

**REPORT ON SIGNIFICANT FINANCIAL
TRENDS AND FINDINGS
IDENTIFIED IN LOCAL GOVERNMENTAL
ENTITY AUDIT REPORTS
AND
ANNUAL FINANCIAL REPORTS**

For the Fiscal Year Ended
September 30, 2008



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This report and other reports prepared by the Auditor General can be obtained on our Web site www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

REPORT ON SIGNIFICANT FINANCIAL TRENDS AND FINDINGS IDENTIFIED IN LOCAL GOVERNMENTAL ENTITY AUDIT REPORTS AND ANNUAL FINANCIAL REPORTS

SUMMARY

This report provides a summary of significant financial trends and findings identified in audit reports prepared by independent certified public accountants and submitted to us for 66 counties (including 388 county agencies), 381 municipalities, and 757 special districts, and annual financial reports for 6 municipalities and 202 special districts submitted to the Florida Department of Financial Services, for the 2007-08 fiscal year.

SIGNIFICANT FINANCIAL TRENDS

- Many local governmental entities are experiencing deteriorating financial conditions. Our application of financial indicators disclosed, for selected entities, certain financial trends that may be indicative of deteriorating financial conditions, including high levels of ad valorem millage rates for lesser-populated counties and higher-populated municipalities; insufficient levels of unreserved fund equity; declining excess revenues over expenditures in governmental funds or decreasing operating incomes (or increasing operating losses) in proprietary funds; low or declining levels of cash and investments, as compared to current liabilities; and increasing long-term debt in governmental activities.
- Of the local governmental entities that submitted audit reports to us as of February 15, 2010, 63 were reported as meeting one or more of the conditions specified in Section 218.503(1), Florida Statutes¹. In addition, our review of 208 annual financial reports for unaudited local governmental entities disclosed that 21 special districts met the condition specified in Section 218.503(1)(e), Florida Statutes. The 84 entities meeting one or more of the specified conditions represents a 53 percent increase compared to the prior fiscal year. In addition, 62 local governmental entities were reported as experiencing deteriorating financial conditions, an increase of 38 percent compared to the prior fiscal year. These increases are primarily attributable to community development districts (CDDs). The number of CDDs meeting one or more of the conditions specified in Section 218.503(1), Florida Statutes, increased 54 percent compared to the prior fiscal year, and the audit reports for other CDDs noted serious financial matters that occurred at or subsequent to September 30, 2008. Such matters included going concern issues, failure to pay claims within 90 days, failure to make bond payments or having to make bond payments from reserves, failure of developers or significant landowners to provide funding to the CDD, and bankruptcy or foreclosure issues.
- While average millage rates for counties and municipalities decreased since 2004, taxable property values have increased significantly over the same period for both entity types. Also, while taxes levied increased over that same period, taxes levied have decreased by approximately \$647 and \$1,015 million since 2006 for counties and municipalities, respectively, resulting from the decline in property values, reductions in millage rates, and 2007 and 2008 legislation that limited the ad valorem revenue-raising capabilities for local governmental entities.

SIGNIFICANT FINDINGS

- Certain types of findings are frequently included in county, municipality, and special district audit reports. For many of the audit reports, the findings were not sufficiently descriptive to allow a determination as to the significance of the finding.
- Thirty-nine percent of the findings were identified as significant deficiencies and 19 percent of those were also identified as material weaknesses.

¹ All statutory references are to the 2008 Florida Statutes.

- **Of the 2,821 findings included in 2007-08 fiscal year audit reports, 1,259 (45 percent) were findings that had also been included in audit reports for the prior fiscal year.**

BACKGROUND

Section 11.45(2)(h), Florida Statutes, established as one of the goals of the local government financial reporting system the timely, accurate, uniform, and cost-effective accumulation of financial and other information that can be used by the Legislature and other appropriate officials to improve the financial condition of local governments. The Legislature has assigned local governmental entity independent auditors and us responsibilities related to monitoring financial condition of local governments as follows:

- Section 11.45(7)(b), Florida Statutes, provides that we review, in consultation with the Florida State Board of Accountancy, all local governmental entity audit reports prepared by independent certified public accountants (CPAs) and submitted to us.
- Section 218.39(1), Florida Statutes, provides for local governmental entity audits to be performed by CPAs. The scope of these audits includes an examination of the financial statements, the issuance of a report on internal control and compliance in accordance with generally accepted government auditing standards, and, if applicable, the issuance of a report on internal control and compliance relative to State financial assistance in accordance with the *Florida Single Audit Act* and relative to Federal awards in accordance with United States Office of Management and Budget *Circular A-133*. Section 218.39(5), Florida Statutes, requires that independent auditors notify local governmental entities of deteriorating financial conditions that may cause a condition described in Section 218.503(1), Florida Statutes, to occur if actions are not taken to address such conditions. Chapter 10.550, Rules of the Auditor General, requires that the independent auditor’s management letter include recommendations addressing deteriorating financial conditions disclosed by the audit.
- Chapter 218, Part V, Florida Statutes, is entitled the “Local Governmental Entity, Charter School, and District School Board Financial Emergencies Act.” Section 218.503(2), Florida Statutes, requires a local governmental entity to notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section 218.503(1), Florida Statutes, has occurred or will occur if action is not taken to assist the entity. The local governmental entity’s independent auditor is required by Chapter 10.550, Rules of the Auditor General, to state in the management letter whether or not the local governmental entity met one or more of the conditions specified in Section 218.503(1), Florida Statutes. If the entity is reported as meeting one or more of the conditions, we are required to report this to the Governor and the Legislative Auditing Committee. The Governor is responsible for determining whether the local governmental entity needs State assistance to resolve the condition(s) and, if so, the entity is considered to be in a state of financial emergency.

Section 11.45(7)(f), Florida Statutes, requires that we annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee a summary of significant findings and financial trends identified in local governmental entity audit reports and other information, such as annual financial reports for entities that are not required to provide for an audit.

SIGNIFICANT FINANCIAL TRENDS

Notifications to Legislative Auditing Committee and the Governor

Section 218.503(1), Florida Statutes, requires that local governmental entities be subject to review and oversight by the Governor if one or more specified conditions occur. These conditions include failure to pay short-term loans or make bond debt service payments when due as a result of a lack of funds, failure to pay wages and salaries to employees due to a lack of funds, and an unreserved or total fund balance or unrestricted or total net assets deficit for

which sufficient resources are not available to cover the deficit. Section 11.45(7)(e), Florida Statutes, requires us to notify the Legislative Auditing Committee and the Governor of any audit report reviewed that contains a statement that the local governmental entity met one or more of the specified conditions.

Our review of the 2007-08 fiscal year local governmental entity audit reports prepared by independent certified public accountants and received by us as of February 15, 2010, disclosed that a total of 63 entities (1 county, 10 municipalities, and 52 special districts) were reported as meeting one or more of the conditions specified in Section 218.503(1), Florida Statutes. Our review of 208 annual financial reports for unaudited local governmental entities disclosed that 21 special districts met the condition specified in Section 218.503(1)(e), Florida Statutes. The 84 entities meeting one or more of the specified conditions as compared to the 55² noted for the prior fiscal year represents a 53 percent increase. The increase is primarily due to community development districts (see additional discussion under **Community Development Districts**).

As required by Section 10.554(1)(i)7.c.2., Rules of the Auditor General, if the auditor reported that the local governmental entity met one or more of the conditions specified in Section 218.503(1), Florida Statutes, the auditor was required to specify whether such condition was a result of deteriorating financial conditions. For 17 of the 63 entities reported as meeting one or more of the conditions as of September 30, 2008, the auditors indicated that the condition resulted from deteriorating financial conditions.

In addition to those entities that were reported as having met a condition in Section 218.503(1), Florida Statutes, as of September 30, 2008, we also reported to the Legislative Auditing Committee and the Governor (see additional discussion under **Community Development Districts**) a total of 17 special districts for which either the notes to the financial statements or the auditors indicated a condition in Section 218.503(1), Florida Statutes, was met subsequent to September 30, 2008, or serious matters affecting financial condition occurred at or subsequent to September 30, 2008.

Deteriorating Financial Conditions

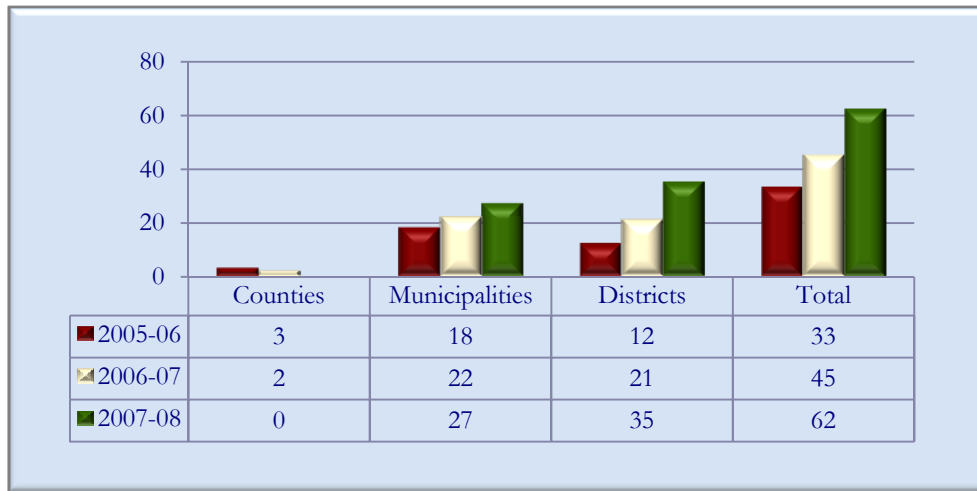
Section 218.39(5), Florida Statutes, requires auditors to notify local governmental entity officials or their designees when deteriorating financial conditions exist that may cause a condition described in Section 218.503(1), Florida Statutes, to occur if actions are not taken to address such conditions. Section 10.556(7), Rules of the Auditor General, requires auditors to use financial condition assessment procedures, and Section 10.554(1)(i)7.c., Rules of the Auditor General, requires auditors to report any deteriorating financial conditions noted as a result of the financial condition assessment. For example, a local governmental entity may have been experiencing operating losses for several years resulting in significantly depleted unrestricted net assets which, if not corrected through an increase in rates charged to customers or a reduction in expenses, would result in deficit unrestricted net assets, a condition specified in Section 218.503(1), Florida Statutes.

Auditors reported a total of 62 entities (27 municipalities and 35 special districts) as experiencing deteriorating financial conditions as of September 30, 2008, an increase of 17 entities, or 38 percent, as compared to the prior fiscal year, as shown in Table 1.³

² The number of entities reported as meeting one or more of the conditions specified in Section 218.503(1), Florida Statutes, for the 2006-07 fiscal year differs from the number reported in report No. 2009-202 because additional reports for that fiscal year were received subsequent to the release of report No. 2009-202.

³ The number of entities reported in Table 1 as experiencing financial condition problems for the 2006-07 fiscal year differs from the number reported in report No. 2009-202 because additional reports for that fiscal year were received subsequent to the release of report No. 2009-202.

**Table 1
Deteriorating Financial Conditions**



Source: Audit reports

Community Development Districts

As previously noted, there was an overall increase in the number of local governmental entities reported as meeting one or more of the conditions specified in Section 218.503(1), Florida Statutes, and several were reported as experiencing serious matters affecting financial condition at or subsequent to September 30, 2008. As discussed below, this increase was primarily attributable to community development districts.

The Legislature enacted the “Uniform Community Development District Act of 1980” (Act) authorizing a uniform procedure in general law to establish an independent special district as an alternative method to manage and finance basic services for community development. Community Development Districts (CDDs) are local units of special-purpose government created pursuant to Chapter 190, Florida Statutes, and are limited to the performance of those specialized functions contained in the Act. A CDD is created primarily for the purpose of financing, and then operating and maintaining, communitywide improvements in new communities, such as roads, sidewalks, landscaping, and community recreational facilities. CDDs also have broad authority to finance, acquire, construct, operate, and maintain public improvements, such as water management, water supply, sewer, and wastewater management, subject to the regulatory jurisdiction and permitting authority of all applicable governmental bodies. A landowner (usually a developer) petitions the local government to create a CDD, which must consist of at least 1,000 acres, with broad powers that enables the CDD to generate revenue. To finance the provision of these services, CDDs have the authority to borrow money and issue bonds, certificates, warrants, notes, or other evidence of indebtedness, to levy tax and special assessments, and to charge, collect, and enforce fees and other user charges.

As shown in Table 2, the total number of active CDDs increased significantly from 224 at September 30, 2003, to 578 at September 30, 2008, an increase of 354, or 158 percent, during the five-year period. At September 30, 2008, CDDs comprised 36 percent of all active special districts in Florida.

Table 2

Fiscal Year Ended September 30	CDDs Created	CDDs Dissolved	Total Active CDDs
2003			224
2004	76	2	298
2005	66	3	361
2006	90	2	449
2007	102	2	549
2008	34	5	578

Source: Florida Department of Community Affairs' Official List of Special Districts

Of the 578 active CDDs as of September 30, 2008, 419 submitted audit reports to us as of February 15, 2010⁴ (electronic copies of the CDDs' audit reports are available on the Auditor General Web site at www.myflorida.com/audgen/pages/specialdistricts%20a-c.htm). Forty-three CDDs were reported to the Legislative Auditing Committee and Governor as having met one or more conditions specified in Section 218.503(1), Florida Statutes, for the 2007-08 fiscal year, an increase of 54 percent compared to the prior fiscal year. Additionally, we reported 16 CDDs to the Legislative Auditing Committee and Governor for serious financial matters occurring at or after September 30, 2008. Exhibit A provides a summary of information from the 2007-08 fiscal year audit reports for these 59 CDDs. As shown in Exhibit A:

- For 7 CDDs, the auditor questioned the ability of the CDD to continue operations on an ongoing basis (going concern).
- Thirty-nine CDDs reported a net unreserved fund balance/unrestricted net assets deficit as of September 30, 2008, with deficits ranging from \$3,340 to \$11,461,841. This is the condition specified in Section 218.503(1)(e), Florida Statutes.
- For 6 CDDs, either the notes to the financial statements or the auditor reported that the entities failed to pay claims from creditors within 90 days after the claim was presented due to a lack of funds, the condition specified in Section 218.503(1)(b), Florida Statutes.
- For 32 CDDs, either the notes to the financial statements or the auditor reported that the entity either failed to make a scheduled bond debt service payment(s) (the condition specified in Section 218.503(1)(a), Florida Statutes), or the debt service payment was made from required bond reserves because the entity lacked sufficient funds to make the payment.
- For 37 CDDs, either the notes to the financial statements or the auditor reported that the developer or significant landowner had failed to provide funding to the CDD, either in the form of assessments or funding for operational or debt service purposes. For many of these CDDs the notes or the auditor stated that the CDD was dependent on funding from the developer or significant landowner.
- For 29 CDDs, either the notes to the financial statements or the auditor reported that developers had filed for bankruptcy protection or foreclosure proceedings had been initiated on district properties.

Because it is usually necessary for CDDs to issue some form of indebtedness to finance the construction or acquisition of the communitywide improvements, and such improvements are generally in place before properties are sold to other parties, CDDs often experience operating losses or deficit fund balances in the early years of their existence. Auditors for many initial CDDs report the entity as meeting the condition specified in Section

⁴ For the 2007-08 fiscal year, 138 CDDs did not meet the threshold requiring an audit pursuant to Section 218.39, Florida Statutes. For the remaining 21 CDDs, the entities were either required to provide for an audit and had not submitted the audit report to us by February 15, 2010, or we did not have sufficient information to determine whether an audit was required.

218.503(1)(e), Florida Statutes, an unreserved or total fund balance or unrestricted or total net assets deficit for which sufficient resources are not available to cover the deficit. In the past, meeting this condition was relatively temporary for many CDDs as properties were sold within the district and assessments were collected. However, likely due to the recent housing crisis, many CDDs are facing true financial crises due to a lack of sufficient funds to make debt service payments on bonds or to pay obligations within 90 days. As a result, the deficit condition remains and the CDD meets additional conditions specified in Section 218.503(1), Florida Statutes. The lack of sufficient funds for newer CDDs appears to be primarily attributable to the failure of developers to provide funding. Developers are typically responsible for paying assessments on the unsold properties within the district and some have agreements with CDDs to fund operations of the district for a certain time period. If the developer is unable to sell properties within the district for an extended period of time, the developer may lack sufficient funds to make the requirement payments. As noted above, many developers are filing for bankruptcy protection.

As the economic downturn, including the housing crisis, continued through the 2008-09 fiscal year and into the 2009-10 fiscal year, the number of CDDs experiencing similar financial difficulties is likely to increase.

Other Financial Trends

Our application of financial indicators (see Exhibit B) to financial and other information obtained for the counties, municipalities, and special districts evaluated for the 2003-04 through 2007-08 fiscal years disclosed certain significant financial trends as discussed below. The financial trends presented below are based on a desk review of audit reports and annual financial reports and do not represent individual financial condition assessments of particular entities. Such assessments are the responsibility of local governmental entities and their independent auditors and require information that can only be obtained through examination of entity records and inquiry of entity management.

Millage Rates, Taxable Property Values, and Taxes Levied

In 2007 and 2008, legislation was enacted and, as applicable, approved by the voters, that has limited the ad valorem revenue-raising capability of local governmental entities. These changes include increases in homestead exemptions, portability provisions, caps on the increase in value for non-homestead properties, and required millage rate reductions/limitations. Additionally, market values of real property have declined as a result of the recent housing crisis. From January 2007 to January 2008, taxable property values decreased by 5 and 6 percent for counties and municipalities, respectively; average millage rates increased 1.7 percent for counties and decreased by 19 percent for municipalities; and taxes levied decreased by 4 and 2 percent for counties and municipalities, respectively.

For the 2008, the average ad valorem millage rate was 6.2996 for counties and 3.9841 for municipalities. The average millage rate has decreased approximately 16 percent for counties and 10 percent for municipalities since 2004.

As noted in prior fiscal years, we found that, on average, lesser-populated counties and higher-populated municipalities generally had higher 2008 millage rates than higher-populated counties and lower-populated municipalities, as shown in Table 3.

Table 3

Counties		Municipalities	
Population Range	Average 2008 Millage	Population Range	Average 2008 Millage
< 25,000	8.3294	< 1,000	2.7114
25,000 – 74,999	7.2741	1,000 – 2,999	4.1576
75,000 – 224,999	4.9050	3,000 – 9,999	4.0418
225,000 – 674,999	5.2809	10,000 – 24,999	4.1212
675,000 +	4.7599	25,000 – 99,999	4.4459
		100,000 +	5.2367

Source: Florida Department of Revenue, Property Valuations and Tax Data Books

A summary of average millage rates, total taxable property values, and total taxes levied by counties and municipalities for the last five years are shown in Tables 4 and 5.

Table 4

Counties			
Year	Average Millage	Taxable Property Values	Taxes Levied
2004	7.4974	\$1,105,948,754,799	\$6,570,744,816
2005	7.3751	\$1,309,754,176,278	\$7,586,284,807
2006	6.9451	\$1,636,004,002,995	\$8,438,433,140
2007	6.1970	\$1,805,873,056,801	\$8,111,079,346
2008	6.2996	\$1,716,561,174,715	\$7,791,725,395

Table 5

Municipalities			
Year	Average Millage	Taxable Property Values	Taxes Levied
2004	4.4413	\$580,472,238,718	\$2,812,833,290
2005	4.3675	\$683,319,146,683	\$3,272,616,315
2006	4.2689	\$850,654,287,997	\$3,948,085,738
2007	4.8943	\$766,269,119,373	\$3,005,327,370
2008	3.9841	\$720,342,482,975	\$2,932,964,640

Source: Florida Department of Revenue, Property Valuations and Tax Data Books

While average millage rates for counties and municipalities decreased since 2004, taxable property values have increased significantly over the same period for both entity types. Also, while taxes levied increased over that same period, taxes levied have decreased by approximately \$647 million and \$1 billion since 2006 for counties and municipalities, respectively, resulting from the decline in property values, reductions in millage rates, and 2007 and 2008 legislation that limited the ad valorem revenue-raising capabilities for local governmental entities.

Fund Equity and Results of Operations

As shown in Table 6, 146 special districts reported no unreserved or unrestricted fund equities (i.e., fund balances or net assets), and 60 special districts reported deficit unreserved/unrestricted fund equities as of September 30, 2008, an increase of 7 percent as compared to the prior fiscal year. In addition, 2 counties and 7 municipalities reported deficit unreserved/unrestricted fund equities. Although local governments are not statutorily required to maintain a specified level of unreserved/unrestricted fund equity, the ability of these entities to maintain adequate service levels and fund capital acquisitions may be diminished if sufficient fund equity is not maintained.

Although many entities use excess revenues in governmental funds to support proprietary fund operations, or vice versa, we noted that 745 entities experienced net losses when both governmental and proprietary funds were taken into account, an increase of 20 percent as compared to the prior fiscal year. Additionally, of the entities that experienced net losses, 98 also reported net deficit unreserved/unrestricted fund equities as of September 30, 2008. Continued excess expenditures over revenues and deficit unreserved/unrestricted fund equities may cause such

entities to not have sufficient funds to sustain current services without having to borrow funds from outside sources, and also results in those entities having less resources available for emergencies and unforeseen situations.

Reported unreserved/unrestricted fund equity, revenue, and expenditure information, by entity, is available on our Web site at www.myflorida.com/audgen (click on Local Government/Nonprofit/For-Profit, Local Governmental Entity Financial Condition Assessment Procedures, INSTRUCTIONS-EXCEL).

Table 6⁵

Condition	Counties			Municipalities			Special Districts			Totals		
	Fiscal Year			Fiscal Year			Fiscal Year			Fiscal Year		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Reported deficit total unreserved/unrestricted fund equity.	2	0	2	7	9	7	39	30	60	48	39	69
Reported no unreserved/unrestricted fund equity.	0	0	0	1	1	2	71	162	146	72	163	148
Experienced excess expenditures over revenues in governmental operations, or operating losses in proprietary operations.	35	42	53	229	251	296	402	415	490	666	708	839
Experienced net losses when both governmental and proprietary funds were taken into account.	21	34	35	142	174	228	393	411	482	556	619	745
Experienced net losses and reported net deficit unreserved/unrestricted fund equity.	0	0	1	4	7	5	66	80	92	70	87	98

Source: Audit reports and annual financial reports

Other Trends

A total of 94 audited entities (1 county, 25 municipalities and 68 special districts) reported cash and investments in amounts that were not sufficient to cover current liabilities as of September 30, 2008, as compared to 87 as of September 30, 2004. Of these, 47 also experienced declining levels of cash and investments as compared to current liabilities over the past three to five years in governmental funds, proprietary funds, or both, as compared to 44 for the 2003-04 fiscal year. In addition, 84 special districts, reporting via annual financial reports, reported cash and investments in amounts that were not sufficient to cover current liabilities as of September 30, 2008. Declining levels

⁵ Table 6 includes 1 municipality and 103 special districts that reported no unreserved/unrestricted fund equity, and 17 special districts that reported deficit unreserved/unrestricted fund equity, on their 2007-08 fiscal year annual financial reports. Table 6 also includes 71 special districts and 4 municipalities that reported losses in either governmental or proprietary funds, and 69 special districts and 4 municipalities that reported net losses when both governmental and proprietary funds were considered, on their 2007-08 fiscal year annual financial reports.

of cash and investments as compared to current liabilities may indicate that the local governmental entity has overextended itself in the long run or may be having difficulty raising the cash needed to meet its current needs.

As shown in Table 7, long-term debt reported for governmental activities increased by a total of \$6.4 billion, or 30 percent, from the 2003-04 to the 2007-08 fiscal year for entities from which we received audit reports for both fiscal years.

Table 7
Long-Term Debt – Governmental Activities
(in billions)

	Fiscal Year		Amount of Increase	Percentage Increase
	2004	2008		
Counties	\$ 8.5	\$12.1	\$3.6	42
Municipalities	8.3	10.6	2.3	28
Special Districts	4.4	4.9	.5	11
Totals	\$21.2	\$27.6	\$6.4	30

Source: Audit reports

Increasing long-term debt, especially when combined with the economic downturn discussed below, may result in the long-term debt exceeding a local government’s resources for paying the debt, and the local governmental entity may, therefore, have difficulty obtaining additional capital funds, have to pay a higher interest rate for them, and have difficulty repaying the debt.

Economic Downturn

Weakness in the State of Florida’s economy continued during the 2007-08 fiscal year resulting in decreased taxes and other revenues. Further economic weakness was experienced in the 2008-09 fiscal year and into the 2009-10 fiscal year, resulting in revenue sharing reductions to local governmental entities. Under these conditions, effective financial monitoring and timely and appropriate adjustments to operations are critical to local governmental entities to ensure that the costs of operations remain within available financial resources.

SIGNIFICANT FINDINGS

Modified Audit Opinions

Audit findings of the greatest significance include those that have a material impact on the fair presentation of the financial statements and may result in a modification of the independent auditor’s opinion on the financial statements. Modified opinions include: (1) qualified opinions, whereby the auditor states that except for the effects of the matter(s) to which the qualification relates, the financial statements are fairly presented; (2) adverse opinions, whereby the auditor states that the financial statements are not fairly presented; and (3) disclaimers of opinion, whereby the auditor does not express an opinion. As shown in Table 8, 10 of the 1,526 audit reports reviewed (including 388 county agencies, 381 municipalities, and 757 special districts) for the 2007-08 fiscal year contained modified opinions.

Table 8

Entity Name	Qualified Opinion	Adverse Opinion	Disclaimer of Opinion
Hillsborough County Supervisor of Elections	X		
Washington County Board of County Commissioners	X		
Town of Altha	X		
Town of Lake Hamilton			X
City of South Bay		X	
City of Vernon		X	
City of Webster	X		
Escambia County Law Library	X		
North Naples Fire Control and Rescue District	X		
St. Augustine Port, Waterway and Beach District	X		

Source: Audit reports

Most of the qualified opinions and both of the adverse opinions were the result of inadequate documentation to support capital assets. The disclaimer of opinion was issued because financial and other information provided to the auditor was too limited to warrant the expression of an opinion. The overall percentage of 2007-08 fiscal year reports that included modified opinions remained the same as the prior fiscal year.

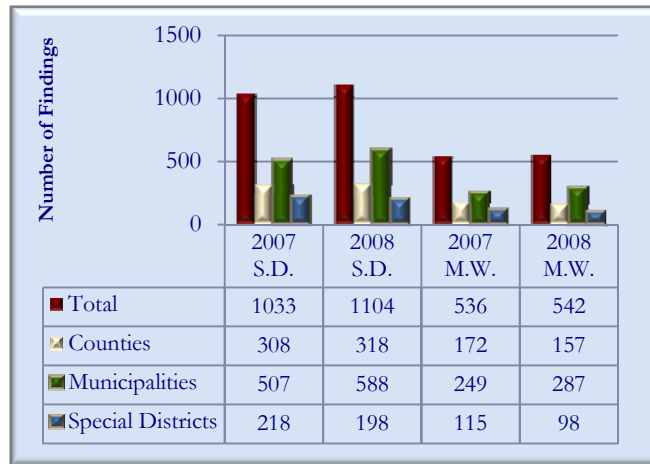
Classification of Audit Findings

Auditing standards require that auditors report significant control deficiencies and material weaknesses in internal control that are disclosed during the course of a financial statement audit. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the local governmental entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected.

Of the 1,526 audit reports reviewed (388 county agencies, 381 municipalities, and 757 special districts), 430 (28 percent) reported a significant deficiency(ies), of which 244 (16 percent) included a material weakness(es). A summary, by type of local governmental entity and category of finding, of reports including findings classified by auditors as significant deficiencies and material weaknesses is included as Exhibit C.

Of the 2,821 findings included in the audit reports reviewed, 1,104 (39 percent) were considered significant deficiencies, of which 542 (19 percent) were considered material weaknesses. In addition, as shown in Table 9, the number of significant deficiencies and material weaknesses increased by 71 (from 1,033 to 1,104, or 7 percent) and 6 (from 536 to 542, or 1 percent), respectively, compared to the prior fiscal year.

Table 9
Number of Findings Classified as Significant
Deficiencies and Material Weakness



Source: Audit reports

Significant Deficiencies and Other Audit Findings

We established categories of findings and classified the various audit findings included in the county, municipality, or special district audit reports accordingly. Summaries of the predominant and most significant audit findings included in audit reports reviewed for 388 county agencies, 381 municipalities, and 757 special districts for the 2007-08 fiscal year are presented below by category. In addition, a summary of the number of reports including predominant and significant audit findings by type of local governmental entity, with comparative prior fiscal year information, is included as Exhibit D.

Separation of Duties. For 72 (19 percent) of the county agency reports, 80 (21 percent) of the municipality reports, and 48 (6 percent) of the special district reports, findings were noted regarding an inadequate separation of duties or responsibilities. This represents 13 percent of all reports and a 1 percent increase in the percentage of reports with similar findings compared to the prior fiscal year. Inadequate separation of duties or responsibilities increases the possibility that errors or irregularities may occur and not be detected on a timely basis and diminishes the local governmental entity’s ability to properly safeguard assets. Many of these involved instances in which the county agencies, municipalities, and special districts contended that their staffs were small and it was not feasible economically to further separate duties or responsibilities. However, there were several instances in which the auditor recommended that the county agency, municipality, or special district reassign duties and responsibilities or establish compensating controls.

Policies and Procedures. For 15 (4 percent) of the county agency reports, 45 (12 percent) of the municipality reports, and 21 (3 percent) of the special district reports, policies and procedures were not established or were not followed to ensure that public business was conducted in accordance with laws, rules, ordinances, or good business practices. This represents 5 percent of all reports and is the same percentage of reports with similar findings compared to the prior fiscal year.

Budget Administration. For 23 (6 percent) of the county agency reports, 66 (17 percent) of the municipality reports, and 37 (5 percent) of the special district reports, findings were noted regarding noncompliance with legal requirements for adopting and amending the budget, or inadequate budgetary controls. This represents 8 percent of all reports and a 1 percent decrease in the percentage of reports with similar findings compared to the prior fiscal year.

These findings included problems relating to failure to properly adopt a budget, inadequate budgetary policies, failure to budget for all funds or projects, and overexpended budgets. Examples included a tax collector that did not budget extra compensation in accordance with state law, a municipality that overexpended its budget at the legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations), and a special district that did not document a formal policy for its budget development and monitoring process. Such budgetary problems affect an entity's ability to demonstrate to the citizenry its proper use of public resources, and could result in inefficient or inappropriate use of its resources, resulting in deteriorating financial conditions.

General Accounting Records. For 55 (14 percent) of the county agency reports, 141 (37 percent) of the municipality reports, and 83 (11 percent) of the special district reports, findings were noted regarding inadequate accounting or other records, lack of subsidiary records or failure to timely reconcile subsidiary records to general ledger control accounts, and improper recording of transactions to the accounting records. This represents 18 percent of all reports and a 1 percent increase in the percentage of reports with similar findings compared to the prior fiscal year. Examples included a board of county commissioners that did not monitor and reconcile account balances resulting in significant audit adjusting entries, a municipality that had not properly accounted for its component units, and a special district that did not follow uniform accounting practices contrary to State law. Such recordkeeping problems affect an entity's ability to monitor its use of public resources, and increases the risk of inappropriate or inefficient use of its resources. Improper recording of transactions also affects the reliability of the entity's reporting of its financial position and results of its operations.

Financial Reporting. For 59 (15 percent) of the county agency reports, 93 (24 percent) of the municipality reports, and 56 (7 percent) of the special district reports, findings were noted relating to the reporting of financial data either externally or within the local governmental entity. This represents 14 percent of all reports and a 1 percent increase of reports with similar findings compared to the prior fiscal year. Examples included a sheriff that did not report financial information to the clerk or external auditors in a timely manner, a municipality that failed to submit reports to the State Treasurer contrary to State law, and a special district that requested assistance from the external auditors in preparing its financial statements. Such financial reporting problems affect an entity's ability to demonstrate compliance with legal and contractual requirements, and to provide assurance to interested parties (including its governing body) that it is in sound financial condition and is using its public resources in an efficient and appropriate manner.

Cash. For 15 (4 percent) of the county agency reports, 57 (15 percent) of the municipality reports, and 14 (2 percent) of the special district reports, findings were noted regarding inadequate controls or noncompliance with legal requirements pertaining to cash on hand or held by banks. This represents 6 percent of all reports and is the same percentage of reports with similar findings compared to the prior fiscal year. These findings included inadequate or untimely bank reconciliations, stale-dated checks, inaccurate recording of cash transactions, and other cash accountability issues, including noncompliance with applicable legal requirements. Examples included a sheriff that did not monitor and account for all cash accounts, a municipality with deficit cash balances in multiple funds, and a special district that did not properly document completion and management review of bank reconciliations. Such cash accountability problems increase the risk that unauthorized disbursements or losses of cash could occur without being promptly detected.

Capital Assets. For 28 (7 percent) of the county agency reports, 104 (27 percent) of the municipality reports, and 46 (6 percent) of the special district reports, findings were noted regarding noncompliance with legal requirements pertaining to capital assets and the improper use of, and lack of accountability for, capital assets. This represents 12 percent of all reports and a 1 percent increase in the percentage of reports with similar findings compared to the

prior fiscal year. These findings included inadequate or lack of capital asset records, failure to timely reconcile subsidiary capital asset records to general ledger control accounts, failure to perform an annual inventory and compare the inventory to capital asset records, failure to properly identify or tag property, and unauthorized disposals of capital assets. Examples included a board of county commissioners that erroneously capitalized expenditures resulting in a material restatement of previously issued financial statements, a municipality that failed to record over \$100 million in infrastructure contributed by the county in the prior fiscal year, and a special district that had not properly recorded property in the accounting records. Capital asset accountability problems affect an entity's ability to safeguard capital assets and increase the risk that such assets could be misappropriated without being promptly detected.

Revenues/Collections. For 33 (9 percent) of the county agency reports, 100 (26 percent) of the municipality reports, and 28 (4 percent) of the special district reports, findings were noted regarding inadequate controls or noncompliance with legal requirements pertaining to revenues and accounts receivable. This represents 11 percent of all reports and a 2 percent increase in the percentage of reports with similar findings compared to the prior fiscal year. These findings included improper recording of revenue or accounts receivable transactions, improper documentation for the receipt of revenues, lack of an adequate fee structure, untimely deposits, and deposits not made intact. Examples included a tax collector that did not issue warrants on all applicable delinquent personal property taxes and attempt seizure of the property, a municipality that failed to maintain adequate supporting documentation of utility billing and collection transactions, and a special district that was aware of an overbilled customer, but did not correct it. Such revenue and accounts receivable problems affect an entity's ability to ensure that cash collections are safeguarded against loss from unauthorized use or disposition. Failure to assess and collect all revenues to which the entity is entitled could contribute to deteriorating financial conditions.

Payroll and Personnel Administration. For 38 (10 percent) of the county agency reports, 71 (19 percent) of the municipality reports, and 15 (2 percent) of the special district reports, findings were noted regarding inadequate controls or noncompliance with legal requirements pertaining to payroll and personnel administration. This represents 8 percent of all reports and a 1 percent increase in the percentage of reports with similar findings compared to the prior fiscal year. These findings included improper authorization and payment of salaries and benefits to employees, improper recording of payroll/personnel transactions, failure to properly and timely remit payroll taxes withheld, and other payroll/personnel matters. Examples included a sheriff that awarded bonuses that were not in accordance with a county ordinance, and ultimately resulted in alleged criminal activity, a municipality that overpaid retirement benefits made to the Florida Retirement System, and a special district that did not file its quarterly payroll tax returns. Such personnel and payroll problems affect an entity's ability to demonstrate compliance with legal requirements and increases the risk of inappropriate or inefficient use of public resources.

Purchasing/Contract Management. For 29 (7 percent) of the county agency reports, 72 (19 percent) of the municipality reports, and 15 (2 percent) of the special district reports, findings were noted regarding procurement of goods or services and contract or grant management. This represents 8 percent of all reports and a 1 percent decrease in the percentage of reports with similar findings compared to the prior fiscal year. These findings included lack of monitoring and compliance with grant provisions, failure to use purchase orders, lack of documented prior approval for purchases, noncompliance with bid/quotation requirements, and lack of documentation of receipt of goods or services. Examples included a board of county commissioners that did not verify and document vendor status with the Federal Excluded Parties List System (EPLS), a municipality that had not received reimbursements for approximately \$40 million of qualifying reimbursable grant expenditures due to untimely submittal and improper documentation, and a special district that did not follow purchasing procedures by approving and authorizing a purchase after payment was made. Such purchasing/contract management problems affect an entity's ability to

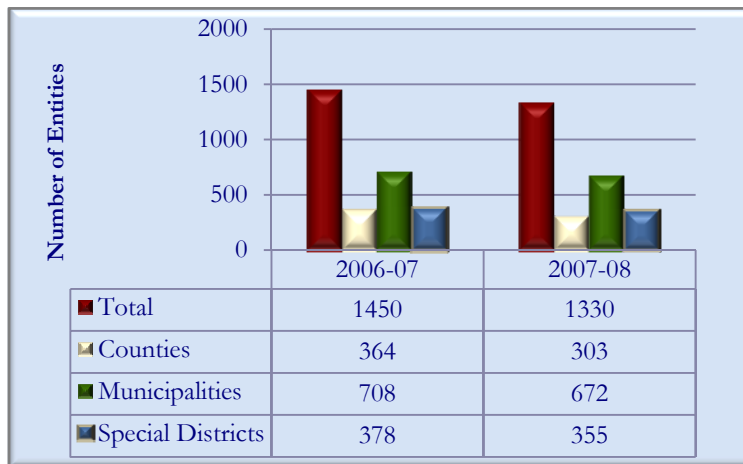
demonstrate compliance with legal and contractual requirements and to monitor its use of public resources increasing the risk of inappropriate or inefficient use of public resources.

Expenditures/Expenses. For 27 (7 percent) of the county agency reports, 65 (17 percent) of the municipality reports, and 28 (4 percent) of the special district reports, findings were noted regarding the expenditure of public funds. This represents 8 percent of all reports and is the same percentage of reports with similar findings compared to the prior fiscal year. These findings included expenditures/expenses that were not properly documented, approved, or recorded; could be made more efficiently; or were not made in compliance with legal guidelines, laws, rules, or procedures. Examples included a sheriff that paid expenses that did not appear to be essential for public purposes, a municipality that did not properly account for vehicle fuel expenditures, and a special district whose lack of internal controls over expenditures resulted in an invoice being paid twice. Such expenditure/expense problems affect an entity’s ability to demonstrate compliance with legal requirements, and increase the risk of inappropriate or inefficient use of public resources.

Detail of Audit Findings

Chapter 10.550, Rules of the Auditor General, prescribes the required elements of audit report findings. Of the 2,821 findings in the audit reports reviewed, 1,330 (47 percent) did not include one or more of the required elements. As shown in Table 10, the total number of insufficiently detailed findings reported for the 2007-08 fiscal year decreased compared to the prior fiscal year.

Table 10
Insufficiently Detailed Findings



Source: Auditor General

The total percentage of insufficiently detailed findings for the 2007-08 fiscal year decreased from 53 to 47 percent compared to the prior fiscal year. However, the total number and percentage of insufficiently detailed findings remains high. Most such findings did not adequately provide one or more of the following, contrary to Section 10.557(6), Rules of the Auditor General:

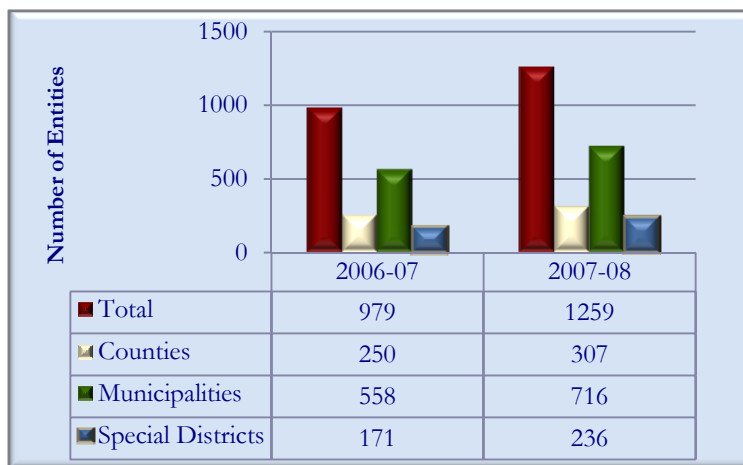
- A description of the criteria or specific requirement upon which the audit finding was based (e.g., statutory, regulatory, or other citation).
- A description of the condition found, including facts that support the deficiency identified in the finding.
- A proper perspective for judging the prevalence and consequences of the finding, such as whether the findings represent an isolated instance or a systemic problem (e.g., the number of records examined and the quantity or dollar value of deficiencies noted).

Inadequately written audit findings make it difficult for audit report users to determine the exact nature of the problem addressed in the finding and necessary corrective action. This may have contributed to the percentage of repeated findings discussed below.

RECOMMENDATION FOR THE LEGISLATURE

A significant number of the findings included in audit reports for the 2007-08 fiscal year were also included in audit reports for the prior fiscal year. Of the 2,821 findings included in the audit reports reviewed, 1,259 (45 percent) were repeated from the prior fiscal year audit reports. In addition, of the 1,104 findings identified as significant deficiencies, and the 542 identified as material weaknesses, 567 (51 percent) and 316 (58 percent), respectively, were repeated from the prior fiscal year audit reports. As shown in Table 11, there was an increase in the total number of repeated prior fiscal year findings for the 2007-08 fiscal year compared to the prior fiscal year. The percentage of repeated prior year findings to total findings increased from 36 to 45 percent.

**Table 11
Repeated Prior Fiscal Year Findings**



Source: Audit reports

Many of these repeated findings for the 2007-08 fiscal year were also included in 2005-06 fiscal year audit reports. The percentage of repeated findings indicates that some county agencies, municipalities, and special districts are not addressing audit findings in a timely manner.

Recommendation: The Legislature should consider amending Section 218.39, Florida Statutes, to include provisions that encourage local governmental entities to take timely and appropriate action to address audit findings.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this project, for the audit reports submitted to us from local governmental entities, and the annual financial reports obtained from the Florida Department of Financial Services (FDFS), were to:

- Identify significant financial trends and findings based on our review of the audit reports; and
- Identify financial trends using information from the annual financial reports. Although all local governmental entities are required to file annual financial reports with the FDFS, all references to annual financial reports in

this report pertain only to those we used in determining financial trends for unaudited entities. As a result, financial trends based on annual financial reports included herein are based, in part, on unverified amounts.

The scope of this project included a review of 2007-08 fiscal year audit reports for 66 counties (which included 388 individual county agency reports), 381 municipalities, and 757 special districts prepared by independent CPAs and submitted to us by February 1, 2010. The scope also included 6 municipality and 202 special district annual financial reports submitted to FDFS pursuant to Section 218.32(1)(e), Florida Statutes, by entities that were not required to provide for an audit. In addition, the scope included a review of audit reports received through February 15, 2010, for the purpose of identifying entities that were reported as having met a condition specified in Section 218.503(1), Florida Statutes, and to accumulate selected information for community development districts.

Our methodology included a review of applicable audit reports and annual financial reports and a compilation of significant financial trends and findings. We conducted this review in accordance with applicable generally accepted government auditing standards. We believe that the procedures performed provide a reasonable basis for the summaries of significant financial trends and findings included in this report.

AUTHORITY

Pursuant to the provisions of Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present the summary of significant financial trends and findings identified in local governmental entity audit reports prepared by independent certified public accountants or, for entities not required to provide for an audit, local governmental entity annual financial reports, for the fiscal year ended September 30, 2008.



David W. Martin, CPA
Auditor General

**Exhibit A - Community Development Districts
For Which Auditors Indicated a Condition in Section 218.503(1), F.S., was Met
Or Indicated Other Serious Matters Affecting Financial Condition at or Subsequent to September 30, 2008
As Noted in 2007-08 Audit Reports Received as of February 15, 2010**

CDD Name	Creation Year	County	9/30/08 Unreserved/ Unrestricted Fund Balance/ Net Assets Deficit	9/30/08 Bonds Outstanding	Going Concern	Failure to Pay Claims within 90 days	Failure to Make Bond Payment or Paid From Reserves	Failure of Developer or Significant Landowner to Provide Funding	Bankruptcy, Foreclosure, or Similar Issues
Arborwood CDD	2004	Lee		\$186,909,850				X	X
Arlington Ridge CDD	2003	Lake	\$ (94,250)	15,450,000			X		X
Avenues Walk CDD	2007	Duval		0					
Belmont CDD	2006	Hillsborough		29,455,000	X		X	X	X
Capron Trail CDD	1988	St. Lucie	(90,027)	0					
ChampionsGate CDD	1998	Osceola	(56,042)	13,955,000					
Clearwater Cay CDD	2005	Pinellas		33,385,000			X	X	X
Coral Keys Homes CDD	2005	Miami-Dade	(14,060)	0				X	X
Cordoba Ranch CDD	2005	Hillsborough	(122,764)	10,085,000	X	X	X	X	X
Creekside CDD	2005	St. Lucie	(43,527)	10,445,000			X	X	X
Crossings at Fleming Island CDD	1989	Clay	(8,519,777)	90,865,000					
East Bonita Beach Road CDD	2008	Lee	(11,084)	0					
Enclave at Black Point Marina CDD	2006	Miami-Dade	(8,752)	11,125,000			X	X	X
Estates at Cherry Lake CDD	2005	Lake	(105,010)	11,385,000			X	X	X
Fiddler's Creek CDD #2	2002	Collier	(108,203)	80,610,000			X	X	
Forest Creek CDD	2005	Manatee	(976,807)	15,475,000					
Harbor Bay CDD	1999	Hillsborough	(92,644)	22,150,000					
Harrison Ranch CDD	2007	Manatee	(3,840)	12,720,000					
Heritage Isles CDD	1997	Hillsborough	(646,800)	6,990,000					
Heritage Lake Park CDD	2004	Charlotte	(12,560)	6,640,000					
Highlands CDD	2003	Hillsborough		24,600,000			X	X	X
K-Bar Ranch CDD	2005	Hillsborough		5,470,000			X	X	
Lakeside CDD	2007	Pasco	(22,005)	0					
Lakewood Ranch CDD #6	2003	Manatee	(35,716)	13,890,000					
Landmark at Doral CDD	2005	Miami-Dade	(57,710)	71,500,000	X		X	X	
Midtown Miami CDD	2003	Miami-Dade	(11,461,841)	103,015,000					
Naturewalk CDD	2005	Walton		19,820,000		X		X	
New Port – Tampa Bay CDD	2005	Hillsborough		49,565,000			X	X	X
Old Palm CDD	2002	Palm Beach		20,950,000	X		X	X	X

**Exhibit A (Continued) - Community Development Districts
For Which Auditors Indicated a Condition in Section 218.503(1), F.S., was Met
Or Indicated Other Serious Matters Affecting Financial Condition at or Subsequent to September 30, 2008
As Noted in 2007-08 Audit Reports Received as of February 15, 2010**

CDD Name	Creation Year	County	9/30/08 Unreserved/ Unrestricted Fund Balance/ Net Assets Deficit	9/30/08 Bonds Outstanding	Going Concern	Failure to Pay Claims within 90 days	Failure to Make Bond Payment or Paid From Reserves	Failure of Developer or Significant Landowner to Provide Funding	Bankruptcy, Foreclosure, or Similar Issues
Palm Bay CDD	1993	Hillsborough	\$ (43,055)	\$ 340,000					
Palm River CDD	2006	Hillsborough	(14,196)	6,490,000			X	X	X
Panther Trace II CDD	2003	Hillsborough	(49,701)	34,485,000					
Pine Island CDD	2004	Lake		25,845,000				X	X
Portofino Cove CDD	2006	Lee	(9,123)	6,265,000			X	X	X
Portofino Isles CDD	2002	St. Lucie	(12,943)	12,845,000			X	X	X
Portofino Landings CDD	2006	St. Lucie	(7,192)	7,280,000			X	X	
Portofino Vineyards CDD	2006	Lee	(28,290)	0				X	
River Glen CDD	2005	Nassau		10,390,000			X	X	
River Hall CDD	2005	Lee		25,745,000			X	X	
Riverwood Estates CDD	2006	Pasco	(209,983)	22,805,000	X	X	X	X	X
South Bay CDD	2004	Hillsborough	(7,448)	55,215,000			X	X	X
Southern Hills Plantation I CDD	2004	Hernando		11,895,000			X	X	X
Southern Hills Plantation II CDD	2004	Hernando		3,320,000				X	X
Southern Hills Plantation III CDD	2004	Hernando		0					X
Spring Ridge CDD	2000	Hernando		5,710,000			X	X	X
Stoneybrook CDD	1998	Lee	(280,098)	10,775,000			X		
Stoneybrook South CDD	2006	Osceola	(27,007)	48,470,000				X	
Tern Bay CDD	2004	Charlotte	(336,282)	56,455,000			X	X	X
Tison's Landing CDD	2005	Duval		36,715,000			X	X	X
Viera East CDD	1991	Brevard	(859,390)	28,750,000					
Villages of Avignon CDD	2006	Manatee	(129,258)	2,485,000	X	X	X	X	X
Waterford Estates CDD	2006	Charlotte	(20,518)	12,715,000			X	X	X
Waterlefe CDD	2000	Manatee	(10,943,701)	12,370,000			X		X
Waterstone CDD	2006	St. Lucie		16,585,000			X	X	X
Westridge CDD	2003	Polk	(20,109)	25,495,000	X	X	X	X	X
Woodland Hammock CDD	2006	Manatee	(5,977)	0					
Woodlands CDD	2004	Sarasota	(6,945)	30,285,000			X	X	X
Wyld Palms CDD	2006	Citrus		15,535,000				X	
Zephyr Ridge CDD	2005	Pasco		10,375,000			X		

EXHIBIT B
FINANCIAL INDICATORS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

Financial Indicator	Warning Trend
Unreserved Fund Balance + Unrestricted Net Assets (Constant \$)	Declining results may indicate that the entity could have difficulty maintaining a stable tax and revenue structure or adequate level of services. Deficits may indicate a financial emergency.
Unreserved Fund Balance/Total Expenditures	Percentages decreasing over time may indicate unstructured budgets that could lead to future budgetary problems for the entity even if current fund balance is positive.
Cash & Investments/Current Liabilities Cash & Investments/Total Expenditures or Expenses Divided by 12	Percentages decreasing over time may indicate that the entity has overextended itself in the long run or may be having difficulty raising the cash needed to meet current needs.
Current Liabilities/Total Revenues or Total Operating Revenues	Increasing results may indicate liquidity problems, deficit spending, or both.
Long-Term Debt/Population	Percentages increasing over time may indicate that the entity has a decreasing level of flexibility in how resources are allocated or decreasing ability to pay long-term debt.
Excess of Revenues Over (Under) Expenditures/Total Revenues	Decreasing surpluses or increasing deficits may indicate that current revenues are not supporting current expenditures.
Operating Income(Loss)/Total Operating Revenues	Decreasing income or increasing losses may indicate that current revenues are not supporting current expenses.
Intergovernmental Revenues/Total Revenues or Total Operating Revenues	Percentages increasing over time indicate a greater risk assumed by the entity due to increased dependence on outside revenues.
Unreserved Fund Balances or Unrestricted Net Assets/Total Revenues or Total Operating Revenues	Decreasing results may indicate a reduction in the entity's ability to withstand financial emergencies or fund capital purchases without having to borrow.
Total Revenues (Constant \$)/Population	Decreasing results indicate that the entity may be unable to maintain existing service levels with current revenue sources.
Debt Service/Total Expenditures	Percentages increasing over time may indicate the entity has declining flexibility to respond to economic changes.
Total Expenditures or Expenses (Constant \$)/Population	Increasing results may indicate that costs of providing services are outstripping the entity's ability to pay (i.e., entity may be unable to maintain services at current levels).
Millage Rate	Millage rates approaching the statutory limit may indicate that the entity has a reduced ability to raise additional funds when needed.

Note: For some of the financial indicators, it is necessary to adjust for inflation by translating current dollars into constant dollars.

EXHIBIT C
SUMMARY OF NUMBER OF REPORTS INCLUDING SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES
BY FINDING CATEGORY BY LOCAL GOVERNMENTAL ENTITY TYPE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

Category	Counties		Municipalities		Special Districts		Total	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Separation of Duties – Findings related to inadequate separation of duties	62	41	64	36	40	14	166	91
Policies and Procedures – Findings related to general lack of policies and procedures	5	1	16	0	3	1	24	2
Budget Administration – Findings related to noncompliance with legal requirements relating to budgets or inadequate budgetary controls	5	1	5	0	1	0	11	1
General Accounting Records – Findings related to inadequate accounting or other records, failure to timely reconcile subsidiary records to control accounts, or inadequate recording of transactions (excludes capital assets)	41	23	82	54	41	20	164	97
Financial Reporting – Findings related to reporting of financial data externally or within the local governmental entity	53	30	76	43	52	40	181	113
Cash – Findings related to inadequate controls or noncompliance with legal requirements pertaining to cash on hand or held by banks	7	4	20	9	1	1	28	14
Capital Assets - Findings related to noncompliance with legal requirements pertaining to capital assets and the improper use of, and lack of accountability for, capital assets	16	7	49	29	13	7	78	43
Revenues/Collections - Findings related to inadequate controls or noncompliance with legal requirements pertaining to revenues and accounts receivable	6	3	34	19	8	5	48	27
Payroll and Personnel Administration - Findings related to inadequate controls or noncompliance with legal requirements pertaining to payroll and personnel administration	7	2	17	8	2	0	26	10
Purchasing/Contract Management - Findings related to problems with procurement of goods or services and contract or grant management	12	4	21	10	4	1	37	15
Expenditures/Expenses - Findings related to the expenditure of public funds	10	1	21	6	4	2	35	9

(1) Significant Deficiencies (2) Material Weaknesses

EXHIBIT D
SUMMARY OF NUMBER OF REPORTS INCLUDING PREDOMINANT AND SIGNIFICANT AUDIT FINDINGS
BY FINDING CATEGORY BY LOCAL GOVERNMENTAL ENTITY TYPE
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2008

Category	Counties		Municipalities		Special Districts		Total	
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2007	2008	2007	2008	2007	2008	2007	2008
Separation of Duties – Findings related to inadequate separation of duties	56	72	69	80	50	48	175	200
Policies and Procedures – Findings related to general lack of policies and procedures	9	15	40	45	23	21	72	81
Budget Administration – Findings related to noncompliance with legal requirements relating to budgets or inadequate budgetary controls	27	23	64	66	40	37	131	126
General Accounting Records – Findings related to inadequate accounting or other records, failure to timely reconcile subsidiary records to control accounts, or inadequate recording of transactions (excludes capital assets)	64	55	117	141	67	83	248	279
Financial Reporting – Findings related to reporting of financial data externally or within the local governmental entity	44	59	89	93	53	56	186	208
Cash – Findings related to inadequate controls or noncompliance with legal requirements pertaining to cash on hand or held by banks	20	15	49	57	24	14	93	86
Capital Assets - Findings related to noncompliance with legal requirements pertaining to capital assets and the improper use of, and lack of accountability for, capital assets	27	28	90	104	46	46	163	178
Revenues/Collections - Findings related to inadequate controls or noncompliance with legal requirements pertaining to revenues and accounts receivable	31	33	82	100	25	28	138	161
Payroll and Personnel Administration - Findings related to inadequate controls or noncompliance with legal requirements pertaining to payroll and personnel administration	19	38	66	71	17	15	102	124
Purchasing/Contract Management - Findings related to problems with procurement of goods or services and contract or grant management	33	29	77	72	27	15	137	116
Expenditures/Expenses - Findings related to the expenditure of public funds	24	27	66	65	23	28	113	120