39.00	27.00	12.00
<a href="#">CORRECTIONS, DEPARTMENT OF</a>	24,238.00	0.00	24,238.00	10.00	24,228.00	24,131.00	21,809.50	2,321.50
<a href="#">ECONOMIC OPPORTUNITY, DEPARTMENT OF</a>	1,475.00	0.00	1,475.00	0.00	1,475.00	1,475.50	1,358.25	117.25
<a href="#">EDUCATION, DEPARTMENT OF</a>	2,315.75	0.00	2,315.75	0.00	2,315.75	3,001.75	2,713.75	288.00
<a href="#">ELDER AFFAIRS, DEPARTMENT OF</a>	421.50	0.00	421.50	0.00	421.50	421.50	396.00	25.50
<a href="#">ENVIRONMENTAL PROTECTION, DEPARTMENT OF</a>	2,899.50	0.00	2,899.50	0.00	2,899.50	2,899.50	2,699.50	200.00
<a href="#">FINANCIAL SERVICES, DEPARTMENT OF</a>	2,607.50	0.00	2,607.50	0.00	2,607.50	2,588.00	2,348.00	240.00
<a href="#">FISH AND WILDLIFE CONSERVATION COMMISSION</a>	2,118.50	0.00	2,118.50	0.00	2,118.50	2,118.50	2,024.00	94.50
<a href="#">FLORIDA COMMISSION ON OFFENDER REVIEW</a>	132.00	0.00	132.00	0.00	132.00	132.00	119.55	12.45
<a href="#">GOVERNOR, EXECUTIVE OFFICE OF THE</a>	431.00	0.00	431.00	0.00	431.00	432.00	355.00	77.00
<a href="#">HEALTH, DEPARTMENT OF</a>	13,746.82	0.00	13,746.82	77.00	13,669.82	13,107.75	11,861.65	1,246.10
<a href="#">HIGHWAY SAFETY AND MOTOR VEHICLES, DEPARTMENT OF</a>	4,374.00	0.00	4,374.00	0.00	4,374.00	4,377.00	3,996.00	381.00
<a href="#">JUSTICE ADMINISTRATION</a>	10,383.50	0.00	10,383.50	27.00	10,356.50	10,353.05	9,456.84	896.21
<a href="#">JUVENILE JUSTICE, DEPARTMENT OF</a>	3,269.50	0.00	3,269.50	0.00	3,269.50	3,269.50	2,938.60	330.90

## Reports

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- [Operating Budget Reports](#)
- [Appropriation/Disbursement Reports](#)
- [Reversion Reports](#)
- [Fund Balance Reports](#)
- [Ten-Year History Reports](#)

### Operating Budget Reports

Includes reports detailing the State Operating Budget and Disbursements by Expenditure Type, Fund Source or Program Area for a selected Fiscal Year.

#### **Operating Budget By Expenditure Type**

This report provides the total Operating Budget and Disbursements by the following Expenditure Types: General Operations, Medicaid/TANF, Aid to Local Governments, Fixed Capital Outlay, DOT Work Program, Debt Service, and Pension Benefits/Claims.

#### **Operating Budget By Fund Source**

This report provides the total Operating Budget by the following Fund Sources: General Revenue, Tobacco Settlement Trust Fund, Education Enhancement Trust Fund, and all other Trust Funds.

#### **Operating Budget By Program Area**

This report provides the total Operating Budget and Disbursements by the following Program Areas: Education, Human Services, Criminal Justice and Corrections, Natural Resources/Environment/Growth Management/Transportation, General Government, and Judicial Branch. The option to view this report by General Revenue Fund, Trust Funds, or All funds is also available.

### Appropriation/Disbursement Reports

Includes reports detailing the Operational and Fixed Capital Outlay Budget and Disbursements for a selected appropriation year. Users can select to compare fiscal years to provide additional information.

#### **Compare Appropriations Report**

This report provides a comparison of operational appropriations for two fiscal years by Agency and/or Category.

#### **Compare Appropriations to Disbursements Report**

This report provides operational appropriations compared to the disbursements made within one fiscal year by Agency and/or Category. The appropriations and disbursements are reported by month.

#### **Compare Disbursements Report**

This report provides a comparison of operational disbursements for two fiscal years by Agency, Category, and/or Object. The disbursements are reported by month.





#### Amendments

Approved amendments made to the original operating budget are listed by Budget amendment number. Details about each amendment can be displayed by selecting the Budget Amendment hyperlink.

[CLICK HERE](#)



#### Back of Bill Appropriations

Appropriations made starting with Section 8 in the back of the General Appropriations Act are listed in this option. Section number, description and the amount of the appropriation are included in the report. A link to the Laws of Florida is provided for additional information.

[CLICK HERE](#)



#### Budget Issues

Budget Issues are individual items used as building blocks to explain the need for an appropriation within the General Appropriations Act. Filters are provided to narrow the result set.

[CLICK HERE](#)



#### Supplemental Appropriations

Appropriations made outside of the General Appropriations Act are listed along with the bill number, description and the amount of the appropriation. A hyperlink to the specific chapter in the Laws of Florida is provided for a complete description.

[CLICK HERE](#)



#### Vetoes

Items in the General Appropriations Act or in substantive bills vetoed by the Governor. A Line Item or Section number is provided along with a description and amount for each item vetoed.

[CLICK HERE](#)

## Search

[Bill](#) | [Budget Issues](#) | [Object](#) | [Vendor](#)



### Bill

Search all titles and text within the operating budget in the appropriations bill format. Enter a word or phrase and the search jumps to the first location in the appropriations bill where the word or phrase is found. Use the navigation buttons to browse to the next location where the word or phrase is found.

[CLICK HERE](#)



### Budget Issues

Budget issues are the building blocks of the appropriations bill to identify and describe increases and/or decreases to the budget. Entering a word or phrase displays a list of budget issues with the text anywhere in the title. The results will also include the amount of each budget issue.

[CLICK HERE](#)



### Object

Summary and detail objects describe items or services purchased by the State of Florida. Searching returns a list of summary or detail objects with the word or phrase in the title as well as the year-to-date amount spent. Note: If the search criteria are found in the summary title, all detail objects will be displayed.

[CLICK HERE](#)



### Vendor

Florida makes payments to businesses throughout the state, country and internationally as well as local governments, state agencies and employees. To see payments to a particular vendor, enter at least the first character of the vendor name. The resulting list will show all vendors that match the criteria as well as the amount paid. Also included in the results is the vendor ID which allows the users to see all payments made to a vendor regardless of how the name is spelled.

[CLICK HERE](#)

## Site Information

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### Agency Contact List

The Agency Contact List contains contact information from each state agency to be used when inquiring about information displayed on this website. This list includes a contact name, address, phone number, and email address for each state agency.

[CLICK HERE](#)



### Glossary

The Glossary contains an alphabetical listing of budget, personnel, and accounting terms and definitions used throughout the website.

[CLICK HERE](#)



### Frequently Asked Questions

The Frequently Asked Questions provides a list of the most often asked questions and their answers. This list will periodically be updated as the website continues to be enhanced and utilized.

[CLICK HERE](#)

## Florida State Budget Links

### **Fiscal Analysis in Brief**

The Fiscal Analysis in Brief is an annual report prepared and published by the Florida Legislature. It summarizes fiscal and budgetary information for a given fiscal year. This report is located on the Florida Fiscal Portal in the appropriated fiscal year.

### **Long-Range Financial Outlook 3 Year Plan**

The Long-Range Financial Outlook 3 Year Plan is an annual report prepared and published by the Florida Legislature. The report provides a longer-range picture of the state's financial position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates. This report is located on the Florida Fiscal Portal.

### **Chief Financial Officer's Transparency Florida**

The CFO's Transparency Florida is a link to the Florida Department of Financial Services' website containing additional financial information. The website includes links to Florida Financials - State Receipts, Transfers and Disbursements, Cash Flow and Balances, Vendor Payment Search, Local Government Budgets, State Reports, and Florida's Accountability Contract Tracking System (FACTS) Search.

### **Reports on State Properties and Occupancy Rates**

The Division of Real Estate Development and Management provides information on the state-owned buildings and occupancy rates. The Division of Real Estate Development and Management implements best practices for the development, operation and maintenance of state-owned facilities as well as oversight of the state's process for leasing privately owned space.

### **Government Program Summaries**

The Florida Legislature's Office of Program Policy Analysis and Government Accountability produces this encyclopedia of descriptive information on over 200 major state programs. Using a question and answer approach, each summary describes the program and its purpose, funding levels and sources, statutory authority, current program issues and contact information. The summaries also include links to OPPAGA reports and other research products, as well as related websites.

## Reports on Public School Districts

### **School District Summary Budget**

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 Florida Department of Education by Florida school districts. The budget document provides millage levies; estimated revenues detailed by federal, state, and local sources; and estimated expenditures.

### **School District Annual Financial Report**

The Annual Financial Report is the unaudited data submitted to the Florida Department of Education by Florida school districts after the close of each fiscal year. It includes actual revenues detailed by federal, state, and local sources, and actual expenditures.

### **School District Audit Reports Prepared by the Auditor General**

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.

### **School District Audit Reports Prepared by Private CPA Firms**

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.

### **School District Program Cost Reports**

The Program Cost Report data is submitted to the Florida Department of Education 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.

### **Financial Profiles of School Districts**

Financial Profiles of Florida School Districts is a publication designed to provide information about revenues and expenditures in the Florida public school districts. Revenues by source and expenditures by function and object are detailed in the document. Additional financial information from school districts is also provided. The publication is intended for comparative generalizations about school districts. Additional sources of information should be consulted for a comprehensive understanding of a school district's financial position.

### **Florida Education Finance Program (FEFP) Calculations**

In 1973 the Florida Legislature enacted the Florida Education Finance Program (FEFP) and established the state policy on equalized funding to guarantee to each student in the Florida public education system the availability of programs and services appropriate to his or her educational needs that are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors. The FEFP is a series of formulas and components used to allocate funds appropriated by the legislature and is the primary mechanism for funding the operating costs of Florida school districts. These funds make up the majority of K-12 public school funding. A key feature of the FEFP is that it bases financial support for education upon the individual student participating in a particular educational program rather than upon the number of teachers or classrooms. To provide equalization of educational opportunity, the FEFP formula recognizes: (1) varying local property tax bases; (2) varying education program costs; (3) varying costs of living; and (4) varying costs for equivalent educational programs due to sparsity and dispersion of the student population. Most of the components of the calculation are authorized in Section 1011.62, Florida Statutes and the annual General Appropriations Act.

### **Five-Year Facilities Work Plan**

The 5-Year District Facilities Work Program is the authoritative source for educational facilities information, including planning and funding. Governmental entities that use this information include the Department of Education, Legislature, Governor's Office, Division of Community Planning (growth management), and local governments.

### **Public School District Websites**

**JOE NEGRON**  
President of the Senate



**RICHARD CORCORAN**  
Speaker of the House



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

**Joint Legislative Auditing Committee**  
**November 2017**

DRAFT

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## **Joint Legislative Auditing Committee**

**Senator Debbie Mayfield, Chair**  
**Representative Jennifer Sullivan, Vice Chair**

**Senator Dennis Baxley**  
**Senator Audrey Gibson**  
**Senator Kathleen Passidomo**  
**Senator Perry Thurston**

**Representative Tracie Davis**  
**Representative Randy Fine**  
**Representative Joe Gruters**  
**Representative Roy Hardemon**  
**Representative Cyndi Stevenson**



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# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## SCOPE

As required by s. 215.985(7), F.S., this report from the Joint Legislative Auditing Committee (Committee) provides recommendations related the possible expansion of the Transparency Florida website,<sup>1</sup> including whether to expand the scope to include educational, local governmental, and other non-state governmental entities. Also, as required by s. 215.985(13), F.S., this report provides the progress made in establishing the single website required by the Transparency Florida Act 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 (Act),”<sup>2</sup> an act relating to transparency in government spending, requires several websites for public access to government entity financial information.

The Act, as originally approved in 2009,<sup>3</sup> required a single website to be established by the Executive Office of the Governor (EOG), in consultation with the appropriations committees of the Senate and the House of Representatives. Specified information relating to state expenditures, appropriations, spending authority, and employee positions and pay rates was required to be provided on the website.

Responsibilities assigned by law to the Committee included:

- oversight and management of the website;<sup>4</sup>
- propose additional state fiscal information to be included on the website;
- develop a schedule for adding information from other governmental entities to the website;<sup>5</sup>
- coordinate with the Financial Management Information Board in developing any recommendations for including information on the website which is necessary to meet the requirements of s. 215.91(8); and,
- prepare an annual report detailing progress in establishing the website and providing recommendations for enhancement of the content and format of the website and related policies and procedures.

In 2011, the Act was revised to require the Chief Financial Officer (CFO) to provide public access to a state contract management system that provides information and documentation relating to the contracting agency.<sup>6</sup> Other revisions included: (1) requiring the State’s five water management districts to provide monthly financial statements to their board members and to make such statements available for public access on their website, (2) exempting municipalities and special districts with total annual revenues of less than \$10 million from the Act’s requirements, and (3) several technical and clarifying changes.<sup>7</sup> Also, a

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<sup>1</sup> Refers to the website established by the Executive Office of the Governor, in consultation with the appropriations committees of the Senate and the House of Representatives, which provides information related to the approved operating budget for the State of Florida.

<sup>2</sup> Chapter 2013-54, L.O.F.

<sup>3</sup> Chapter 2009-74, L.O.F.

<sup>4</sup> Section 11.40(4)(b), F.S. (2009)

<sup>5</sup> These entities included any state, 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.

<sup>6</sup> Chapter 2011-49, L.O.F.

<sup>7</sup> *Id.*

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

revision to s. 11.40, F.S., removed the Committee's responsibility to manage and oversee the Transparency Florida website.<sup>8</sup>

Further revisions to the Act were adopted in 2013.<sup>9</sup> In addition to the two websites previously required, the Act now also requires the following websites:

- The EOG, in consultation with the appropriations committees of the Senate and the House of Representatives, is required to establish and maintain a website that provides information relating to fiscal planning for the State. Minimum requirements include the Legislative Budget Commission's long-range financial outlook; instructions provided to state agencies relating to legislative budget requests; capital improvements plans, long-range program plans and legislative budget requests (LBR) submitted by each state agency or branch of state government; any amendments to LBRs; and, the Governor's budget recommendation submitted pursuant to s. 216.163, F.S.
- The Department of Management Services is required to establish and maintain a website that provides current information relating to each employee or officer of a state agency, a state university, or the State Board of Administration. Minimum requirements include providing the names of employees and their salary or hourly rate of pay; position number, class code, and class title; and employing agency and budget entity.
- The EOG, in consultation with the appropriations committees of the Senate and the House of Representatives, is required to establish and maintain a single website that provides access to all other websites (four) required by the Act.

Additional revisions include:

- The minimum requirements for the Act's original website (information relating to state expenditures, appropriations, spending authority, and employee positions) were expanded to include balance reports for trust funds and general revenue; fixed capital outlay project data; a 10-year history of appropriations by agency; links to state audits or reports related to the expenditure and dispersal of state funds; and links to program or activity descriptions for which funds may be expended.
- The Committee is no longer required to recommend a format for collecting and displaying information from governmental entities, including local governmental and educational entities. Rather, the Committee is required to recommend: (1) whether additional information from these entities should be included on the website, and (2) a schedule and a format for collecting and displaying the additional information.
- Language related to the contract tracking system required to be posted by the CFO is expanded to: (1) provide timelines, (2) require each state entity to post information to the contract tracking system, (3) address confidentiality and other legal issues, (4) provide definitions, and (5) authorize Cabinet members to post the required contract tracking information to their own agency-managed websites in lieu of posting on the CFO's tracking system.

No revisions to the Act have been made since 2013. Additional details relating to the Act in its current form may be found in Appendix A.

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<sup>8</sup> Chapter 2011-34, L.O.F.

<sup>9</sup> Chapter 2013-54, L.O.F.

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## Previous Committee Effort

The Committee has issued four previous reports related to the Act. A brief summary of the recommendations of each report follows.

### 2010 Committee Report

The act, as originally written, required the Committee to develop a plan to add fiscal information for other governmental entities, such as municipalities and school districts, to the website. Although the Committee was authorized to also make recommendations related to state agency information, much of that information was specified in statute and was being implemented by the EOG, in consultation with the appropriations committees of the Senate and the House of Representatives. The Committee's initial focus was on school districts due to the consistency of financial information required of the State's 67 school districts. Specific recommendations and timeframes for adding school district fiscal information to *Transparency Florida*<sup>10</sup> were provided. Also, general recommendations were provided for adding fiscal information for other governmental entities, including state agencies, universities, colleges, counties, municipalities, special districts, and charter schools/charter technical career centers.

The Committee recommended the use of three phases for the addition of school district financial information to *Transparency Florida*. The Committee wanted citizens who visit either the home page of a school district's website or *Transparency Florida* to have the ability to easily access the school district's financial information that was located on the school district's website, the Department of Education's (DOE) website, and *Transparency Florida*.

The overall approach was to recommend that information which was readily available, with minimal effort and cost, to 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. The Committee expected that the first two phases could be accomplished without the need for additional resources.

Ultimately, once all phases were implemented, the goal was to provide transaction-level details of expenditures. Stakeholders expressed concern about the school districts' ability to provide this level of detail. School districts' accounting systems have the ability to capture expenditures at the sub-function and the sub-object levels.<sup>11</sup> 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 (File Transfer Protocol) a monthly summary of expenditures at the sub-function and sub-object levels to *Transparency Florida*. Although Committee members were interested in more detailed information, this approach was agreed 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.

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<sup>10</sup> For the purpose of this report, *Transparency Florida* refers to [www.transparencyflorida.gov/](http://www.transparencyflorida.gov/), the original website created pursuant to the Transparency Florida Act.

<sup>11</sup> For example, sub-function categories include costs associated with K-12, food services, and pupil transportation services; sub-object categories include costs associated with classroom teachers, travel, and textbooks.

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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.

### 2011 Committee Report

The initial Committee report, discussed above, recommended deferring implementation related to detailed school district financial transactions until the Committee had additional information and could further discuss the issues and potential costs involved. The premise was that the school districts would transmit monthly data to the State for display on *Transparency Florida*. As explained, the cost was expected to be in the millions of dollars, but only a rough estimate was available.

In light of the continued financial difficulties being faced by the State, the Committee decided to abandon this approach and recommend an alternative. The new focus was to keep local information at the local level and for the State to provide access to it on *Transparency Florida*.

Although the Committee understood that the goal of the project was to provide more financial transparency at all levels of government, it recognized that local governments<sup>12</sup> know best what information their citizens want available for review. The Committee did not believe that it was the State's responsibility to design and build a system to collect and display local governments' information. Rather, the Committee recommended that the State work in partnership with local governments, as they increase transparency on their websites, so that the full financial burden did not fall on the local governments.

The Committee recommended that representatives for each type of entity develop suggested guidelines for the type of financial information and the level of detail that should be included. 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 suggested 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 the Committee recommended for consideration included 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 was 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.

### 2014 Committee Report

The Committee was presented with a draft of the report which included an update for the status of *Transparency Florida* and the related websites, but did not include any recommendations. Rather, the section of the report titled "Recommendations" included only the wording "To Be Determined." A separate handout was provided in the meeting packet which included: (1) recommendations that had been suggested by Committee members, (2) a series of questions intended to guide the members during their discussion of possible recommendations, and (3) a chart which listed various types of financial-related information that could potentially be considered in an expansion of the Transparency Florida website. Specifically, this

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<sup>12</sup> Local government in this context referred to all non-state entities subject to the requirements of the Transparency Florida Act at the time of the Committee's recommendation.

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information was related to non-State entities, such as school districts, municipalities and other local entities, and included items such as budget documents, monthly financial statements, and contract information.

The Committee approved a motion to adopt the draft report “as is” by a vote of 10-1. This meant that the recommendations remained “To Be Determined” and no new information would be recommended for addition to *Transparency Florida* or the related websites. The member who voted against the motion did so because he had submitted a recommendation related to the online posting of college employee salaries that he had not had an opportunity to discuss prior to the time the motion was offered. At a subsequent meeting, the Committee adopted a related recommendation; however, because the report had already been approved, it was not available to be revised. Therefore, the recommendation was included in the cover letter which accompanied the report. The cover letter stated “[o]n February 17, 2014, the Committee recommended that the Florida Has a Right to Know website include the salary of each State University and Florida College System institution employee by position number only. The name of the employee should not be attached to the salary. Currently, the website provides the name and salary of each State University employee, in compliance with s. 215.985(6), F.S. The salaries of Florida College System institution employees are neither provided on the website, nor are they required to be provided under the provisions of the Transparency Florida Act (s. 215.985, F.S.)”

### 2015 Committee Report

The Committee’s only recommendation was identical to the recommendation included in the cover letter for the 2014 report. The Committee recommended that the Florida Has a Right to Know website include the salary of each State University and Florida College System institution employee by position number only. The name of the employee should not be attached to the salary. As mentioned in the previous paragraph, the website provides the name and salary of each State University employee. No information is provided on the website for Florida College System institution employees.

### Transparency-Related Legislation

During the 2010 Legislative Session, the Legislature adopted proviso language to implement the Committee’s recommendations related to school districts for the first two phases. 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. School districts were required to provide a link to *Transparency Florida* on their website. Links to the DOE and other website information were provided on *Transparency Florida*. The requirements assigned to the DOE and school districts were fulfilled.

In 2011, two bills were passed which, although not directly related to the Act, related to efforts to provide more financial transparency to Florida’s citizens. Senate Bill 1292 (2011)<sup>13</sup> required 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 was due in January 2014. An entity’s charts of accounts refers to the coding structure used to identify financial transactions. Most of the non-state entities are currently authorized to adopt their own charts of accounts. The school districts are the exception; the chart of accounts that they are required to use is specified by the DOE. During discussions related to determining recommendations for its first required report required by the Act, the Committee understood that the various charts of accounts used by entities across the state was an obstacle for providing financial data that could be compared from one entity to another.

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<sup>13</sup> Chapter 2011-44, L.O.F.

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Senate Bill 224 (2011)<sup>14</sup> required counties, municipalities, special districts, and school districts to post their tentative budgets, final budgets, 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 required 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>15</sup> See Appendix B for the specific requirements of the bill.

In 2013, a provision in House Bill 5401,<sup>16</sup> the bill which revised the Act, created the User Experience Task Force. Its purpose was to develop and recommend a design for consolidating existing state-managed websites that provide public access to state operational and fiscal information into a single website. The task force was comprised of four members, with one member each designated by the Governor, Chief Financial Officer, President of the Senate, and Speaker of the House. The task force's work plan was required to include a review of: (1) all relevant state-managed websites, (2) options for reducing the number of websites without losing detailed data, and (3) options for linking expenditure data with related invoices and contracts. The recommendations, due March 1, 2014, were required to include: (1) a design that provides an intuitive and cohesive user experience that allows users to move easily between varied types of related data, and (2) a cost estimate for implementation of the design.<sup>17</sup>

In 2014, Senate Bill 1632<sup>18</sup> required all independent special districts that had been created for one or more fiscal years to maintain an official website, effective October 1, 2015.<sup>19</sup> The website is required to include information specified in s. 189.069, F.S., such as the special district's charter, contact information, description of the boundaries, budget, and audit report(s).

The Legislature did not address the recommendations made in the Committee's 2011 report, cover letter to the 2014 report, or the 2015 report. As previously mentioned, the 2014 report did not include any recommendations.

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<sup>14</sup> Chapter 2011-144, L.O.F.

<sup>15</sup> See s. 218.32, F.S.

<sup>16</sup> Chapter 2013-54, L.O.F.

<sup>17</sup> The User Experience Task Force's Final Report is available online at <http://www.myfloridacfo.com/division/dis/transparencytaskforce/Documents/UETFFinalRecommendation2-26-2014Updated.pdf>. The Task Force focused on eleven state-managed websites, including *Transparency Florida*, that provide state-wide financial information and recommended the following: (1) the use of [www.floridasunshine.gov](http://www.floridasunshine.gov) as a portal to access the information provided on these websites; (2) three levels of support for the portal, including a Transparency Steering Committee and the current website managers (i.e., the Governor's Office, the CFO's Office, etc.); (3) a three-pronged approach to education and training that includes a PowerPoint presentation and video of Florida's budget process; (4) categorizing the financial information provided in one of four categories: revenue, budget, spend, and audit; and (5) website features to include consistency in the display of webpages, the ability to search each website, compatibility with major web browsers, and numerous other suggestions to enhance the users' experience. The estimated cost to implement these recommendations is less than \$300,000; however the Task Force acknowledged that their recommendations are very high-level. The report stated that "[d]etailed requirements should be further developed to quantify the effort, costs, implementation schedule, and the detailed design." [p. 34]

<sup>18</sup> Chapter 2014-22, L.O.F.

<sup>19</sup> Dependent special districts are not required to maintain a separate website; however, their information must be accessible online from the website of the local general-purpose government that created the special district.

# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## PRESENT SITUATION

### Status of Single Website

The requirements of s. 215.985(3), F.S., have been met. The single website titled “Florida Sunshine: Guiding you to the right financial source” provides external links to all other websites required by the Act and is available at <http://floridasunshine.gov/>. It provides access to: (1) Transparency Florida (State Finances), (2) Transparency Florida (State Budget), (3) Florida Has a Right to Know, (4) Florida Accountability Contract Tracking System (FACTS), (5) Florida Fiscal Portal, (6) Florida Government Program Summaries, and (7) Transparency Florida Act User Experience Task Force.

### Status of the Website Related to the Approved Operating Budget for State Government

The requirements of s. 215.985(4), F.S., have been met. The website titled “[Transparency Florida](#)” includes detailed financial-related information for state agencies and other units of state government for the fiscal years 2008-09 through the current fiscal year, 2017-18. School district information is also available.

### Summary of State Information Available on *Transparency Florida*

The main focus of *Transparency Florida* has been 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.

In September 2015, an updated version of *Transparency Florida* was released. Effort was made to provide a simpler interface for users who may not be familiar with the state appropriations process and terminology, yet retain the depth of information for the more knowledgeable users.

The Home Page provides the following nine options for users to navigate through the website:

- General Public: Summary View of Budget and Spending by Agency;
- Budget Analyst: In-depth breakdown of Budget and Spending;
- Interactive Bill: View of Budget and Spending in Appropriations Bill format;
- State Positions: List of positions with corresponding Salaries and Benefits;
- Reports: Chart, compare, filter specific Budget and Spending data;
- Quick Facts: Summarized lists of similar Budget items;
- Search: Quickly find information on Budget and Spending items;
- Site Information: Information and help with this website; and
- Other Budget Links: Links to School Districts and other Government Budget information.

The first four options all relate to the State’s Operating Budget. By selecting the General Public option, some details of the operating budget are available in agency format. This format allows users to select a specific state agency, including the legislative branch and the state courts system, to view the fiscal year budget and the amount spent to date. The current fiscal year, 2017-18, is the default; however, users may view information for any fiscal year from 2008-09 through the current year by selecting from a drop-down menu. By clicking on the hyperlinks, users may drill down to view the operating budget and amount spent broken down by program.



## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

The Budget Analyst option allows users to select either the agency format or the ledger format. The agency format displays the appropriation amount and number of positions for the fiscal year selected, listed by agency. Users may drill down to the program or service area by selecting an agency's hyperlink. Additional details, including disbursements by object and an organizational schedule of allotment balances, are provided by continuing to select hyperlinks.

The ledger format displays appropriations-related information over the course of the fiscal year. It begins with the General Appropriations Act (GAA) and includes additional entries for Supplemental Appropriations, Vetoes, Budget Amendments approved by the Legislative Budget Commission, and other actions that effect the GAA. Users can select hyperlinks to obtain additional information for each item.

The Interactive Bill format displays the initial information as it appears in the General Appropriations Act. Again, users may drill down to view more detailed information by clicking on the hyperlinks. As the user drills down, the screen displays the information described above for the Budget Analyst option. By continuing to drill down, the name of each vendor associated with an expenditure is provided. Since the State does not have electronic invoicing, images of invoices are not provided; however, the statewide document number is provided, and users may contact the specified agency contact to request further information or a copy of an invoice.

The State Positions option provides position information by agency and by program. At the agency level, the number of fixed, excess, total, reserve, authorized, established, filled, and vacant positions may be viewed. By drilling down, which may be done by selecting the hyperlink for the program area, users may view salary for the positions by selecting the Details tab. Salaries are provided by position level only and do not include employee names.

The Budget Analyst, Interactive Bill, and State Positions options provide a new feature which allows the user to indicate whether or not he or she wishes to display the codes associated with each entry. All of the four options, including General Public, provide users with the ability to export the information into an Excel spreadsheet.

Various reports relating to the operating budget, appropriations/disbursements, fixed capital outlay, reversions, general revenue, and trust funds may be generated from *Transparency Florida* by selecting the Reports option. These reports include:

- Operating budget by expenditure type, fund source, or program area;
- 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;
- Disbursements by line item;
- Fixed capital outlay appropriations and disbursements by category and/or state agency;
- Schedule of Allotment Balances;
- Annual operational reversions by fiscal year;
- Comparison of operational reversions by fiscal year;
- Fixed capital outlay appropriations, reversions, and outstanding disbursements by fiscal year;
- Five-year history of operational reversions;
- General Revenue Fund cash balance, cash receipts, and cash disbursements, by month and by year;
- Trust fund cash and investment balance in the State Treasury for current fiscal year, for all operating trust funds and their corresponding state agency;

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- Trust fund cash balance and daily cash balance, for all operating trust funds and their corresponding state agency;
- Trust Fund Revenues Report; and,
- Ten-Year History of Appropriation Reports

The Quick Facts option provides information related to budget amendments, back of bill appropriations, budget issues, supplemental appropriations, and vetoes. A description of each of these items, the dollar amount (if applicable), and other details are provided.

By selecting the Search Option, users may search the appropriations bill, budget issues, objects, and vendors by entering a key word or phrase or similar information and continue to drill down to obtain more detailed information.

The Site Information option provides a training overview, the agency contact list, glossary, and frequently asked questions.

Finally, by selecting the Other Budget Links option, *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 longer-range picture of the State's financial position by integrating projections of the major programs driving annual budget requirements with revenue estimates;
- The Chief Financial Officer's [Transparency Florida](#): a webpage which includes links to:
  - State Financials (Budget, Spending and related information);
  - State Payments;
  - Florida State Contract Search (FACTS);
  - State Contract Audits;
  - State Economic Incentives Program;
  - Quasi Government Spending;
  - Estimated state taxes paid based on income (labeled as "Where State Dollars Go: Your Money Matters");
  - State Financial Reports;
  - State Government Information;
  - Local Government Financial Reporting;<sup>20</sup> and,
  - State Employee Data (Florida Has a Right to Know website).
- 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;
- Government Program Summaries: encyclopedia of descriptive information on over 200 major state programs compiled by the Office of Program Policy Analysis and Government Accountability; and
- Reports on Public School Districts: these reports will be described in the next section of this report.

*Transparency Florida* includes all information required by the Act.

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<sup>20</sup> Although labeled **Local Budgets** on this webpage, the information provided relates to actual revenues and expenditures, and not budgeted amounts. Most local governmental entities are required by law to post budget information on their own websites.

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

### Background and Summary of School District Information Accessible from *Transparency Florida*

To date, the only non-state financial-related information that is accessible from *Transparency Florida* relates to school districts. As previously discussed, the Committee's focus for its 2010 report was on the addition of school district information to the website. Proviso language in the 2010 General Appropriations Act<sup>21</sup> was based on the Committee's 2010 recommendations and 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 EOG 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 DOE met the proviso language requirements and the EOG, working in consultation with the appropriations committees of the Senate and the House of Representatives, provided access to the related school district information on *Transparency Florida*. As a result, the following reports and other information are now accessible by selecting the Links option from the *Transparency Florida* Home Page:

- School District Summary Budget
- School District Annual Financial Report
- School District Audit Reports Prepared by the Auditor General
- School District Audit Reports Prepared by Private CPA Firms
- School District Program Cost Reports
- Financial Profiles of School Districts
- Florida Education Finance Program (FEFP) Calculations
- Five-Year Facilities Work Plan
- Public School District Websites

A description of these reports is provided in Appendix C.<sup>22</sup>

In addition, the websites of some school districts include a link to *Transparency Florida*. The proviso language that required school districts to post the link to *Transparency Florida* on their home page was in effect for the 2010-11 fiscal year. Currently, there is no such requirement.

The DOE established the workgroup required by the proviso language to address the expansion of school district information available on *Transparency Florida*. The School District Working Group's report, published in December 2010, recommended:

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<sup>21</sup> Proviso language for Specific Appropriations 116 through 130 of Ch. 2010-152, L.O.F.

<sup>22</sup> Links to school district reports on *Transparency Florida* are located at <http://transparencyflorida.gov/info/LinkInfo.aspx?FY=16>.

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- 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) levels;<sup>23</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. These report recommendations align with the Committee's 2010 recommendations for phase three of school district implementation. The goal of this phase was to provide more frequent and detailed information than had been recommended in the two earlier phases. The Committee's 2011 recommendation, however, was to require local entities, including school districts, to post their financial information on their own website. The Committee reversed the earlier recommendation which required entities to submit data to the State and the State bearing the responsibility to design and build a system to receive and display the information on *Transparency Florida*. The Committee's 2014 and 2015 recommendation was to not require the inclusion of any additional information on *Transparency Florida* from school districts or any other entity.

### Status of the Website Related to Fiscal Planning for the State

The requirements of s. 215.985(5), F.S., have been met. The website titled "[Florida Fiscal Portal](#)" includes budget-related information for the fiscal years 2000-2001 through 2018-2019. Publications available include: (1) planning and budgeting instructions provided to state agencies, (2) agency legislative budget requests, (3) the Governor's recommended budget, (4) appropriations bills, (5) the approved budget, (6) the final budget report (prepared after year-end), (7) agency long-range program plans, (8) agency capital improvement plans, (9) fiscal analysis in brief, (10) long-range financial outlook 3 year plan, and other documents for selected years.

### Status of the Website Related to Employee Positions and Salary

The requirements of s. 215.985(6), F.S., have been met. The website titled "[Florida Has A Right To Know](#)," allows users to search payroll data from the State of Florida People First personnel information system. The database includes information from all Executive Branch agencies, the Lottery, the Justice Administrative Commission (including state attorneys and public defenders), and the State Courts System (including judges). In addition, spreadsheets provide information related to employees of the State Board of Administration and all 12 of the state universities.

Information available includes: (1) name of employee, (2) salary or other rate of pay,<sup>24</sup> (3) employing agency or entity, (4) budget entity, (5) position number, (6) class code, and (7) class title. The People First information is updated weekly, the university information is updated twice per year, and the State Board of Administration information is updated quarterly.

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<sup>23</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 ss. 1010.01 and 1010.20, F.S., and Rule 6A-1.001, F.A.C.).

<sup>24</sup> Universities provide the amount paid per term for Other Personnel Service (OPS) employees; the remaining entities provide the hourly rate of pay for OPS employees.

# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## Status of the Contract Management System

The requirements of s. 215.985(14), F.S., have been met. The CFO established the [Florida Accountability Contract Tracking System \(FACTS\)](#), which provides online public access to information related to contracts, grant agreements, and purchase orders executed by most state agencies. According to staff of the Department of Financial Services, the Legislature, the Department of Agriculture and Consumer Services, and the Department of Legal Affairs do not use FACTS.<sup>25</sup> Information available includes: (1) agency name, (2) vendor/grantor name, (3) type (contract, grant, or purchase order), (4) agency assigned contract ID (if applicable), (5) grant award ID (if known), (6) purchase order (PO) number (if applicable), (7) total dollar amount, (8) commodity/service type, and (9) DFS contract audits (if applicable). Users may search for contract, grant, or purchase information by agency name, dollar value, commodity/service type (for contract and purchase orders), contract ID, MyFloridaMarketPlace (MFMP) purchase order number, vendor/grantor name, beginning and/or ending dates, and/or grant award ID. By selecting a specific contract, grant, or purchase order and drilling down, users may access detailed information such as statutory authority, deliverables, a record of payments made, and an image of the contract or grant agreement. State agencies are required to redact confidential information prior to posting the contract document image online. Due, in part, to the length of time necessary to review contracts to ensure that all confidential information has been redacted, there may be a delay in posting images. For contracts in which the Department of Financial Services has conducted an audit, either summary or more detailed information is available, depending on the date of the audit.<sup>26</sup>

## Status of Water Management District Information

The requirements of s. 215.985(11), F.S., have been met. All five of the state's water management districts indicated that they provide monthly financial statements to their governing board members. Also, monthly financial statements are posted on the website of each water management district dating back to February 2016 or earlier.

## Potential Entities Subject to Transparency Florida Act Requirements

A governmental entity, as defined in the 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 required the Committee to recommend a format for displaying information from these entities on *Transparency Florida*. Smaller municipalities and special districts, defined as those with a population of 10,000 or less, were exempt from the Act. Entities that did not receive state appropriations were also exempt. Later, the Act was revised to provide an exemption based on revenues rather than population. Municipalities and special districts with total annual revenues of less than \$10 million were then exempt from the Act's requirements. In addition, the exemption for entities that did not receive state appropriations was removed.

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<sup>25</sup> An exemption for these two Cabinet agencies, provided in s. 215.985(14)(i), F.S., authorizes each to create its own agency-managed website for posting contracts in lieu of posting such information on the CFO's contract management system. Both agencies, the Senate, and the House of Representatives provide contract information and documents on their respective websites. In addition, information related to Department of Agriculture and Consumer Services' contracts is on FACTS.

<sup>26</sup> By selecting the Audit tab for a specific contract, users are also provided a link to the Department of Financial Services' Transparency Florida Contract Audit page. On this webpage, a comprehensive list of contracts that have been audited from 2010-11 through 2014-15 fiscal years is provided that includes the evaluation criteria used during the audit and the number of contacts with deficiencies.

## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

Subsequent to a major revision in 2013, current law does not require specific non-state entities to be included in the Committee’s recommendations or provide an exemption to any of these entities. The Committee is required to recommend “additional information to be added to a website, such as whether to expand the scope of the information provided to include state universities, Florida college system institutions, school districts, charter schools, charter technical career centers, local government units, and other governmental entities.”<sup>27</sup> The following table shows the number of non-state entities of each type that could potentially be recommended for inclusion:

Type of Entity (Non-State)	Total Number
School Districts	67
Charter Schools and Charter Technical Career Centers	652 <sup>28</sup>
State Universities	12
Florida College System Institutions	28
Counties	67 <sup>29</sup>
Municipalities	412
Special Districts	1687 active <sup>30</sup>
Regional Planning Councils	11
Metropolitan Planning Organizations	27
Entities affiliated with Universities and Colleges, such as the Moffitt Cancer Center	Unknown

To date, only school districts 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’s website provided a link to *Transparency Florida*. This requirement was based on proviso language and was applicable for the 2010-11 fiscal year.

### RECOMMENDATIONS

To be determined.

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<sup>27</sup> Section 215.985(7)(a), F.S.

<sup>28</sup> Reported by the Department of Education for the 2015-16 school year.

<sup>29</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>30</sup> Current as of October 5, 2017.

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# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## Appendix A

<b>Requirements of the Transparency Florida Act</b>		
<b>Entity</b>	<b>Section of Law</b>	<b>Requirement</b>
Joint Legislative Auditing Committee	<a href="#">215.985(7)</a>	By November 1, 2013, and annually thereafter, the Committee shall recommend to the President of the Senate and the Speaker of the House of Representatives: <ul style="list-style-type: none"> <li>• Additional information to be added to a website, such as whether to expand the scope of the information provided to include state universities, Florida College System institutions, school districts, charter schools, charter technical career centers, local government units, and other governmental entities.</li> <li>• A schedule for adding information to the website by type of information and governmental entity, including timeframes and development entity.</li> <li>• A format for collecting and displaying the additional information.</li> </ul>
Joint Legislative Auditing Committee	<a href="#">215.985(13)</a>	Prepare an annual report detailing progress in establishing the single website and providing recommendations for enhancement of the content and format of the website and related policies and procedures. Report shall be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives by November 1.
Joint Legislative Auditing Committee	<a href="#">215.985(9)</a>	Coordinate with the Financial Management Information Board in developing recommendations for including information on the website which is necessary to meet the requirements of s. <a href="#">215.91(8)</a> . <sup>31</sup>
Executive Office of the Governor (EOG), in consultation with the appropriations committees of the Senate and the House of Representatives	<a href="#">215.985(3)</a>	Establish and maintain a single website that provides access to all other websites required by the Transparency Florida Act. These websites include information relating to: <ul style="list-style-type: none"> <li>• The approved operating budget for each branch of state government and state agency;</li> <li>• Fiscal planning for the state;</li> <li>• Each employee or officer of a state agency, a state university, or the State Board of Administration; and,</li> <li>• A contract tracking system.</li> </ul> Specific requirements include compliance with the American Disabilities Act, compatible with all major web browsers, provide an intuitive user experience to the extent possible, and provide a consistent visual design, interaction or navigation design and information or data presentation.
EOG, in consultation with the appropriations committees of the Senate and the House of Representatives	<a href="#">215.985(4)</a>	Establish and maintain a website that provides information relating to the approved operating budget for each branch of state government and state agency. Information must include: <ul style="list-style-type: none"> <li>• Disbursement data and details of expenditure data, must be searchable;</li> <li>• Appropriations, including adjustments, vetoes, approved supplemental appropriations included in legislation other than the General Appropriations Act (GAA), budget amendments, and other actions and adjustments;</li> <li>• Status of spending authority for each appropriation in the approved operating budget, including released, unreleased, reserved, and disbursed balances.</li> <li>• Position and rate information for employees;</li> <li>• Allotments for planned expenditures and the current balance for such allotments;</li> <li>• Trust fund balance reports;</li> <li>• General revenue fund balance reports;</li> <li>• Fixed capital outlay project data;</li> </ul>

<sup>31</sup> The Financial Management Information Board, comprised of the Governor and Cabinet, has not met in a number of years.



## TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

<b>Requirements of the Transparency Florida Act</b>		
<b>Entity</b>	<b>Section of Law</b>	<b>Requirement</b>
EOG, in consultation with the appropriations committees of the Senate and the House of Representatives (Continued)		<ul style="list-style-type: none"> <li>• A 10-year history of appropriations by agency; and</li> <li>• Links to state audits or reports related to the expenditure and dispersal of state funds.</li> </ul>
EOG, in consultation with the appropriations committees of the Senate and the House of Representatives	<a href="#">215.985(5)</a>	<p>Establish and maintain a website that provides information relating to fiscal planning for the state:</p> <ul style="list-style-type: none"> <li>• The long-range fiscal outlook adopted by the Legislative Budget Commission;</li> <li>• Instructions to agencies relating to the legislative budget requests, capital improvement plans, and long-range program plans;</li> <li>• The legislative budget requests submitted by each state agency or branch of state government, including any amendments;</li> <li>• The capital improvement plans submitted by each state agency or branch of state government;</li> <li>• The long-range program plans submitted by each state agency or branch of state government; and</li> <li>• The Governor’s budget recommendation submitted pursuant to s. 216.163.</li> </ul> <p>The data must be searchable by the fiscal year, agency, appropriation category, and keywords. The Office of Policy and Budget in the EOG shall ensure that all data added to the website remains accessible to the public for 10 years.</p>
Department of Management Services (DMS)	<a href="#">215.985(6)</a>	<p>Establish and maintain a website that provides current information relating to each employee or officer of a state agency, a state university, or the State Board of Administration. Information to include:</p> <ul style="list-style-type: none"> <li>• Name and salary or hourly rate of pay of each employee;</li> <li>• Position number, class code, and class title;</li> <li>• Employing agency and budget entity.</li> </ul> <p>Information must be searchable by state agency, state university, and the State Board of Administration, and by employee name, salary range, or class code and must be downloadable in a format that allows offline analysis.</p>
Manager of each website described in 215.985(4), (5), and (6). This refers to the three preceding websites and to staff of the EOG and DMS.	<a href="#">215.985(8)</a>	Submit to the Joint Legislative Auditing Committee information relating to the cost of creating and maintaining such website, and the number of times the website has been accessed.
Chief Financial Officer (CFO)	<a href="#">215.985(14)</a>	Establish and maintain a secure contract tracking system available for viewing and downloading by the public through a secure website. Appropriate Internet security measures must be used to ensure that no person has the ability to alter or modify records available on the website.
Each State Agency	<a href="#">215.985(14)(a) and (b)</a>	Post contract related information on the CFO’s contract tracking system within 30 days after executing a contract. Information to include names of contracting entities, procurement method, contract beginning and ending dates, nature or type of commodities or services purchased, applicable contract unit prices and deliverables, total compensation to be paid or received, all payments made to the contractor to date, and applicable contract performance measures. If competitive solicitation was not used, justification must be provided. Information must be updated within 30 days of any contract amendments.
Water Management Districts	<a href="#">215.985(11)</a>	Provide a monthly financial statement to its governing board and make such statement available for public access on its website.

# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## Appendix B

<b>Summary of Senate Bill 224 (2011) Requirements Related to Financial Transparency<sup>32</sup></b> <i>Documents That Entities Are Required to Post on Their Official Websites</i>				
<b>Type of Entity</b> <i>(Current Statutory Reference)</i>	<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 <i>ss. 129.03(3)(c) and 129.06(2)(f)2., F.S.</i>	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	N/A
Municipality <i>(s. 166.241(3) and (5), F.S.)</i>	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 budgets and any adopted amendment to the manager or administrator of such county or counties who shall post such documents on the county's website.
Special District (excludes Water Management Districts) <i>(s. 189.016(4) and (7), F.S.)</i>	2 days before public hearing and must remain on the website for at least 45 days	Within 30 days after adoption and must remain on the website for at least 2 years	Within 5 days after adoption and must remain on the website for at least 2 years	By October 1, 2015, or by the end of the first full fiscal year after its creation, each special district must maintain an official website [s. 189.069(1), F.S.].
Property Appraiser <i>(s. 195.087, F.S.)</i>	N/A	Within 30 days after adoption	N/A	If the Property Appraiser does not have an official website, the final approved budget must be posted on the county's official website
Tax Collector <i>(s. 195.087, F.S.)</i>	N/A	Within 30 days after adoption	N/A	If the Tax Collector does not have an official website, the final approved budget must be posted on the county's official website
Clerk of Circuit Court <i>(budget may be included in county budget)</i> <i>(s. 218.35, F.S.)</i>	N/A	Within 30 days after adoption	N/A	Must be posted on the county's official website
Water Management District <i>(s. 373.536(5)(d) and (6), F.S.)</i>	2 days before public hearing	Within 30 days after adoption	N/A	N/A
District School Board <i>(s. 1011.03(4) and (5), F.S.)</i>	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 Department of Financial Services' (DFS) website to view the entity's annual financial report (AFR) submitted; if an entity does not have an official website, the county government website must provide the link.				

<sup>32</sup> Some language has been subsequently amended since the passage of Senate Bill 224; the current language is provided above.

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# TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

## Appendix C

<b>Transparency Florida Links:                      Reports and Other Information Available for School Districts</b> <i>(As recommended in the Committee's 2010 report)</i>	
<b>Title of Report /                      Other Information</b>	<b>Summary Description of Report /                      Other Information</b>
School District Summary Budget  <a href="http://www.fldoe.org/finance/fl-edu-finance-program-fefp/school-dis-summary-budget.shtml">http://www.fldoe.org/finance/fl-edu-finance-program-fefp/school-dis-summary-budget.shtml</a>	<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 Department of Education (DOE) by school districts. The budget document provides millage levies; estimated revenues detailed by federal, state, and local sources; and estimated expenditures.</i>
School District Annual Financial Report  <a href="http://www.fldoe.org/finance/fl-edu-finance-program-fefp/school-dis-annual-financial-reports-af.shtml">http://www.fldoe.org/finance/fl-edu-finance-program-fefp/school-dis-annual-financial-reports-af.shtml</a>	<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>
School District Audit Reports Prepared by the Auditor General  <a href="https://flauditor.gov/pages/subjects/dsb.htm">https://flauditor.gov/pages/subjects/dsb.htm</a>	<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>
School District Audit Reports Prepared by Private CPA Firms  <a href="https://flauditor.gov/pages/dsb_efile.htm">https://flauditor.gov/pages/dsb_efile.htm</a>	<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>
School District Program Cost Reports  <a href="http://public2.fldoe.org/TransparencyReports/CostReportSelectionPage.aspx">http://public2.fldoe.org/TransparencyReports/CostReportSelectionPage.aspx</a>	<i>The Program Cost Report data is submitted to the DOE by 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>
Financial Profiles of School Districts  <a href="http://www.fldoe.org/schools/k-12-public-schools/profiles-of-fl-school-diss.shtml">http://www.fldoe.org/schools/k-12-public-schools/profiles-of-fl-school-diss.shtml</a>	<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>
Florida Education Finance Program (FEFP) Calculations  <a href="http://www.fldoe.org/finance/fl-edu-finance-program-fefp/fl-edu-finance-program-fefp-calculatio.shtml">http://www.fldoe.org/finance/fl-edu-finance-program-fefp/fl-edu-finance-program-fefp-calculatio.shtml</a>	<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>
Five-Year Facilities Work Plan  <a href="http://www.fldoe.org/finance/edual-facilities/wkplans/">http://www.fldoe.org/finance/edual-facilities/wkplans/</a>	<i>The 5-Year District Facilities Work Plan is the authoritative source for educational facilities information, including planning and funding. Governmental entities that use this information include the Department of Education, Legislature, Governor's Office, Division of Community Planning (growth management), and local governments.</i>
Public School Websites  <a href="https://app2.fldoe.org/publicapps/Schools/schoolmap/flash/schoolmap_text.asp">https://app2.fldoe.org/publicapps/Schools/schoolmap/flash/schoolmap_text.asp</a>	<i>Provides a link to the homepage of each school district.</i>

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## Local Government Financial Reporting – Materials Provided

1. **Overview:** Local Government Financial Reporting Requirements; Summary of Requirements and Enforcement Authority Related to the Joint Legislative Auditing Committee and Action Taken.
2. **Lists of Non-Filers:** Local Governments Not in Compliance with Financial Reporting Requirements and Staff Recommendations

<b>List</b>	<b>Staff Recommendation</b>
1. Counties	Take Action
2. Municipalities	Take Action <small>(with one exception)</small>
3. Special Districts (Independent)	Take Action
4. Special Districts (Dependent)	Take Action <small>(against the special district or the municipality that created the special district, as appropriate)</small>
5. Special Districts	Take No Action at Present Time

4. **Notifications:** From the Auditor General and the Department of Financial Services

**Local Government Financial Reporting**  
**Summary of Requirements and Enforcement Authority**  
**Related to the Joint Legislative Auditing Committee and Action Taken**

The Joint Legislative Auditing Committee (Committee) has the authority to enforce penalties against local governmental entities that fail to file certain reports, including an annual financial report and an annual financial audit report.

**Annual Financial Report (AFR)**

- All counties, municipalities, and independent special districts<sup>1</sup> were required to file an AFR with the Department of Financial Services (DFS) for FY 2015-16 no later than 9 months after the end of the fiscal year (June 30, 2017, for most entities)<sup>2</sup> [s. 218.32(1), F.S.]
- Dependent special districts are also required to file an AFR, but they may be required to file the report with their county or municipality rather than with DFS [s. 218.32(1)(a) & (b), F.S.]
- Either staff of the entity or a certified public accountant may complete the AFR; specified staff of the entity are required to complete the certification page
- DFS notifies the Committee of the entities that have failed to file the AFR [s. 218.32(1)(f), F.S.]
- Committee staff monitor the submission of late-filed AFRs and contact all entities that continue to be non-compliant<sup>3</sup>
- DFS will assist entity staff in completion of the electronic AFR once the entity has the information needed
- The Committee may schedule a hearing to determine if action should be taken [s. 11.40(2), F.S.]

**Annual Financial Audit<sup>4</sup> (audit)**

- The following table shows the audit requirements for counties, municipalities, and special districts [s. 218.39(1), F.S.]:

Type of Entity	Audit Requirement
<b>Counties</b>	Annual audit required
<b>Municipalities –</b> Revenues or expenditures over \$250,000	Annual audit required
<b>Municipalities –</b> Revenues or expenditures between \$100,000 and \$250,000	Audit required if an audit has not been performed for the previous two fiscal years
<b>Municipalities –</b> Revenues or expenditures below \$100,000	No audit required
<b>Special Districts –</b> Revenue or expenditures over \$100,000	Annual audit required
<b>Special Districts –</b> Revenue or expenditure between \$50,000 and \$100,000	Audit required if an audit has not been performed for the previous two fiscal years
<b>Special Districts –</b> Revenue or expenditures below \$50,000	No audit required

<sup>1</sup> As of November 14, 2017, the Department of Economic Opportunity's website lists 1690 active special districts; 1,057 are independent and 633 are dependent. A dependent special district has at least one of several characteristics including: the governing board is the same as the one for a single county or single municipality or its governing board members are appointed by the governing board of a single county or single municipality. An independent special district has no dependent characteristics.

<sup>2</sup> All counties, municipalities, and most special districts follow a fiscal year of October 1<sup>st</sup> to September 30<sup>th</sup>.

<sup>3</sup> Committee staff notify each entity that has failed to file an AFR. Correspondence is usually sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the AFR requirement and possible penalty.

<sup>4</sup> The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects.



- Audit reports for FY 2015-16 were required to be filed with the Auditor General no later than 9 months after the end of the fiscal year (June 30, 2017, for most entities) [s. 218.39(1), F.S.]
- Audits must be conducted by an independent certified public accountant (CPA) retained by the entity and paid from its public funds [s. 218.39(1), F.S.]<sup>5</sup>
- If an entity has not filed an AFR, the Auditor General may not have sufficient information to determine if an audit was required
- After June 30<sup>th</sup>, the Auditor General sends a letter to all entities that either *were* or *may have been* required to provide for an audit and file the audit report with the Auditor General but have failed to do so
- The Auditor General notifies the Committee of the entities that have failed to file an audit report [s. 11.45(7)(a), F.S.]
- Committee staff monitor the submission of late-filed audit reports and contact entities that continue to be non-compliant<sup>6</sup>
- The Committee may schedule a hearing to determine if action should be taken [s. 11.40(2), F.S.]

### Committee Hearings: Authority and Action Taken

- The Committee is authorized to take action, as follows, against entities that fail to file an AFR or an audit report [s. 11.40(2), F.S.]:

Type of Entity	Penalty
Counties and Municipalities	Direct the Department of Revenue (DOR) and the DFS to withhold any funds not pledged for bond debt service satisfaction which are payable to the entity until the entity complies with the law. <sup>7</sup> Withholding begins 30 days after the agencies have received notification.
Special Districts	Notify the Department of Economic Opportunity (DEO) to proceed pursuant to provisions of ss. 189.062 or 189.067, F.S. If no registered agent information is available, the department may declare the special district to be inactive after public notice is provided in a local newspaper. For special districts created by Special Act of the Legislature, the Committee may convene a public hearing at the direction of the President and the Speaker. For special districts created by local ordinance, the chair or equivalent of the local general-purpose government may convene a public hearing within three months after receipt of notice of noncompliance from the Committee. For all special districts, once certain criteria is met, within 60 days of notification, or within 60 days after any extension the DEO has provided as authorized in law, the DEO files a petition for enforcement in Leon County circuit court to compel compliance. Note: The law was revised to authorize public hearings in 2014.

- During the years 2009 through early 2017, the Committee directed action against a total of 50 municipalities and 189 special districts (multiple times for some of these entities). Most of these entities filed the required reports either by the date Committee staff was directed to notify DFS, DOR, or the Department of Community Affairs (DCA)/DEO, as applicable, or within the timeframe the state agencies had to commence with action once notified by the Committee.<sup>8</sup> When the required reports are filed prior to the effective date of the action, revenue is not withheld (counties, municipalities) and legal action does not occur (special districts).
- As a result of the Committee's action since 2009, revenue has been withheld from 18 municipalities (multiple times for a few of them), nine special districts were declared inactive, and a petition was filed in court against 20 special districts (multiple times for a few of them).

<sup>5</sup> The Auditor General may conduct a financial audit of a local governmental entity, either under his own authority or at the direction of the Committee. If this occurs and the entity is timely notified, the entity is not required to engage a private CPA to conduct an audit. The Auditor General conducts very few audits of local governmental entities. Generally, if an audit is conducted it is an operational audit, not a financial audit.

<sup>6</sup> Committee staff notify each entity that has failed to file an audit report. Correspondence is sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the audit requirement and possible penalty.

<sup>7</sup> To date, the Committee has not taken action against any county. All counties have filed the required reports by the dates of the Committee hearings. The Committee has directed DOR and DFS to withhold revenue from a number of municipalities. DOR withholds Municipal Revenue Sharing and Half-Cent Sales Tax funds from municipalities that would otherwise receive these funds. Municipal Revenue Sharing funds are restored to the municipality if the municipality files the required report(s) prior to the end of the state's fiscal year. Half-Cent Sales Tax funds are redistributed and are not available to be restored to the municipality once a distribution is made. DFS has withheld grant funds from some municipalities. These funds are released to the municipality once the required report(s) are filed.

<sup>8</sup>DCA no longer exists; this function is now handled by DEO. DFS and DOR are provided 30 days and DEO is provided 60 days to commence with action once they receive the notification from the Committee.

## List 1:

## COUNTIES

	County	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Baker County	5	10	FY 2015-16 AFR	Committee staff have corresponded with the County Manager and the County's auditor via telephone and email numerous times since early October 2017. In an email received by Committee staff from the County's auditor on November 14, 2017, he stated that they are working on the AFR for the 2015-16 fiscal year and should have it completed soon, and he apologized for the delay. In an earlier email dated October 11, 2017, the County's auditor had stated that the audit was in the review process and apologized for the delay, which is not caused by any problem or issue with the County.	Take action if not received by 12/8/2017
2	Union County	5	19	FY 2015-16 AFR	No response received to 10/6/2017 letter.	Take action if not received by 12/8/2017

## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Town of Belleair Shore (Pinellas County)	16, 19, 24	64, 65, 66, 67, 68, 69, 70	FY 2015-16 AFR and Audit Report	Committee staff received a letter dated November 9, 2017, from the Town's Mayor that provided a status update regarding the delinquent reports. He stated that the financial reports are in the process of being completed and should be submitted on or before December 1, 2017.	Take action if not received by 12/8/2017
2	Village of Biscayne Park (Miami-Dade County)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2015-16 AFR and Audit Report	Committee staff received an email dated October 30, 2017, from the Village's Finance Director that provided a status update regarding the delinquent reports. She stated that in July 2017 the Village Commission authorized management to seek proposals for the Village's audit services. There was some delay due to Hurricane Irma; however, a CPA firm has been selected and contracted with to perform the 2015-16 fiscal year audit, as well as audits for subsequent years. The CPA firm will begin conducting the delinquent audit in the next few weeks.  Committee staff note: Earlier this year, the Committee took action against the Village for the prior audit (2014-15 fiscal year); however, because the Chairs delayed action, no funds were ever withheld from the Village. The audit report was submitted on June 7, 2017, which was almost a full year late.	Take action if not received by 1/15/2018
3	Town of Caryville (Washington County)	2	5	FY 2015-16 AFR and Audit Report	Committee staff have spoken with the Town Clerk, who has been employed by the Town for at least the majority of the 2016-17 fiscal year, via telephone several times since June 2017. The Town issued a Request for Proposal for audit services during the mid- 2017, but as of mid-October had not been successful in engaging an auditor to perform the audit for the 2015-16 fiscal year. Committee staff were informed that the current Town Council Chair reached out to the CPA firm that performed the last audit in 2016 (for the 2012-13 fiscal year) and requested that it consider looking at the accounting records for, and consider performing the audit of, the 2015-16 fiscal year. However, the Town still owes the CPA firm for the audit performed in 2016 for the 2012-13 fiscal year, which creates an independent impairment under auditing standards. In addition, there are	Direct the Auditor General to perform a site visit at the Town to evaluate the sufficiency of the financial records for FY 2015-16 and FY 2016-17  AND

List 2:

MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
	Town of Caryville (Washington County) (continued)				<p>major concerns about the completeness of the Town’s financial records for the 2013-14, 2014-15, and 2015-16 fiscal years. There have been allegations that accounting records were removed from the Town Hall over the past year.</p> <p><u>History:</u>                      -Town was first added to Committee action list in March 2009. At that time, the last audit report submitted to Auditor General was for FY 1999-2000. DOR began withholding half-cent sales tax funds and municipal revenue sharing funds in excess of the minimum entitlement starting 4/15/2009.                      -In an effort to assist the Town in becoming compliant, in October 2010 Chair and Vice Chair approved sending a letter to Council Chair stating that Committee would accept an audit of FY 2009-10 in lieu of past due audits. The letter listed steps that needed to be completed in order for the Town to be in full compliance. In December 2011, an audit engagement letter for FY 2009-10 was provided to Committee staff, and DOR and DFS were notified to cease state action against Town.                      -Finally in February 2013, Town submitted an audit report for FY 2009-10. However, the opinion on the financial statements included major qualifications, due to lack of accounting records. At 2/11/2013 meeting, Committee approved to take no state action re: delinquent FY 2010-11 audit report and FY 2008-09 AFR. Decision for no state action was based on conversation with partner of CPA firm, who stated that state of accounting records for subsequent fiscal years is not any better, and he is not positive whether an audit of those fiscal years could be performed at all.                      -In February 2015, Committee approved to (1) take action if FY 2012-13 AFR and audit report were not submitted by a date certain and (2) direct Committee staff to notify the delegation members or staff regarding the situation; DOR and DFS were notified to begin enforcement. In April 2015 Committee staff met with delegation members’ staff and provided information relating to the Town and the Committee’s involvement to date. In November 2015, Committee approved to also take action relating to the FY 2013-14 delinquent financial reports, and DOR and DFS were notified of such.                      -In May 2016, based on information provided by the new Town Council Chair and based on his efforts to get the delinquent financial reports prepared and submitted, the Committee Chairs approved the following: (1) submission of FY 2012-13 reports before a stop enforcement letter will be sent to DOR and DFS and (2) delay of action for the FY 2013-14 reports until 9/30/16.                      -In June 2016, the Town finally submitted an audit report for FY 2012-13; however, the opinion on the financial statements once again included major qualifications, due to lack of accounting records. In September and December 2016, respectively, the Town submitted the FY 2013-14 and FY 2014-15 AFRs, respectively; because the AFR amounts were below the audit threshold, no audit was required for either year.</p>	<p>1) Take action against the Town on 1/15/2018, if the Town fails to cooperate with the Auditor General,                      Or                      (2) Take action against the Town on 3/30/2018, if the Town cooperates with the Auditor General and has not submitted the required reports</p>

## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
4	Town of Century (Escambia County)	1	1, 2	FY 2015-16 AFR and Audit Report	No response received to 10/10/2017 letter.	Take action if not received by 12/8/2017
5	City of Chattahoochee (Gadsden County)	3	8	FY 2015-16 AFR	Committee staff received an email dated October 30, 2017, from the City Manager that provided a status update regarding the delinquent reports. He stated that the City had changed auditors for this audit period, and there were some problems encountered with getting the fire retirement actuary report to the new auditors. An email from the auditors was attached to his email, which stated that they planned on being able to issue the audit report during the week of November 6-10, 2017.	Take action if not received by 12/8/2017

## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
6	City of DeFuniak Springs (Walton County)	2	5	FY 2015-16 AFR and Audit Report	<p>On October 26, 2017, Committee staff received an email from the City's Mayor that provided a status update on the delinquent reports. He stated that: (1) the City's auditors have indicated that they will begin work on the 2015-16 fiscal year audit report on November 6, 2017, and have the audit completed by the end of December 2017, and (2) the City's Finance Director resigned in April 2017, and in order to have financial records necessary for the auditors to complete the audit the City employed another CPA firm to prepare such records.</p> <p>Committee staff note: The City has been consistently late in submitting the required reports for the past few years. For the two prior fiscal year reports (2013-14 and 2014-15), the City did not respond to Committee staff's attempts to communicate with it regarding the status of the delinquent financial reports, and the Committee took action against the City for noncompliance. These reports were submitted approximately 7 months late (2013-14) and 10 months late (2014-15), and as a result of the Committee's action the City lost approximately \$220,000 of state funds which it would have otherwise been entitled to receive. In addition, the State Attorney's Office is currently investigating the circumstances surrounding this noncompliance and lack of communication.</p>	Take action if not received by 1/15/2018

## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
7	City of Gretna (Gadsden County)	3	8	FY 2015-16 Audit Report	On October 31, 2017, Committee staff received an email from the City Manager that provided a status update on the delinquent audit report. He stated that the City began its audit process for the 2015-16 fiscal year audit in May 2017. In preparation for the audit the City's accounting personnel and the audit team discovered ending trial balance differences. As a result, weekly meetings were held to discuss the progress in resolving the differences identified. It was necessary for the differences to be resolved by the City's financial management software company; the City's software system did not properly accept the required prior year-end audit entries. The software issues were not able to be timely resolved, and Hurricane Irma delayed the City's attempt to conduct the audit fieldwork during September 2017. The City is now on scheduled to issue its financial audit report on or before December 8, 2017.	Take action if not received by 12/8/2017
8	City of Hallandale Beach (Broward County)	29, 32, 33, 34, 35	92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105	FY 2015-16 AFR and Audit Report	Committee staff have received phone calls and email messages from the City's Finance Director, a partner in the audit firm that is engaged to perform the City's financial audit, and a City lobbyist regarding the delinquent reports. During the course of the City's financial audit (which includes the City's Community Redevelopment Agency (CRA) as a blended component unit), the City Commission/CRA Board of Directors requested a forensic audit of the CRA. The auditors have informed the City/CRA that they will not issue the financial audit until they are provided the results of the forensic audit, because until then they would not know the impact, if any, on the financial statements they are auditing. In addition to the CRA, the City's audit will also include two additional special districts, Golden Isles Safe Neighborhood District and Three Islands Safe Neighborhood District. The auditor stated that the City's audit is substantially completed.	Take action if not received by 1/15/2018

## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
9	City of Hampton (Bradford County)	5	19	FY 2015-16 AFR and Audit Report FY 2014-15 AFR and Audit Report FY 2013-14 AFR and Audit Report FY 2012-13 AFR and Audit Report	<p>On October 13 and 20, 2017, Committee staff received emails from the City Clerk that provided a status update on the delinquent reports. She stated that: (1) the City's Attorney is in the process of obtaining the City's financial records that FDLE has had during the duration of a court case related to the City's former clerk (see below for additional information); (2) once the records are received the City will move forward with the completion of the 2012-13 fiscal year audit by the prior auditor (who had been paid); and (3) the City has allocated \$45,000 in the City's 2017-18 fiscal year budget for three additional audits (2013-14, 2014-15, and 2015-16 fiscal years) to bring the City current. The Clerk stated that she will notify the Committee of any forward progress as it occurs.</p> <p><u>History:</u>            -The Committee has delayed action against the City since February 2015 relating to the FY 2012-13 AFR and Audit Report because all of the City records that cover FY 2012-13 were seized by the Bradford County Sheriff's Office and FDLE as part of a criminal investigation involving the former City Clerk. The City has been allowed, on a limited basis, to access records that have been at the Sheriff's Office and make copies; however, the City does not have access to records that are at the FDLE office.            -The auditors have not been able to complete the FY 2012-13 audit and issue the audit report because certain financial documentation necessary to do so are still in the hands of FDLE. The FY 2012-13 audit needs to be completed and the audit report issued prior to the start of the next fiscal year's audit.            -In December and November 2016, Committee staff received emails from the City Clerk regarding the status of the FY 2012-13 audit. The City continued to wait for the financial records to be released by law enforcement. The City Attorney had advised that the auditors would prefer to wait for the financial records to be released rather than issue a disclaimer of opinion on the financial statements. He expected that the records would be held until the criminal case against the former City Clerk is resolved. The City Council voted unanimously to continue to wait for the financial documentation to be released by FDLE rather than have the auditors issue the audit report with a disclaimer of opinion on the financial statements. Also, in November 2016, the City retained a new CPA firm to perform the audits of FY 2013-14 and forward. Once the FY 2012-13 audit is complete, the audits of the next fiscal years will commence.            -The City has provided the periodic status updates requested by the Committee.</p>	Continue to delay action and request the City to provide an updated status by 3/31/2018



## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
10	City of New Port Richey (Pasco County)	10, 16, 20	36, 37, 38	FY 2015-16 AFR and Audit Report	On October 31, 2017, Committee staff received an email from the City's Finance Director that provided a status update on the delinquent reports. She stated that: (1) the City's Firefighters' Pension Fund experienced significant delays in getting its actuarial valuation report and audit completed; because this information is required to be disclosed in the City's Comprehensive Annual Financial Report, this has caused delays in the City's audit; (2) the City went through an ERP conversion, moving from one accounting software to another; this conversion required heavy involvement of the Finance Department and affected their ability to assist in the audit; and (3) the City went through an Internal Revenue Service audit and Florida Retirement Services audit; these audits also required a lot of time by the Finance Department. The 2015-16 fiscal year audit is underway, is in the final stages, and the City is optimistic that it will be completed by November 13, 2017.	Take action if not received by 12/8/2017
11	Town of Noma (Holmes County)	2	5	FY 2015-16 AFR and Audit Report	No response received to 10/10/2017 letter	Take action if not received by 12/8/2017

## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
12	City of Opa-Locka (Miami-Dade County)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2015-16 AFR and Audit Report FY 2014-15 AFR and Audit Report	<p>On October 30, 2017, Committee staff received an email from the Interim City Manager that provided a status update on the delinquent reports. He stated that: (1) the 2015-16 fiscal year reports have not been completed, but they will be submitted by the end of 2017, and (2) the City is in the process of completing the prior year reports, for the 2014-15 fiscal year.</p> <p>Committee staff note: In January 2017, the Committee took action against the City for its failure to file the 2014-15 fiscal year reports. After the Committee's Chairs authorized two delays of action, the Department of Revenue and the Department of Financial Services were directed to begin withholding state funds from the City which it would otherwise be entitled to receive. This withholding began in September 2017. The Committee has also directed the Auditor General to perform an operational audit of the City; this audit is in progress.</p> <p><u>History:</u>            -In March 2016, the FBI raided City Hall in a corruption probe zeroing in on top City officials and administrators. The raid followed a two-year investigation into allegations of kickback schemes involving City officials and administrative staff. (Source: Miami Herald and other local media sources)            -On 6/1/2016, Governor Scott issued Executive Order Number 16-135 which declared that the City is in a state of financial emergency based upon the conditions reported to the Governor by City officials (s. 218.503(3), F.S.). The Governor, on 6/9/2016, appointed a 9-member financial emergency oversight board to oversee the activities of the City (s. 218.503(3)(g)1., F.S.).            -Since mid-2016, one City Commissioner, two City administrative staff, and the Mayor's son have plead guilty to federal bribery and extortion conspiracy charges. (Source: Source: Miami Herald and other local media sources)            -To date, the FBI investigation is still ongoing.</p>	<p>Take action if not received by 1/15/2018 (for FY 2015-16 AFR and Audit Report)</p> <p>Continue action relating to FY 2014-15 AFR and Audit Report</p>

## List 2:

## MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
13	City of Pahokee (Palm Beach County)	25, 29, 30, 31	81, 82, 85, 86, 87, 88, 89, 90, 91	FY 2015-16 AFR and Audit Report	Committee staff spoke with the City's financial consultant on November 8, 2017, and received a follow-up email on November 13, 2017, regarding the status of the City's audit. He stated that the audit was in progress and is expected to be completed by 12/1/2017.	Take action if not received by 12/8/2017
14	City of Springfield (Bay County)	2	5, 6	FY 2015-16 AFR and Audit Report	<p>On November 6, 2017, Committee staff received a letter from the City's Finance Director that provided a status update on the delinquent reports. She stated that the City is currently working on the 2015-16 fiscal year audit, but due to changes in software and training of new employees they are behind. She also stated that the new employees are working to get up to speed on the new software. She expects the audit to be completed within the next 90 to 120 days.</p> <p>Committee staff note: The City has been consistently late in submitting its audit report and annual financial report for a number of years. Each year, since 2011 (for the 2008-09 fiscal year), the Committee has taken action against the City for non-compliance; however, no funds have been withheld from the City based on the Committee's action. For several years the City was recovering from a fraud situation involving the former finance director and the loss of their accounting system, but these have not been issues for more recent few years.</p>	Take action if not received by 1/15/2018
15	City of Vernon (Washington County)	2	5	FY 2015-16 AFR and Audit Report	No response received to 10/10/2017 letter	Take action if not received by 12/8/2017

## List 3:

## SPECIAL DISTRICTS (INDEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Baker Fire District (Okaloosa County; Special Act)	1, 2	3, 4	FY 2015-16 AFR and Audit Report	Committee staff spoke with the District's auditor on November 9, 2017, and received a follow-up email on November 13, 2017, regarding the status of the District's audit. He stated that audit fieldwork is in progress, and the District's treasurer is working to provide certain required information to complete the audit. If this information is provided and barring other unexpected items arising, audit procedures should be completed and the audit report issued by December 1, 2017.	Take action if not received by 1/15/2018
2	Baker Soil and Water Conservation District (Baker County; General Law)	5	10	FY 2015-16 AFR and Audit Report* (* = if audit threshold met)	No response received from the District to 10/9/2017 letter. [Note: Committee staff received an email from the Finance Director for Baker County, who was under the impression that the District was part of the County's audit. However, the District is an independent special district and is not a component unit of Baker County, and the County's auditor confirmed that it is not part of the County's audit.]	Take action if not received by 12/8/2017

List 3:

SPECIAL DISTRICTS (INDEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
3	Campbellton-Graceville Hospital District (Jackson County; Special Act)	2	5	FY 2015-16 AFR and Audit Report FY 2014-15 AFR and Audit Report FY 2013-14 AFR and Audit Report	<p>DEO forwarded to Committee staff on September 29, 2017, an email from a District representative stating that the District is unable to submit the required financial reports for FY 2015-16 because the former hospital management company has not provided the appropriate information for this type of financial reporting. The District is attempting to access this information through various court proceedings and hope to be in a position to file the reports soon.</p> <p>History:                      -The Committee, at its 11/2/2015 meeting, directed DEO to take action against the District for failure to file the AFR and audit report for the 2013-14 fiscal year. DEO filed a petition for enforcement in the Leon County Circuit Court in February 2016, and the Circuit Judge signed the Order of Final Judgment on 11/6/2016. The District failed to file the delinquent financial reports as ordered, so DEO published a "Proposed Notice of Inactive Status" in the local paper on 11/17/2016. The District objected and filed a "Petition for Formal Administrative Hearing" on 12/6/2016. A formal hearing with the Division of Administrative Hearings was scheduled for 2/24/2017.                      -On 7/27/2017 Committee staff received an email from DEO stating that Hospital had closed on June 30th, but the clinic remained open. Neither Committee staff nor the Governor's Office were notified by the District of this condition of financial emergency, as required by Section 218.503(3), F.S.                      -In August 2017, Committee staff were informed that the Hospital corporation had filed bankruptcy. The Attorney General's Office has had some involvement regarding the bankruptcy proceedings.</p>	<p>Take action if not received by 4/30/2018</p> <p>Continue action relating to FY 2013-14 and FY 2014-15 AFRs and Audit Reports</p>

## List 3:

## SPECIAL DISTRICTS (INDEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
4	Cypress Cove Community Development District (Broward County; Local Ordinance)	29, 32, 33, 34, 35	92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105	FY 2015-16 AFR and Audit Report	No response received to 10/9/2017 letter.	Take action if not received by 12/8/2017
5	Dorcas Fire District (Okaloosa County; Special Act)	1, 2	3, 4	FY 2015-16 AFR and Audit Report	Committee staff received a telephone call from the Chair of the District's governing board on November 7, 2017. He stated that he was not the District's Registered Agent and provided contact information for the new registered agent; he also stated that the District had recently experienced a theft and destruction of certain District records. Committee staff requested that he provide a written status update regarding the District's current financial situation and the required financial reports for the 2015-16 fiscal year. Committee staff sent a certified letter to the District's new registered agent, as provided by the Board Chair. No response to that letter or other written status update has been received to date.	Take action if not received by 1/15/2018

## List 3:

## SPECIAL DISTRICTS (INDEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
6	Eastpoint Water and Sewer District (Franklin County; Special Act)	3	7	FY 2015-16 AFR and Audit Report	DEO forwarded to Committee staff an email received from the District on September 25, 2017, which stated that: (1) the District failed to meet the required deadline as a result of fixing previous entries in the accounting software which were requiring the District and the auditors to make significant adjustments to the general ledger; (2) this issue has now been resolved and the general ledger has been corrected; (3) the District has changed the manner in which documentation and required items for the auditors are organized and stored and has adapted a different process and delegated responsibilities to simplify the process as well as make it more efficient, which they believe this will prevent further non-compliance; and (4) the anticipated completion date for the financial reports is no later than October 27, 2017. Committee staff have not received any further communication from the District.	Take action if not received by 12/8/2017
7	Green Corridor Property Assessment Clean Energy (PACE) District (Miami-Dade County; General Law)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2015-16 AFR and Audit Report	Committee staff received an email on October 31, 2017, from the District's accountant. She stated that prior management did not engage an auditor to perform the audit. When her company took over management of the District, they had to bid for audit services. The audit is in progress, and the AFR and audit report are expected to be submitted on 12/15/2017.	Take action if not received by 1/15/2018
8	Hamilton County Development Authority (Hamilton County; Special Act)	3	10	FY 2015-16 AFR and Audit Report	Committee staff spoke with the District's Registered Agent regarding the status of the audit for the 2015-16 fiscal year. He stated that the audit fieldwork was in progress and the audit report should be issued before 12/5/2017.	Take action if not received by 12/8/2017

## List 3:

## SPECIAL DISTRICTS (INDEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
9	Portofino Landings Community Development District (St. Lucie County; Local Ordinance)	25	54, 55, 83, 84	FY 2015-16 AFR and Audit Report	Committee staff have corresponded with the District's accountant via telephone and email numerous times since August 2017. Committee staff received a follow-up email from her on November 9, 2017, which stated that the auditors expect to provide a draft audit report to the District during the week of November 13, 2017, so she expects the final report to be circulated by 11/30/2017.	Take action if not received by 1/15/2018
10	Southern Hills Plantation II Community Development District (Hernando County; Local Ordinance)	10	34, 35	FY 2015-16 AFR and Audit Report FY 2014-15 AFR and Audit Report FY 2013-14 Audit Report FY 2012-13 Audit Report	Committee staff spoke with and received an email from the District's accountant on November 13, 2017. She stated that the audits for the 2015-16 and 2014-15 fiscal years are in progress and the audit reports should be submitted no later than 1/15/2018. Also, the audits for the 2012-13 and 2013-14 fiscal years are complete, and they are waiting on the final audit reports from the auditors. Those audit reports should be submitted no later than 12/8/2017.	Take action if not received by 1/15/2018
11	WaterGrass Community Development District I (Pasco County; Local Ordinance)	10, 16, 20	36, 37, 38	FY 2015-16 AFR and Audit Report	Committee staff spoke with and received an email from the District's accountant on November 13, 2017. She stated that the audit of the 2015-16 fiscal year is in progress, and the audit report should be submitted no later than 1/15/2018.	Take action if not received by 1/15/2018



## List 3:

## SPECIAL DISTRICTS (INDEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
12	Waters Edge Community Development District (Manatee County) (Manatee County; Local Ordinance)	21	70, 71, 73	FY 2015-16 Audit Report	Committee staff spoke with and received a follow-up email from the District's accountant on November 13, 2017. She stated that the audit of the 2015-16 fiscal year is complete, and they are waiting on the final audit report from the auditors. The audit report should be submitted no later than 12/8/2017.	Take action if not received by 12/8/2017

## List 4:

## SPECIAL DISTRICTS (DEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Ali-Baba Neighborhood Improvement District (Miami-Dade County; Local Ordinance)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2015-16 AFR and Audit Report FY 2014-15 AFR and Audit Report	The District is a component unit of the City of Opa-locka, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Opa-locka is responsible for submitting the District's AFR. [Note: Take action on City of Opa-locka if not received by 1/15/2018]
2	East-West Neighborhood Improvement District (Miami-Dade County; Local Ordinance)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2015-16 AFR and Audit Report FY 2014-15 AFR and Audit Report	The District is a component unit of the City of Opa-locka, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Opa-locka is responsible for submitting the District's AFR. [Note: Take action on City of Opa-locka if not received by 1/15/2018]
3	Golden Isles Safe Neighborhood District (Broward County; Local Ordinance)	29, 32, 33, 34, 35	92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105	FY 2015-16 AFR	The District is a component unit of the City of Hallandale Beach, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Hallandale Beach is responsible for submitting the District's AFR. [Note: Take action on City of Hallandale Beach if not received by 1/15/2018]

## List 4:

## SPECIAL DISTRICTS (DEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
4	Hallandale Beach Community Redevelopment Agency (Broward County; Local Ordinance)	29, 32, 33, 34, 35	92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105	FY 2015-16 AFR	The District is a component unit of the City of Hallandale Beach, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Hallandale Beach is responsible for submitting the Agency's AFR. [Note: Take action on City of Hallandale Beach if not received by 1/15/2018]
5	New Port Richey Community Redevelopment Agency (Pasco County; Local Ordinance)	10, 16, 20	36, 37, 38	FY 2015-16 AFR and Audit Report	The District is a component unit of the City of New Port Richey, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of New Port Richey is responsible for submitting the Agency's AFR. [Note: Take action on City of New Port Richey if not received by 12/8/2017]
6	Niles Garden Neighborhood Improvement District (Miami-Dade County; Local Ordinance)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2015-16 AFR and Audit Report FY 2014-15 AFR and Audit Report	The District is a component unit of the City of Opa-locka, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Opa-locka is responsible for submitting the District's AFR. [Note: Take action on City of Opa-locka if not received by 1/15/2018]

## List 4:

## SPECIAL DISTRICTS (DEPENDENT)

*(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most Community Development Districts, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)*

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
7	Opa-Locka Community Redevelopment Agency (Miami-Dade County; Local Ordinance)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2015-16 AFR and Audit Report	The District is a component unit of the City of Opa-locka, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Opa-locka is responsible for submitting the Agency's AFR. [Note: Take action on City of Opa-locka if not received by 1/15/2018]
8	Springfield Community Redevelopment Agency (Bay County; Local Ordinance)	2	5, 6	FY 2015-16 AFR and Audit Report	The District is a component unit of the City of Springfield, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Springfield is responsible for submitting the Agency's AFR. [Note: Take action on City of Springfield if not received by 1/15/2018]
9	Three Islands Safe Neighborhood District (Broward County; Local Ordinance)	29, 32, 33, 34, 35	92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105	FY 2015-16 AFR	The District is a component unit of the City of Hallandale Beach, and its AFR is linked to the City's AFR, which cannot be submitted until the City's FY 2015-16 audit is completed. [See List 2 for the status of the City's audit.]	No action on the special district since the City of Hallandale Beach is responsible for submitting the District's AFR. [Note: Take action on City of Hallandale Beach if not received by 1/15/2018]
10	Union County Special Library District (Union County; Local Ordinance)	5	19	FY 2015-16 AFR	The District is a component unit of Union County, and its AFR is linked to the County's AFR, which cannot be submitted until the County's FY 2015-16 audit is completed. [See List 1 for the status of the County's audit.]	No action on the special district since Union County is responsible for submitting the District's AFR. [Note: Take action on Union County if not received by 12/8/2017]

## List 5:

## TAKE NO ACTION

	Take No Action	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Santa Rosa Bay Bridge Authority (Santa Rosa County; Special Act)	1	2, 3	<p>AFR and Audit Report** for: FY 2015-16, FY 2014-15, FY 2013-14, FY 2012-13, FY 2011-12, FY 2010-11</p> <p>Audit Report for: FY 2009-10 FY 2008-09</p> <p>(** = if audit threshold met)</p>	<p>Since 2/12/2015, DEO's records have shown the Authority's registered agent name and address as "Unknown." DEO has determined that the Authority cannot be declared "Inactive" at this time.</p> <p><u>History:</u> -Since at least 2009, the Committee has approved to delay action until a later date since the Authority only has restricted funds, which cannot be used to pay for an audit. DOT staffs the day-to-day operations of Authority, and until sometime in 2013 the DOT IG's Office compiled the financial statements and submitted the AFR for the Authority. -On 6/30/2011, 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. -In November 2013, the Authority's registered agent stated that DOT and the bond trustee had agreed to each pay half of cost for an independent reviewer/consultant to help review financial information and get AFRs submitted. -In January 2015, DEO forwarded an email from the Authority's registered agent of record to Committee staff. He stated that he had resigned from the Authority's Board in December 2014, following other members' resignations by about two months. Mellon Bank had sent a directive for the Board to increase the bridge toll from \$3.75 to \$5; if such action had not been taken within 30 days, they were going to circumvent the Board and direct the State to raise the toll. He stated that he resigned because he had long said that he would not serve through another unwarranted toll increase and he meant it. DEO removed him as the registered agent in its records and requested, if he was aware or became aware of anyone else who was handling registered agent responsibilities for the Authority, that he let DEO know or ask the person to contact DEO.</p>	Continue to delay action

## List 5:

## TAKE NO ACTION

	Take No Action	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
2	Southern Hills Plantation III Community Development District (Hernando County)	10	34, 35	FY 2013-14 AFR	<p>The current management company for the District was not provided complete financial records for the 2013-14 fiscal year from the previous management company; these records are needed to accurately prepare the AFR. In April 2017, in an effort to get the District current on its audits, the Committee Chairs approved to allow the District to have an audit for the 2015-16 fiscal year performed in lieu of the audit for the 2013-14 fiscal year, as approved by the Committee in January 2017. Because the audit threshold was not met for the 2014-15 fiscal year, based on the District's AFR amounts, an audit was not required for that fiscal year. The District submitted the AFR and the audit report for the 2015-16 fiscal year on 6/12/2017 and is now current and in compliance with the financial reporting requirements.</p> <p><u>History:</u> The Committee had delayed action against the District several times starting in August 2012 because the original developer filed bankruptcy, and the District was economically dependent on the developer. As a result, the District has not had sufficient funds to pay for audits.</p>	No state action

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**From:** DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>  
**Sent:** Friday, September 29, 2017 9:51 AM  
**To:** Mayfield, Debbie; Sullivan, Jennifer  
**Cc:** Dubose, Kathy; White, Deborah  
**Subject:** 2015-16 FY Section 11.45(7)(a), FS, Notification  
**Attachments:** Attachments A and B for JLAC.xlsb

Pursuant to Section 11.45(7)(a), Florida Statutes, this e-mail is to notify you of the local governmental entities that, as of September 26, 2017, were not in compliance with the Section 218.39, Florida Statutes, audit report submission requirement for the 2015-16 fiscal year. A separate notification regarding district school boards, charter schools, and charter technical career centers that failed to provide for an audit for the 2015-16 fiscal year was made to you in an e-mail dated June 21, 2017.

The attachments include a listing of 61 local governmental entities required to obtain an audit (Attachment A) and a listing of 34 entities that may have been required to obtain an audit (Attachment B).

If you have any questions regarding this matter or require additional information, please do not hesitate to contact me.

Derek H. Noonan, Audit Supervisor  
Auditor General, State of Florida  
111 West Madison Street, Rm 401-P  
Tallahassee, FL 32399-1450  
Office (850) 412-2864  
FAX (850) 488-6975

**Note: In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.**

**Local Governmental Entities  
2015-16 Fiscal Year Audit Reports  
Required - Not Received**

**Attachment A**

<b>COUNTIES</b>		<b>Entity ID</b>	<b>Note</b>
1	Baker County	C00200	A
2	Dixie County	C01500	B
3	Pasco County	C05000	A

<b>MUNICIPALITIES</b>			
1	Altha, Town of	M00400	A
2	Belleair, Town of	M02500	A
3	Biscayne Park, Village of	M03100	B
4	Century, Town of	M05800	B
5	Chattahoochee, City of	M05900	A
6	DeFuniak Springs, City of	M08700	A
7	Esto, Town of	M10100	B
8	Everglades City, City of	M10300	B
9	Gretna, City of	M13200	B
10	Hallandale Beach, City of	M13800	A
11	Hampton, City of	M13900	B
12	Indian Shores, Town of	M16400	A
13	Islamorada, Village of	M16710	A
14	Lake Clarke Shores, Town of	M19200	A
15	Loxahatchee Groves, Town of	M21550	A
16	New Port Richey, City of	M25300	A
17	Noma, Town of	M25700	A
18	Opa-locka, City of	M27400	B
19	Pahokee, City of	M28200	A
20	Springfield, City of	M34300	A
21	Sweetwater, City of	M35600	A
22	Vernon, City of	M37000	B
23	Zephyrhills, City of	M39700	B

<b>INDEPENDENT SPECIAL DISTRICTS</b>			
1	Baker Fire District	D03200	B
2	Beach Community Development District	D04875	B
3	Bullfrog Creek Community Development District	D09070	B
4	Campbellton-Graceville Hospital District	D09400	B
5	Corkscrew Farms Community Development District	D18870	B
6	CrossCreek Community Development District	D19875	B
7	Cypress Cove Community Development District	D20200	B
8	Cypress Shadows Community Development District	D20304	B
9	Dorcas Fire District	D22900	B
10	Eastpoint Water and Sewer District	D25500	B
11	Forest Creek Community Development District	D27975	B
12	Hamilton County Development Authority	D32700	B



**Local Governmental Entities  
2015-16 Fiscal Year Audit Reports  
Required - Not Received**

**Attachment A**

13	IRL Council	D38290	B
14	Longleaf Community Development District	D47510	B
15	Midtown Orlando Community Development District	D51985	B
16	Mirabella Community Development District	D52108	B
17	Oaks at Shady Creek Community Development District	D57010	B
18	Palm River Community Development District	D62070	B
19	Parkway Center Community Development District	D62600	B
20	Pembroke Harbor Community Development District	D63950	B
21	Pioneer Community Development District	D65890	A
22	Portofino Landings Community Development District	D67827	A
23	River Bend Community Development District	D69805	B
24	Rivercrest Community Development District	D69910	B
25	South Dade Soil and Water Conservation District	D74000	A
26	South Fork East Community Development District	D74360	B
27	Southern Hills Plantation II Community Development District	D75480	B
28	Spring Lake Community Development District	D75950	B
29	Volusia Soil and Water Conservation District	D86500	B
30	Waters Edge Community Development District (Manatee County)	D87207	B
31	WaterGrass Community Development District I	D87305	A
32	West Lake Community Development District	D87700	B

**DEPENDENT SPECIAL DISTRICTS**

1	Isle of Palms Special District	D39990	B
2	Leon County Educational Facilities Authority	D46600	A
3	Martin County Industrial Development Authority	D49900	B

**61 Total Counties, Municipalities and Special Districts**

**NOTES**

- A As of September 26, 2017, we had not received an audit report for the 2015-16 fiscal year; however, the entity confirmed that an audit was in progress.
  
- B Based on previous audit reports or other financial reports filed by the entity, the entity was required to provide for an audit for the 2015-16 fiscal year. Although contacted, the entity did not indicate that an audit was in progress.

**Local Governmental Entities  
2015-16 Fiscal Year Audit Reports That May  
Have Been Required - Not Received**

**Attachment B**

		<b>Entity ID</b>	<b>Last Fiscal Year Audit Received</b>
<b><u>MUNICIPALITIES</u></b>			
1	Belleair Shore, Town of	M02800	2014-15
2	Caryville, Town of	M05300	2012-13
3	Lazy Lake, Village of	M20900	A

<b><u>INDEPENDENT SPECIAL DISTRICTS</u></b>			
1	Armstrong Community Development District	D02350	A
2	Baker Soil and Water Conservation District	D03300	A
3	Columbia County Law Library	D18000	2012-13
4	Coquina Road and Bridge District	D18500	A
5	Entrada Community Development District (Pinellas County)	D25955	A
6	Green Corridor Property Assessment Clean Energy (PACE) District	D31785	A
7	Harmony Central Community Development District	D33345	A
8	Harmony West Community Development District	D33375	A
9	Heritage Plantation Community Development District	D34173	2012-13
10	Lafayette Soil and Water Conservation District	D42300	2013-14
11	Laguna Estates Community Development District	D42430	2012-13
12	Laurel Highlands Community Development District	D45430	A
13	Merrick Park Community Development District	D50780	A
14	Orange Soil and Water Conservation District	D59500	A
15	Osceola Marketplace Community Development District	D60150	A
16	Ravaudage Community Development District	D69101	A
17	Santa Rosa Bay Bridge Authority	D70900	A
18	Stoneybrook South at ChampionsGate Community Development District	D78259	A
19	Summit at Fern Hill Community Development District	D78555	A
20	Sunbridge Community Development District 1	D78740	A
21	Suncoast Community Development District	D78750	2014-15
22	Treaty Oaks Community Development District	D82960	2012-13
23	West Orange Airport Authority	D87950	A

<b><u>DEPENDENT SPECIAL DISTRICTS</u></b>			
1	Ali-Baba Neighborhood Improvement District	D00800	A
2	East-West Neighborhood Improvement District	D25300	A
3	New Port Richey Community Redevelopment Agency	D53800	A
4	Niles Garden Neighborhood Improvement District	D54200	A
5	Opa-Locka Community Redevelopment Agency	D58570	A
6	Springfield Community Redevelopment Agency	D76030	A
7	Valrico Manor Special Dependent Tax District	D84900	A
8	Westwood Dependent Tax District	D89100	A

**34 Total Municipalities and Special Districts**

**NOTE**

A No reports received for the 2011-12 through 2014-15 fiscal years.

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**From:** Reeves, Jennifer <Jennifer.Reeves@myfloridacfo.com>  
**Sent:** Friday, September 29, 2017 6:16 PM  
**To:** White, Deborah  
**Cc:** Dubose, Kathy; jack.gaskins@deo.myflorida.com; Lieblick, Rachael; Cleary, Heather; localgov  
**Subject:** RE: NonCompliant List - FY 2015-16 AFRs  
**Attachments:** Non-Compliant Report v2.1.xlsx

Debbie,

Please find attached the updated report of local government entities that have not submitted (as of today) the annual financial reports for the fiscal year 2015-16, as required by Section 218.32, Florida Statutes. As discussed, we have also updated the lists to note component unit relationships for the noncompliant special districts.

Please let me know if you have any questions or if you want to discuss.

Thanks,

Jennifer Reeves, CPA  
Chief, Bureau of Financial Reporting  
Division of Accounting and Auditing  
Department of Financial Services  
Phone: (850)413-3071  
Email: jennifer.reeves-foster@myfloridacfo.com

## Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2016

Government ID	Local Government Name	Comments
<b>City</b>		
200004	Altha	
200025	Belleair	
200028	Belleair Shore	
200031	Biscayne Park	
200053	Caryville	
200058	Century	
200059	Chattahoochee	
200086	DeFuniak Springs	
200101	Esto	
200103	Everglades City	
200130	Greenville	
200138	Hallandale Beach	
200139	Hampton	
200164	Indian Shores	
200168	Islamorada, Village of Islands	
200174	Jay	
200193	Lake Clarke Shores	
200210	Lazy Lake Village	
200413	Loxahatchee Groves	
200225	Mangonia Park	
200244	Midway	
200255	New Port Richey	
200259	Noma	
200276	Opa-locka	
200284	Pahokee	
200297	Paxton	
200344	Shalimar	
200352	Springfield	
200331	St Marks	
200358	Sweetwater	
200372	Vernon	
200400	Zephyrhills	
<b>County</b>		
100002	Baker	
100015	Dixie	
100039	Liberty	
100063	Union	
<b>Special Districts</b>		
300835	Ali-Baba Neighborhood Improvement District*	CU of Opalocka
302020	Arden Park Community Development District	
302066	Armstrong Community Development District	
300343	Baker Fire District	
300064	Baker Soil and Water Conservation District	
301648	Beach Community Development District	
300249	Campbellton-Graceville Hospital District	

## Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2016

Government ID	Local Government Name	Comments
302096	City of Midway Community Redevelopment Agency*	CU of Midway. New entity added in DEO Official District List in July 2017. Created/established in 2010.
301930	City of St. Marks Redevelopment Agency*	CU of St. Marks
301568	CrossCreek Community Development District	
300094	Cypress Cove Community Development District	
301666	Cypress Shadows Community Development District	
300346	Dorcas Fire District	
300176	Eastpoint Water and Sewer District	
300836	East-West Neighborhood Improvement District*	CU of Opalocka
301676	Entrada Community Development District (Pinellas County)	
300783	Golden Isles Safe Neighborhood District*	CU of Hallandale Beach
302048	Green Corridor Property Assessment Clean Energy (PACE) District	
300784	Hallandale Beach Community Redevelopment Agency*	CU of Hallandale Beach
300191	Hamilton County Development Authority	
301473	Heritage Plantation Community Development District	
301583	Laurel Highlands Community Development District	
300642	Leon County Educational Facilities Authority*	Independently reported component unit
301585	Merrick Park Community Development District	
301880	Midtown Orlando Community Development District	
300972	Milton Community Redevelopment Agency*	Independently reported component unit
301586	Mirabella Community Development District	
300930	New Port Richey Community Redevelopment Agency*	CU of New Port Richey
300837	Niles Garden Neighborhood Improvement District*	CU of Opalocka
302081	Opa-Locka Community Redevelopment Agency*	
301715	Palm River Community Development District	
301720	Portofino Landings Community Development District	
301959	Ravaudage Community Development District	
300461	Santa Rosa Bay Bridge Authority	
300157	South Dade Soil and Water Conservation District	
301408	Southern Hills Plantation II Community Development District	
301734	Springfield Community Redevelopment Agency*	CU of Springfield
302060	Stoneybrook South at ChampionsGate Community Development District	
302018	Summit at Fern Hill Community Development District	
302056	Sunbridge Community Development District 1	
300785	Three Islands Safe Neighborhood District*	CU of Hallandale Beach
300732	Union County Special Library District*	CU of Union County
300488	Volusia Soil and Water Conservation District	

## Non-Compliant Local Governments with S.218.32, F.S. for Fiscal Year 2016

Government ID	Local Government Name	Comments
301521	WaterGrass Community Development District I	
301520	Waters Edge Community Development District (Manatee County)	
300114	West Lake Community Development District	
301176	Zephyrills Community Redevelopment Agency*	CU of Zephyrhills

*\* Indicates Dependent Special District  
Report as of 09/29/2017*

**6 Local Governmental Entities**  
(Significant Items Missing)

**List 1: LOCAL GOVERNMENTS**

**Significant Items Missing from Audit Report Not Yet Provided to Auditor General**  
*(required by s. 11.45(7)(b), F.S.)*

	<b>Entity Name (County)</b>	<b>Senate District(s) (Countywide)</b>	<b>House District(s) (Countywide)</b>	<b>Item(s) Missing from FY 2015-16 Audit Report</b>	<b>Staff Recommendation</b>
1	Holmes Creek Soil and Water Conservation District <i>(Holmes)</i>	2	5	A written statement of explanation or rebuttal concerning the findings was excluded from the audit report, although required by Sections 10.557(3)(l) and 10.558(1), Rules of the Auditor General. And Management's Discussion and Analysis was excluded from the audit report, although required by Section 2200.106 of the <i>Codification of Governmental Accounting and Financial Standards</i> , and Section 10.557(3)(h), Rules of the Auditor General.	Take action if not received by December 8, 2017
2	Palm Beach Soil and Water Conservation District <i>(Palm Beach)</i>	25, 29, 30, 31	81, 82, 85, 86, 87, 88, 89, 90, 91	A schedule of the entity's proportionate share of the net pension liability and a schedule of the entity's contributions to the pension plan were excluded from the audit report required supplementary information, although required for entities with defined benefit cost-sharing pension plans by P50.125 of the <i>Codification of Governmental Accounting and Financial Reporting Standards</i> .	
3	Taylor County Development Authority <i>(Taylor)</i>	3	7	A schedule of the entity's proportionate share of the net pension liability and a schedule of the entity's contributions to the pension plan were excluded from the audit report required supplementary information, although required for entities with defined benefit cost-sharing pension plans by P50.125 of the <i>Codification of Governmental Accounting and Financial Reporting Standards</i> .	



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**From:** DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>  
**Sent:** Thursday, October 05, 2017 10:53 AM  
**To:** Mayfield, Debbie; Sullivan, Jennifer  
**Cc:** Dubose, Kathy; White, Deborah  
**Subject:** 2015-16 FY Section 11.45(7)(b), FS, Notification  
**Attachments:** 2016 Missing Items Letter to JLAC Attachment.docx

Pursuant to Section 11.45(7)(b), Florida Statutes, this e-mail is to notify you of the nine local governmental entities that did not provide us, within 45 days after the date of our request, the significant items omitted from their 2015-16 fiscal year audit reports or from their audit report transmittal correspondence. The attached listing identifies the nine local governmental entities (one county and eight special districts) and describes the audit report and correspondence items omitted.

To date, none of the nine local governmental entities mentioned above have provided us the requested information. Please advise us if you or your staff have any questions regarding this information.

Derek H. Noonan, Audit Supervisor  
Auditor General, State of Florida  
111 West Madison Street, Rm 401-P  
Tallahassee, FL 32399-1450  
Office (850) 412-2864  
FAX (850) 488-6975

**Note: In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.**

LIST OF LOCAL GOVERNMENTAL ENTITIES  
 THAT HAVE NOT PROVIDED SIGNIFICANT ITEMS  
 OMITTED FROM 2015-16 FISCAL YEAR AUDIT REPORTS OR  
 FROM AUDIT REPORT TRANSMITTAL CORRESPONDENCE  
 AS OF SEPTEMBER 29, 2017

<u>COUNTY</u>	<u>ITEM(S) OMITTED</u>	<u>DATE ITEM(S) REQUESTED BY AUDITOR GENERAL</u>
Lafayette County Board of County Commissioners	A, B	8/7/17
 <b><u>SPECIAL DISTRICTS</u></b>		
City-County Public Works Authority	C	8/7/17
Gilchrist Soil and Water Conservation District	D	8/7/17
Heritage Greens Community Development District	E	8/7/17
Holmes Creek Soil and Water Conservation District	C, F	8/7/17
Lower Florida Keys Hospital District	C	8/7/17
Palm Beach Soil and Water Conservation District	A	6/6/17
Suwannee County Conservation District	B	8/7/17
Taylor County Development Authority	A	8/7/17

LIST OF LOCAL GOVERNMENTAL ENTITIES  
THAT HAVE NOT PROVIDED SIGNIFICANT ITEMS  
OMITTED FROM 2015-16 FISCAL YEAR AUDIT REPORTS OR  
FROM AUDIT REPORT TRANSMITTAL CORRESPONDENCE  
AS OF SEPTEMBER 29, 2017

Item(s) Omitted:

- (A) A schedule of the entity's proportionate share of the net pension liability and a schedule of the entity's contributions to the pension plan were excluded from the audit report required supplementary information, although required for entities with defined benefit cost-sharing pension plans by P50.125 of the *Codification of Governmental Accounting and Financial Reporting Standards*.
- (B) A Report on Compliance With Requirements Applicable to Each Major State Project and on Internal Control Over Compliance was excluded from the audit report, although required for entities receiving Florida Single Audits by Section 215.97(10)(e), Florida Statutes; and Section 10.557(3)(e)3, Rules of the Auditor General.
- (C) A written statement of explanation or rebuttal concerning the findings was excluded from the audit report, although required by Sections 10.557(3)(l) and 10.558(1), Rules of the Auditor General.
- (D) An opinion on the Schedule of Expenditures of State Financial Assistance was excluded from the audit report, although required for entities receiving Florida Single Audits by Section 215.97(10)(b), Florida Statutes; and Section 10.557(3)(e)2., Rules of the Auditor General.
- (E) The date the audit report was delivered to the local governmental entity was not included in correspondence accompanying the audit report submitted to the Auditor General, although required by Section 10.558(3), Rules of the Auditor General.
- (F) Management's Discussion and Analysis was excluded from the audit report, although required by Section 2200.106 of the *Codification of Governmental Accounting and Financial Standards*, and Section 10.557(3)(h), Rules of the Auditor General.

Note: All references to Rules of the Auditor General are to rules in effect for the 2015-16 fiscal year.

## Florida Statutes (2017) related to Significant Audit Items Missing

### 11.45(7) AUDITOR GENERAL REPORTING REQUIREMENTS.—

(b) The Auditor General, in consultation with the Board of Accountancy, shall review all audit reports submitted pursuant to s. 218.39. The Auditor General shall request any significant items that were omitted in violation of a rule adopted by the Auditor General. The items must be provided within 45 days after the date of the request. If the governmental entity does not comply with the Auditor General's request, the Auditor General shall notify the Legislative Auditing Committee.

### 11.40 Legislative Auditing Committee.—

(2) Following notification by the Auditor General, the Department of Financial Services, or the Division of Bond Finance of the State Board of Administration of the failure of a local governmental entity, district school board, charter school, or charter technical career center to comply with the applicable provisions within s. 11.45(5)-(7), s. 218.32(1), s. 218.38, or s. 218.503(3), the Legislative Auditing Committee may schedule a hearing to determine if the entity should be subject to further state action. If the committee determines that the entity should be subject to further state action, the committee shall:

(a) In the case of a local governmental entity or district school board, direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to such entity until the entity complies with the law. The committee shall specify the date such action shall begin, and the directive must be received by the Department of Revenue and the Department of Financial Services 30 days before the date of the distribution mandated by law. The Department of Revenue and the Department of Financial Services may implement the provisions of this paragraph.

(b) In the case of a special district created by:

1. A special act, notify the President of the Senate, the Speaker of the House of Representatives, the standing committees of the Senate and the House of Representatives charged with special district oversight as determined by the presiding officers of each respective chamber, the legislators who represent a portion of the geographical jurisdiction of the special district, and the Department of Economic Opportunity that the special district has failed to comply with the law. Upon receipt of notification, the Department of Economic Opportunity shall proceed pursuant to s. 189.062 or s. 189.067. If the special district remains in noncompliance after the process set forth in s. 189.0651, or if a public hearing is not held, the Legislative Auditing Committee may request the department to proceed pursuant to s. 189.067(3).

2. A local ordinance, notify the chair or equivalent of the local general-purpose government pursuant to s. 189.0652 and the Department of Economic Opportunity that the special district has failed to comply with the law. Upon receipt of notification, the department shall proceed pursuant to s. 189.062 or s. 189.067. If the special district remains in noncompliance after the process set forth in s. 189.0652, or if a public hearing is not held, the Legislative Auditing Committee may request the department to proceed pursuant to s. 189.067(3).

3. Any manner other than a special act or local ordinance, notify the Department of Economic Opportunity that the special district has failed to comply with the law. Upon receipt of notification, the department shall proceed pursuant to s. 189.062 or s. 189.067(3).