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SUMMARY OF SIGNIFICANT FINDINGS AND FINANCIAL TRENDS IDENTIFIED IN LOCAL GOVERNMENT AUDIT REPORTS FOR THE 2016-17 FISCAL YEAR

Pursuant to Section 11.45(7)(f), Florida Statutes

Sherrill F. Norman, CPA
Auditor General

The team leader was David T. Ward, CPA, and the review was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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SUMMARY OF SIGNIFICANT FINDINGS AND FINANCIAL TRENDS IDENTIFIED IN LOCAL GOVERNMENT AUDIT REPORTS FOR THE 2016-17 FISCAL YEAR

SUMMARY

State law[1] requires certain local governmental entities, such as counties and certain municipalities and special districts, to provide for annual financial audits conducted by independent certified public accountants (CPAs), and to file copies of their audit reports with us.

Pursuant to State law,[2] we reviewed the local governmental entity 2016-17 fiscal year audit reports filed with us as of July 31, 2018, as well as the local governmental entity 2016-17 fiscal year annual financial reports (AFRs) filed with the Department of Financial Services (DFS) pursuant to State law[3] and provided to us. Our review and analysis of the reported information identified the significant findings and financial trends compiled in this report.

Significant Findings

We reviewed the 1,335 local governmental entity 2016-17 fiscal year financial audit reports filed with us for 1,627 entities[4] (352 county agencies, 363 municipalities, and 912 special districts) as of July 31, 2018, and noted that:

- The audit reports for 34 (2 percent) of the entities contained one or more modified opinions.
- The audit reports for 167 (10 percent), 137 (8 percent), and 67 (4 percent) of the entities disclosed financial statement material weaknesses, significant deficiencies, and findings of noncompliance required to be reported in accordance with *Government Auditing Standards* (*GAS*),[5] respectively. The material weaknesses and significant deficiencies reported primarily related to inappropriate separation of duties, general accounting records, and financial reporting; whereas, the noncompliance findings mainly addressed budget overexpenditures, noncompliance with bond covenants, and the lack of written policies and procedures.
- The audit reports for 18 local governmental entities included a total of 43 findings citing noncompliance and control deficiencies related to Federal awards programs. In addition, the audit reports for 16 local governmental entities included a total of 26 findings citing noncompliance and control deficiencies related to State awards programs.
- The audit reports reviewed contained 1,042 findings, 7 percent fewer findings than the 1,119 findings included in the 2015-16 fiscal year audit reports reviewed. The 1,042 findings included 385 findings (37 percent) similarly reported in the 2015-16 and 2014-15 fiscal year audit reports, compared to 423 findings (38 percent) reported in the 2015-16 audit reports that had been similarly reported in the 2014-15 and 2013-14 fiscal year audit reports. Many of the findings

[1] Section 218.39, Florida Statutes.

[2] Section 11.45(7)(f), Florida Statutes.

[3] Section 218.32(1)(a), Florida Statutes.

[4] The 1,335 audit reports received through July 31, 2018, included 60 county audit reports that each included separate audits of each county agency. We reviewed the findings separately reported for the county agencies in the county audit reports received and, therefore, reviewed audit reports related to a total of 1,627 local governmental entities.

[5] *GAS* require auditors to report noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements and any other instances of noncompliance with provisions of laws or regulations that warrant the attention of those charged with governance.

(38 percent) did not include one or more of the elements required by the Rules of the Auditor General.[6]

Financial Trends

We reviewed 1,392 audit reports for the 2016-17 fiscal year, including the 1,335 local governmental entity 2016-17 fiscal year audit reports filed with us through July 31, 2018, and audit reports we received from 57 other local governmental entities during the period August through October 2018. We also reviewed 156 local governmental entity unaudited AFRs filed with the DFS and provided to us.

Our reviews of the 1,392 audit reports included a determination of whether the financial statement auditor reported that the entity met one or more of the conditions described in State law[7] that could cause the entity to be in a state of financial emergency. We also compiled and reviewed financial data, for example, fund equity, cash, and investments balances reported, as applicable, for the 1,335 audit reports filed with us through July 31, 2018, and the 156 AFRs. Our reviews disclosed that:

- The audit reports for 2 local governmental entities included a going concern statement by the respective CPA that questioned the ability of the local governmental entity to continue operations on an ongoing basis.
- The audit reports for 45 (3 municipalities and 42 special districts), or 3 percent, of the 1,392 entities reported that the entity met at least one condition described in State law that could cause the entity to be in a state of financial emergency. When compared to our review results for the previous 4 fiscal years, this is the fewest number of entities reported as meeting at least one of the conditions.
- The audit reports for 53 (9 municipalities and 44 special districts), or 4 percent, of the 1,392 entities reported that the entity was experiencing deteriorating financial conditions. The number of reported entities experiencing deteriorating financial conditions decreased from 87 entities during the 2012-13 fiscal year to 53 entities during the 2016-17 fiscal year.
- Taxable property values and taxes levied in the 2017 calendar year were more than the values and levies in each of the 4 previous calendar years. County and municipality taxable property values increased by $19 billion (1 percent) and $228 billion (32 percent), respectively, over the 9-year period 2008 through 2017. Taxes levied also increased by $804 million (10 percent) for counties and by $1.5 billion (50 percent) for municipalities, for the same period.
- Certain financial trends for numerous entities were identified that may be indicative of deteriorating financial conditions, including high levels of ad valorem millage rates for lesser-populated counties, insufficient levels of assigned and unassigned fund equity, declining excess revenues over expenditures in governmental funds or decreasing operating incomes (or increasing operating losses) in proprietary funds, and low or declining levels of cash and investments, as compared to current liabilities.

BACKGROUND

One of the local government financial reporting system goals set forth in State law[8] is the timely, accurate, uniform, and cost-effective accumulation of financial and other information that can be used by the

[6] Chapter 10.550, Rules of the Auditor General.

[7] Section 218.503(1), Florida Statutes.

[8] Section 11.45(2)(g), Florida Statutes.

Legislature and other appropriate officials to improve the financial condition of local governments. State law[9] requires local governmental entity financial audits be performed by independent certified public accountants (CPAs). The independent auditors are to notify local governmental entities of:[10]

- Deteriorating financial conditions that may cause a condition described in State law[11] to occur if actions are not taken to address such conditions.
- A fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements for which sufficient resources of the local governmental entity, as reported on the fund financial statements, are not available to cover the deficit. Rules of the Auditor General[12] require the independent auditor to assess the local governmental entity's financial condition and include management letter recommendations addressing any deteriorating financial conditions disclosed by the audit.

The local governmental entity's independent auditor is also required by Rules of the Auditor General[13] to apply appropriate procedures and state in the management letter whether or not the local governmental entity met one or more of the conditions specified in State law. When one or more of the conditions has occurred or will occur if action is not taken to assist the entity, a local governmental entity is to notify the Governor and the Legislative Auditing Committee.[14]

State law[15] requires us to review, in consultation with the Florida Board of Accountancy, all local governmental entity audit reports filed with us. Pursuant to State law,[16] if an entity is reported as meeting one or more of the specified conditions, we are required to notify 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.

We are also required to notify the Legislative Auditing Committee of local governmental entity audit reports that indicate the local government failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.[17] In addition, we are to 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 obtain an audit.[18]

[9] Section 218.39(1), Florida Statutes.
[10] Section 218.39(5), Florida Statutes.
[11] Section 218.503(1), Florida Statutes.
[12] Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General.
[13] Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General.
[14] Section 218.503(2), Florida Statutes.
[15] Section 11.45(7)(b), Florida Statutes.
[16] Section 11.45(7)(e), Florida Statutes.
[17] Section 218.39(8), Florida Statutes.
[18] Section 11.45(7)(f), Florida Statutes.

SIGNIFICANT FINDINGS

Modified Audit Opinions

Audit findings of the greatest significance include those that report noncompliance and control deficiencies 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:

- Qualified opinions, whereby the auditor states that, except for the effects of the matters to which the qualification relates, the financial statements are fairly presented.
- Adverse opinions, whereby the auditor states that the financial statements are not fairly presented.
- Disclaimers of opinion, whereby the auditor does not express an opinion.

We reviewed 2016-17 fiscal year audit reports for 1,627 local governmental entities[19] (352 county agencies, 363 municipalities, and 912 special districts) and noted that the audit reports for 34 (2 percent) of the entities contained one or more modified opinions. The reported information included:

- Qualified opinions for 21 entities (2 counties, 5 municipalities, and 14 special districts).
- Adverse opinions for 24 special districts. Qualified opinions were also reported for 12 of these special districts.
- A disclaimer of opinion for 1 special district (Fort Myers Beach Fire Control District) because the auditor was unable to audit the Fiduciary Fund.[20]

Thirty-one (91 percent) of the 34 local governmental entities with modified opinions also had one or more modified opinions for the 2015-16 fiscal year.

Table 1 lists the 21 entities whose 2016-17 fiscal year audit reports included qualified opinions. Examples of auditor-issued qualified opinions include failure to implement the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; inadequate records for capital assets; and exclusion of component units from the financial statements. The percentage of 2016-17 fiscal year audit reports reviewed with qualified opinions (1.3 percent) is comparable to the percentage of 2015-16 fiscal year audit reports reviewed with qualified opinions (1.5 percent).

[19] The 1,335 audit reports received included 60 county audit reports that each included separate audits of each county agency. We reviewed the findings separately reported for each of the county agencies in the county audit reports received and, therefore, reviewed audit reports related to a total of 1,627 local governmental entities.

[20] The 2015-16 fiscal year audit report of the Fort Myers Beach Fire Control District also contained a disclaimer of opinion for the same reason.

Table 1
Entities with Qualified Audit Report Opinions

For the 2016-17 Fiscal Year

	County
1	Union County Board of County Commissioners [a]
2	Washington County Board of County Commissioners [a]

	Municipality
1	Town of Alford [a]
2	City of Chiefland [a]
3	Town of Gulf Stream [a]
4	Town of Inglis
5	Town of Otter Creek [a]

	Special District
1	Arborwood Community Development District [a b c]
2	Buckeye Park Community Development District [a b]
3	City Center Community Development District [a b c]
4	Gramercy Farms Community Development District [a b c]
5	Meadow Pointe IV Community Development District [a b c]
6	Montecito Community Development District [a b c]
7	Naturewalk Community Development District [b c]
8	New Port – Tampa Bay Community Development District [a b c]
9	New River Public Library Cooperative [a]
10	Portofino Isles Community Development District [b]
11	Riverwood Estates Community Development District [a b c]
12	Tern Bay Community Development District [a b c]
13	Viera Stewardship District [a]
14	Westside Community Development District [a b c]
21	**Total Number of Audit Reports with Qualified Opinions**

[a] Entity's 2015-16 fiscal year audit report also included a qualified opinion.
[b] Entity's 2016-17 fiscal year audit report also included an adverse opinion.
[c] Entity's 2015-16 fiscal year audit report also included an adverse opinion.

Source: Auditor General analysis of local governmental entity audit reports.

Table 2 lists the 24 special districts whose 2016-17 fiscal year audit reports included adverse opinions. The adverse opinions were primarily because the special districts excluded component units from their financial statements. The percentage of 2016-17 fiscal year audit reports reviewed with adverse opinions (1.5 percent) is the same percentage of 2015-16 fiscal year audit reports reviewed with adverse opinions.

Table 2
Entities with Adverse Audit Report Opinions
For the 2016-17 Fiscal Year

	Special District
1	Arborwood Community Development District [a] [b]
2	Buckeye Park Community Development District [b]
3	Chapel Creek Community Development District [a]
4	City Center Community Development District [a] [b]
5	Concorde Estates Community Development District [a]
6	Gramercy Farms Community Development District [a] [b]
7	Magnolia West Community Development District [a]
8	Meadow Pointe IV Community Development District [a] [b]
9	Montecito Community Development District [a] [b]
10	Naturewalk Community Development District [a] [b]
11	New Port- Tampa Bay Community Development District [a] [b]
12	Palm River Community Development District [a]
13	Portofino Isles Community Development District [b]
14	River Glen Community Development District [a]
15	Riverwood Estates Community Development District [a] [b]
16	Sterling Hill Community Development District [a]
17	Tern Bay Community Development District [a] [b]
18	Trails Community Development District [a]
19	Villa Vizcaya Community Development District [a]
20	Waterford Estates Community Development District [a]
21	Waterstone Community Development District [a]
22	Westridge Community Development District [a]
23	Westside Community Development District [a] [b]
24	Zephyr Ridge Community Development District [a]
24	**Total Number of Audit Reports with Adverse Opinions**

[a] Entity's 2015-16 fiscal year audit report also included an adverse opinion.
[b] Entity's 2016-17 fiscal year audit report also included a qualified opinion.

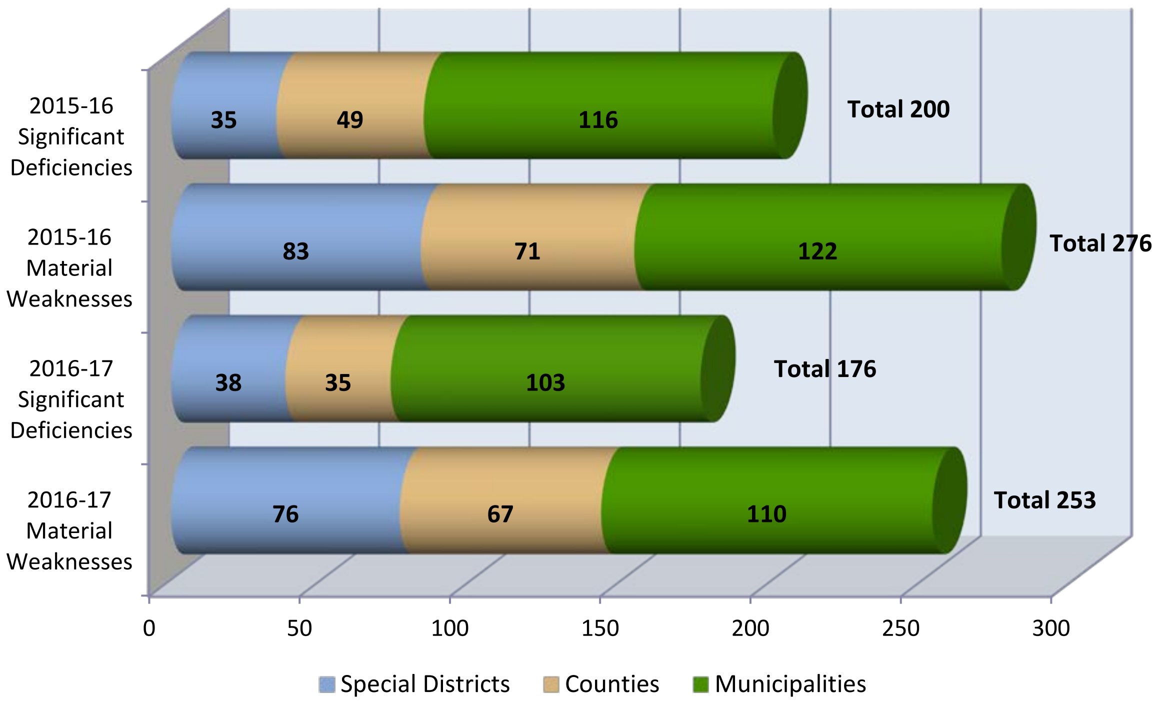
Source: Auditor General analysis of local governmental entity audit reports.

Classification of Audit Findings

Auditing standards require auditors to report significant deficiencies and material weaknesses in internal control that are disclosed during the course of a financial statement audit. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

The financial statement significant deficiencies and material weaknesses included in the reports that we reviewed primarily related to inappropriate separation of duties, general accounting records, and financial reporting. Chart 1 shows the number of financial statement significant deficiencies and material weaknesses reported for the 2015-16 and 2016-17 fiscal years.

Chart 1
Number of Findings Classified as Financial Statement Significant Deficiencies and Material Weaknesses



Source: Auditor General analysis of local governmental entity audit reports.

Auditing standards also require auditors to report noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements and any other instances of noncompliance with provisions of laws or regulations that warrant the attention of those charged with governance. The classification of an audit finding is dependent upon the finding's potential impact on the specific entity under audit; therefore, classifications may vary from entity to entity.

For the 2016-17 fiscal year, the financial audit reports we reviewed for the 1,627 local governmental entities[21] included 1,144 entity reports that contained no findings, while the reports for the remaining 483 local governments (30 percent) included a total of 1,042 findings addressing deficiencies in internal control; instances of noncompliance with applicable laws, rules, or regulations; and other findings. In contrast, in the 2015-16 fiscal year, the audit reports for 486 local governments (30 percent) of the 1,608 local governmental entities that we reviewed included a total of 1,119 findings.

[21] The 1,335 audit reports received through July 31, 2018, included 60 county audit reports that each included separate audits of each county agency. We reviewed the findings separately reported for the county agencies in the county audit reports received and, therefore, reviewed audit reports related to a total of 1,627 local governmental entities.

Financial Statement Material Weaknesses and Noncompliance Required to be Reported by *GAS*

The 2016-17 fiscal year audit reports for 167 (10 percent) of the local governmental entities that we reviewed included one or more findings that were considered by the respective certified public accountants (CPAs) to be financial statement material weaknesses, which is comparable to the 11 percent of the audit reports that we reviewed that included material weaknesses for the 2015-16 fiscal year. Also, the 2016-17 fiscal year audit reports included a total of 246 findings (24 percent) that were financial statement material weaknesses, which is comparable to the 276 findings (25 percent) that were material weaknesses reported for the 2015-16 fiscal year.

Additionally, the 2016-17 fiscal year audit reports for 67 local governmental entities included a total of 91 findings that were considered by the respective CPAs to be noncompliance findings required to be reported by *Government Auditing Standards* (*GAS*), including 7 noncompliance findings that were reported in separate reports and also classified as material weaknesses. In contrast, for the 2015-16 fiscal year, 100 local governmental entities had a total of 143 noncompliance findings required to be reported by *GAS*, including 9 noncompliance findings that were reported in separate reports and also classified as material weaknesses. These noncompliance findings mainly addressed budget overexpenditures, noncompliance with bond covenants, and lack of written policies and procedures.

Financial Statement Significant Deficiencies

The 2016-17 fiscal year audit reports for 137 (8 percent) of the local governmental entities that we reviewed included one or more findings that were considered by the respective CPAs to be financial statement significant deficiencies, which is comparable to the 131 entities (8 percent) that we reviewed that reported significant deficiencies for the 2015-16 fiscal year. Also, the 2016-17 fiscal year audit reports included a total of 176 findings (17 percent) that were considered by the respective CPAs to be significant deficiencies and none of these were considered to be noncompliance required to be reported by *GAS*. In contrast, the 2015-16 fiscal year audit reports for 131 entities included 200 findings (22 percent) that were significant deficiencies.

Audit Findings by Category

The total number of audit reports we reviewed for the 2016-17 fiscal year (1,627) was only 1 percent more than the number we reviewed for the 2015-16 fiscal year (1,608); notwithstanding, the number of findings decreased by 7 percent (from 1,119 findings for the 2015-16 fiscal year to 1,042 findings for the 2016-17fiscal year). The change in the number and percentage of findings is further discussed under the subheading **Repeated Findings from Previous Fiscal Years**.

As part of our review, we identified categories of findings and grouped the various audit findings included in the county, municipality, or special district 2016-17 fiscal year audit reports by category. In addition, a summary of the number of findings, by finding category and by type of local governmental entity with comparative prior fiscal year information, is included as ***EXHIBIT A*** to this report.

Separation of Duties. In 19 of the county agency reports (5 percent), 39 of the municipality reports (11 percent), and 25 of the special district reports (3 percent), findings were noted regarding an inadequate separation of duties or responsibilities. This represents 5 percent of all reports, a 2 percent decrease in the percentage of reports with similar findings the prior fiscal year. Inadequate separation of duties or responsibilities increases the possibility that errors or fraud may occur without timely detection and diminishes the local governmental entity's ability to properly safeguard assets. For many instances, local government entity personnel contended that, due to the small number of staff, it was not economically feasible to further separate duties or responsibilities. However, the auditors frequently recommended that the entity reassign duties and responsibilities or establish compensating controls.

Budget Administration. In 9 of the county agency reports (3 percent), 19 of the municipality reports (5 percent), and 49 of the special district reports (5 percent), findings were noted regarding inadequate budgetary controls and noncompliance with legal requirements for adopting and amending the budget. This represents 5 percent of all reports, a 1 percent increase in the percentage of reports with similar findings the prior fiscal year. The findings addressed problems relating to the entity's failure to properly adopt a budget, inadequate budgetary policies, failure to budget for all funds or projects, and overexpended budgets. Budgetary problems may affect an entity's ability to demonstrate to the citizenry the proper use of public resources, and could result in inefficient or inappropriate use of resources, resulting in deteriorating financial conditions.

General Accounting Records. In 24 of the county agency reports (7 percent), 61 of the municipality reports (17 percent), and 34 of the special district reports (4 percent), 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 in the accounting records. This represents 7 percent of all reports, a 1 percent increase in the percentage of reports with similar findings the prior fiscal year. Recordkeeping deficiencies may reduce an entity's ability to effectively monitor its use of public resources and increase the risk of inappropriate or inefficient use of resources. Improper recording of transactions also could affect the reliability of the entity's reporting of financial position and results of operations.

Financial Reporting. In 25 of the county agency reports (7 percent), 56 of the municipality reports (15 percent), and 44 of the special district reports (5 percent), findings were noted relating to deficiencies in reporting financial data either externally or within the local governmental entity. This represents 8 percent of all reports, a 1 percent decrease in the percentage of reports with similar findings the prior fiscal year. Financial reporting problems may affect an entity's ability to demonstrate compliance with legal, contractual, and financial reporting requirements and to provide assurance to interested parties (including its governing body) that the entity has a sound financial condition and is using public resources in an efficient and appropriate manner.

Cash. In 16 of the county agency reports (5 percent), 27 of the municipality reports (7 percent), and 9 of the special district reports (1 percent), findings were noted regarding inadequate controls or noncompliance with legal requirements pertaining to cash on hand or held by banks. This represents 3 percent of all reports, which is the same percentage of reports with similar findings the prior fiscal year. The findings addressed inadequate or untimely bank reconciliations, stale-dated checks, inaccurate recording of cash transactions, and other cash accountability issues, including noncompliance with applicable legal requirements. Cash accountability deficiencies increase the risk of unauthorized disbursements and cash losses and thwart the prompt detection of such disbursements and losses.

Capital Assets. In 8 of the county agency reports (2 percent), 26 of the municipality reports (7 percent), and 18 of the special district reports (2 percent), findings were noted regarding noncompliance with legal requirements pertaining to acquisitions or disposals of capital assets or the improper use of, and lack of accountability for, capital assets. This represents 3 percent of all reports, which is the same percentage of reports with similar findings the prior fiscal year. The findings addressed 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, improper acquisitions of capital assets, and unauthorized disposals of capital assets. Capital asset accountability deficiencies may affect an entity's ability to demonstrate that it has efficiently and appropriately acquired, disposed of, and safeguarded capital assets and increase the risk that such assets could be misappropriated without prompt detection.

Debt Administration. In 11 of the municipality reports (3 percent), and 45 of the special district reports (5 percent), findings were noted regarding failure to make debt principal and interest payments when due, noncompliance with debt reserve requirements, and other noncompliance with bond covenants or other debt agreements. This represents 3 percent of all reports, a 1 percent decrease in the percentage of reports with similar findings the prior fiscal year. Debt administration deficiencies may affect an entity's ability to obtain and repay debt and could contribute to deteriorating financial conditions.

Revenues and Collections. In 14 of the county agency reports (4 percent), 36 of the municipality reports (10 percent), and 6 of the special district reports (1 percent), findings were noted regarding inadequate controls or noncompliance with legal requirements pertaining to revenues and accounts receivable. This represents 3 percent of all reports, a 1 percent decrease in the percentage of reports with similar findings the prior fiscal year. The findings addressed improper recording of revenue or accounts receivable transactions, improper documentation for receipts, lack of an adequate fee structure, untimely deposits, and deposits not made intact. Revenue and accounts receivable deficiencies may 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. In 10 of the county agency reports (3 percent), 32 of the municipality reports (9 percent), and 12 of the special district reports (1 percent), findings were noted regarding inadequate controls or noncompliance with legal requirements pertaining to payroll and personnel administration. This represents 3 percent of all reports, which is the same percentage of reports with similar findings the prior fiscal year. The findings addressed improper authorization and payment of salaries and benefits to employees, improper recording of payroll or personnel transactions, failure to properly and timely remit payroll taxes withheld, or other payroll or personnel matters. Payroll and personnel deficiencies increase the risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

Expenditures and Expenses. In 9 of the county agency reports (3 percent), 18 of the municipality reports (5 percent), and 19 of the special district reports (2 percent), findings were noted regarding deficiencies in expending public funds. This represents 3 percent of all reports, which is the same percentage of reports with similar findings the prior fiscal year. The findings addressed expenditures or expenses that were not properly documented, approved, or recorded; not executed efficiently; or not made in accordance with laws, rules, ordinances, or other guidelines. Expenditure and expense deficiencies increase the risk of improper payments and the inappropriate or inefficient use of public resources.

Federal Awards Program and State Awards Program Findings

Federal Uniform Guidance[22] and State law[23] establish uniform Federal and State awards program audit requirements. Each local governmental entity that meets the audit threshold requirements, in any fiscal year, must have the applicable Federal or State single audit. In these audit reports, auditors are required to opine on major Federal and major State program, as applicable, compliance requirements and audit findings included in these audit reports can cite entities for material weaknesses, significant deficiencies, and noncompliance that has a direct and material effect on major program compliance.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal or State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal or State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The audit reports for 18 local governmental entities included a total of 43 findings addressing noncompliance and control deficiencies relating to Federal awards programs. The findings cited noncompliance with the Federal awards program[24] requirements of Activities Allowed or Unallowed; Allowable Costs and Cost Principles; Cash Management; Matching, Level of Effort and Earmarking; Procurement and Suspension and Debarment; Reporting; Subrecipient Monitoring; and Special Tests and Provisions. For example:

- 3 local governmental entities were cited for a total of 7 findings for major Federal awards program noncompliance that resulted in qualified opinions for 7 major Federal awards programs.
- 1 of the entities that received a qualified opinion on Federal awards program compliance and 4 other local governmental entities were cited for a total of 7 findings addressing major Federal awards program control deficiencies considered by the respective CPAs to be material weaknesses in internal controls over major Federal program compliance.
- 14 local governmental entities with a total of 27 findings addressing Federal awards programs considered by the respective CPAs to be significant deficiencies. For 10 of these entities, 17 of the findings were also considered by the respective CPAs to be noncompliance required to be reported.

[22] Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

[23] Section 215.97, Florida Statutes.

[24] The Federal awards programs included the Community Development Block Grants, Home Investment Partnerships, Temporary Assistance for Needy Families, Assistance to Firefighters Grant, Staffing for Adequate Fire and Emergency Response, Disaster Grants - Public Assistance, Continuum of Care - Highway Planning and Construction, and Port Security Grant Programs.

- 2 local governmental entities audit reports had a total of 3 findings that identified Federal awards program questioned costs of $422,985 for not obtaining contractor payroll certifications, $37,276 for not documenting payroll and equipment usage costs charged to the programs, and $33,616 not tracking time worked on grant projects.

In addition, the audit reports for 16 local governmental entities included a total of 26 findings citing noncompliance and control deficiencies relating to State awards programs. These findings addressed noncompliance with the State awards program[25] requirements of Activities Allowed or Unallowed, Allowable Costs and Cost Principles, Eligibility, Period of Availability, Reporting, and Subrecipient Monitoring. For example:

- A total of 5 findings for 3 local governmental entities addressed noncompliance resulting in qualified opinions for 5 major State awards programs.
- A total of 4 findings addressing State awards program control deficiencies considered by the respective CPAs to be material weaknesses were cited for 1 of the entities that received a qualified opinion on State awards program compliance and another local governmental entity.
- A total of 16 findings addressing State awards control deficiencies at 12 local governmental entities were considered by the respective CPAs to be significant deficiencies.
- 2 findings identified State awards program questioned costs of $60,827 and $44,400 for time worked on grant projects that was not tracked, and one program participant who did not meet the income eligibility guidelines were cited in 2 local governmental entities' audit reports.

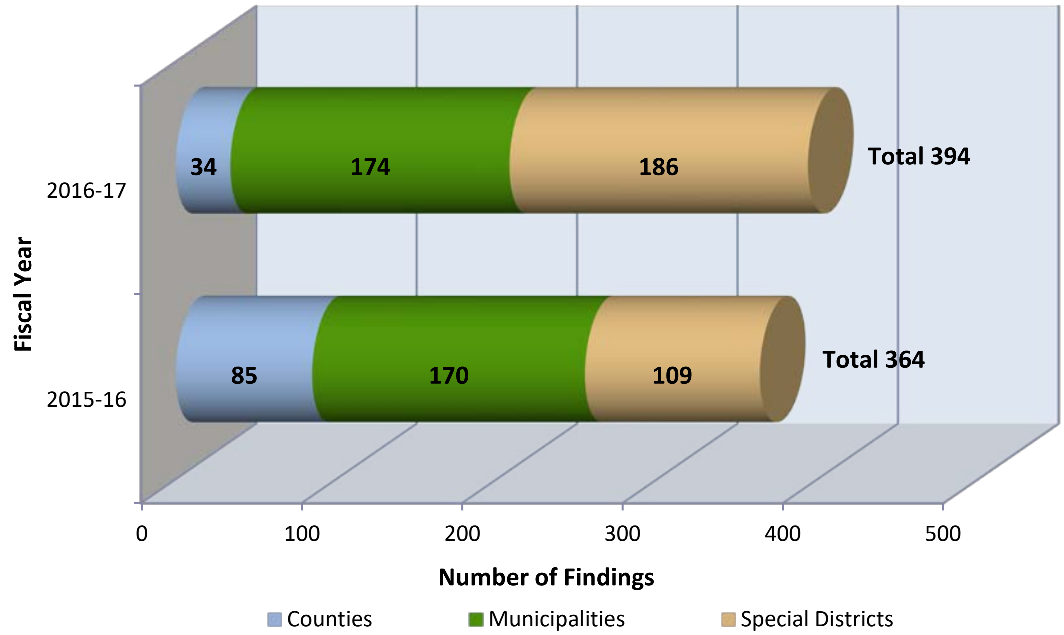
Detail of Audit Findings

Rules of the Auditor General[26] prescribe the required elements of audit report findings. Of the 1,042 findings included in the audit reports we reviewed, 394 findings (38 percent) did not include one or more of the required elements, an increase from the 33 percent of the prior fiscal year findings that lacked some of the required elements. Chart 2 illustrates the total number of insufficiently detailed audit findings reported for the 2015-16 and 2016-17 fiscal years.

[25] The State awards programs included Local Economic Development Initiatives, Memorandum of Understanding; Economic Development Transportation Fund, Military Base Protection, Florida Highway Beautification Grant Program - Keep Florida Beautiful, Beach Management Funds Assistance, Statewide Surface Water Restoration and Wastewater Projects, Public Transit Service Development Program, Stormwater Projects, Water Protection and Sustainability Program, Drinking Water State Revolving Fund Construction Loan Agreement, Florida Housing Finance Corporation - State Housing Initiatives Partnership (SHIP) Program, and Wireless 911 Emergency Telephone System Rural County Grant Programs.

[26] Section 10.557(4)(b), Rules of the Auditor General.

Chart 2
Insufficiently Detailed Audit Findings



Source: Auditor General analysis of local governmental entity audit reports.

Contrary to the Rules of the Auditor General,[27] most of the insufficiently detailed audit findings excluded one or more of the following:

- 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 (e.g., the number of records examined and the quantity or dollar value of deficiencies noted) to assist audit report users in judging the prevalence and consequences of the finding, such as whether the finding represents an infrequent occurrence or a systemic problem.

Insufficiently detailed audit findings affect the ability of audit report users to understand the exact nature of the problem addressed in the finding and the necessary corrective action and may have contributed to the relatively high percentage of repeated audit findings.

Repeated Findings from Previous Fiscal Years

Of the 1,042 findings included in 2016-17 fiscal year audit reports we reviewed, 385 findings (37 percent) for 225 local governmental entities (42 county agencies, 91 municipalities, and 92 special districts) were also included in the entities' 2015-16 and 2014-15 fiscal year audit reports. This is a slight decrease when compared to the 423 findings (38 percent) reported in the 2015-16 audit reports that had also been included in the 2014-15 and 2013-14 fiscal year audit reports. This decrease may be attributed, in part,

[27] Section 10.554(7)(b), Rules of the Auditor General.

to the statutory requirement[28] for the Auditor General to notify the Legislative Auditing Committee of local governmental entities that failed to take full corrective action in response to one or more recommendations included in the two preceding financial audit reports.

FINANCIAL TRENDS

Going Concerns

The 2016-17 fiscal year audit reports for two local governmental entities[29] included statements by the respective CPAs questioning the ability of the local governmental entities to continue operations on an ongoing basis (i.e., going concerns). The 2015-16 fiscal year audit reports for one of those two local governmental entities and another local governmental entity contained similar going concern statements.

Potential Financial Emergencies

State law[30] requires local governmental entities to be subject to review and oversight by the Governor if, due to lack of funds, one or more of the following conditions occur:

- Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due.
- Failure to pay uncontested claims from creditors within 90 days after the claim is presented.
- Failure to transfer at the appropriate time, taxes withheld on the income of employees or employer and employee contributions for Federal social security or any pension, retirement, or benefit plan of an employee.
- Failure for one pay period to pay wages and salaries owed to employees or retirement benefits owed to former employees.

Our review of the 1,392 local governmental entity 2016-17 fiscal year audit reports filed with us as through October 2018 disclosed that a total of 45 (3 percent) of the entities (3 municipalities and 42 special districts) were reported as meeting one or more of these conditions. As shown in Table 3, when compared to our review results for the previous 4 fiscal years, this is the fewest number of entities reported as meeting at least one of the conditions.

[28] Section 218.39(8), Florida Statutes.

[29] The two local governmental entities that reported going concern statements for the 2016-17 fiscal year included the Desoto County Hospital District, which also reported going concern statements for the 2015-16 fiscal year, and the Palm River Community Development District. In addition, for the 2015-16 fiscal year, the Villages of Avignon Community Development District reported going concern statements.

[30] Section 218.503(1), Florida Statutes.

Table 3
Local Governments Meeting Specified Conditions
For the 2012-13 Through 2016-17 Fiscal Years

	Fiscal Year				
Number of Local Governmental Entities:	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Meeting one or more of the financial emergency conditions.	**82**	**67**	**58**	**55**	**45**
For which the auditor reported the following conditions:					
Failure within the same fiscal year in which due to pay short-term loans or failing to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.	78	65	56	54	42
Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds.	21	6	2	3	5
Failure to transfer at the appropriate time, due to lack of funds, taxes withheld on the income of employees or employer and employee contributions for Federal social security or any pension, retirement, or benefit plan of an employee.	2	1	2	1	2
Failure for one pay period to pay, due to lack of funds, wages and salaries owed to employees or retirement benefits owed to former employees.	-	-	-	-	-

Source: Auditor General analysis of local governmental entity audit reports.

If the local governmental entity is reported as meeting one or more of the specified conditions, Rules of the Auditor General[31] require the independent auditor to specify whether the condition was a result of deteriorating financial conditions. For 43 of the 45 entities reported as meeting one or more of the specified conditions at the 2016-17 fiscal year end, the auditor indicated that the condition resulted from deteriorating financial conditions.

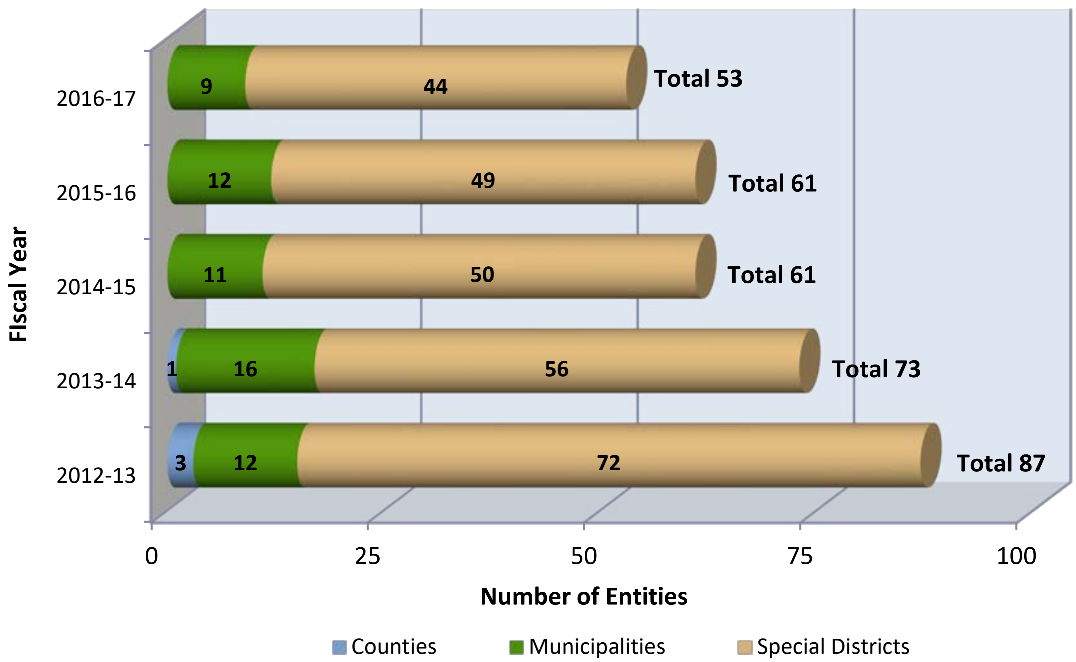
Deteriorating Financial Conditions

As discussed in the ***BACKGROUND*** section of this report, Rules of the Auditor General[32] require the independent auditor to assess the local governmental entity's financial condition and include management letter recommendations addressing any deteriorating financial conditions disclosed by the audit. For example, a municipality's failure to implement cost reductions or revenue enhancements to replenish fund equities and cash reserves may result in a future financial emergency condition.

Auditors reported a total of 53 (4 percent) of the entities (9 municipalities and 44 special districts) as experiencing deteriorating financial conditions at the 2016-17 fiscal year end. As illustrated by Chart 3, the total number of local governmental entities reported as experiencing deteriorating financial conditions has steadily decreased from the 2012-13 through the 2016-17 fiscal years.

[31] Section 10.554(1)(i)5.c.(2), Rules of the Auditor General.
[32] Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General.

Chart 3
Entities Reported as Experiencing Deteriorating Financial Conditions
For the 2012-13 Through 2016-17 Fiscal Years



Source: Auditor General analysis of local governmental entity audit reports.

Millage Rates, Taxable Property Values, and Taxes Levied

In the 2007 and 2008 calendar years, legislation was enacted and, as applicable, approved by voter referendum, limiting the ad valorem revenue-raising capability of local governmental entities. The changes brought about by the legislation include increases in homestead exemptions, portability provisions, caps on the increase in taxable value for non-homestead properties, and required millage rate reductions and limitations.

As similarly noted for previous calendar years, we found that, on average, less-populated counties had 2017 calendar year millage rates that were higher than those of more-populated counties; however, as shown in Table 4, more-populated municipalities had higher 2017 calendar year millage rates than less-populated municipalities.

Table 4
Populations and Average Tax Rates

2017 Calendar Year

Counties		Municipalities	
Population Range	**Average 2017 Millage Rate**	**Population Range**	**Average 2017 Millage Rate**
< 25,000	8.9843	< 1,000	4.1142
25,000 – 74,999	8.1858	1,000 – 2,999	4.7082
75,000 – 224,999	5.6853	3,000 – 9,999	4.9232
225,000 – 674,999	5.9682	10,000 – 24,999	4.6641
675,000 +	4.9146	25,000 – 99,999	5.1469
		100,000 +	6.3732

Source: Bureau of Economic and Business Research, University of Florida; and Florida Department of Revenue, Property Valuations and Tax Rate.

State law[33] limits the ad valorem tax against real property and tangible personal property to 10 mills. Entities with millage rates at or near the statutory maximum may be unable to raise additional funds when needed. For the 2017 calendar year, the average ad valorem millage rate was 6.8307 for counties and 4.8309 for municipalities. Seven counties and six municipalities established millage rates of 9.5 mills or greater for the 2017 calendar year, an increase from the five counties with millage rates 9.5 mills or greater for the 2016 calendar year and no change from the six municipalities with millage rates of 9.5 mills or greater for the 2016 calendar year. Since the 2008 calendar year, the average millage rate has increased 8 percent for counties and 21 percent for municipalities. A summary of average millage rates, the total taxable property values, and the total taxes levied by counties and municipalities for the 2008 through 2017 calendar years are shown in Table 5.

[33] Sections 200.071 and 200.081, Florida Statutes.

Table 5
Average Millage Rates, Taxable Property Values, and Taxes Levied
For the 2008 Through 2017 Calendar Years

Counties				Municipalities			
Year	Average Millage Rate	Taxable Property Values [a]	Taxes Levied [a]	Year	Average Millage Rate	Taxable Property Values [a]	Taxes Levied [a]
2017	6.8307	$1,735,154,882,528	$8,595,251,079	2017	4.8309	$948,589,859,725	$4,616,851,516
2016	6.8891	$1,607,219,081,691	$7,966,906,576	2016	4.7507	$874,867,723,292	$4,214,939,284
2015	6.8486	$1,495,400,306,053	$7,453,181,645	2015	4.6916	$803,897,891,677	$3,896,411,050
2014	6.9770	$1,391,611,734,036	$6,945,148,414	2014	4.6902	$742,348,462,462	$3,581,671,973
2013	6.8729	$1,313,088,962,720	$6,531,531,203	2013	4.6539	$695,368,291,486	$3,334,857,594
2012	6.7232	$1,274,129,214,427	$6,226,308,983	2012	4.5917	$672,164,583,098	$3,210,789,207
2011	6.5857	$1,286,288,672,092	$6,217,195,940	2011	4.4754	$672,020,162,040	$3,165,072,038
2010	6.5173	$1,345,093,391,219	$6,563,758,622	2010	4.4030	$698,393,011,166	$3,259,169,821
2009	6.4761	$1,516,182,700,604	$7,160,149,619	2009	4.2082	$789,797,843,364	$3,586,619,289
2008	6.2996	$1,716,561,174,715	$7,791,725,395	2008	3.9841	$720,590,444,269	$3,073,819,779

[a] Amounts reported may not agree to our prior reports due to information updates included in the Property Valuations and Tax Data by the Florida Department of Revenue.

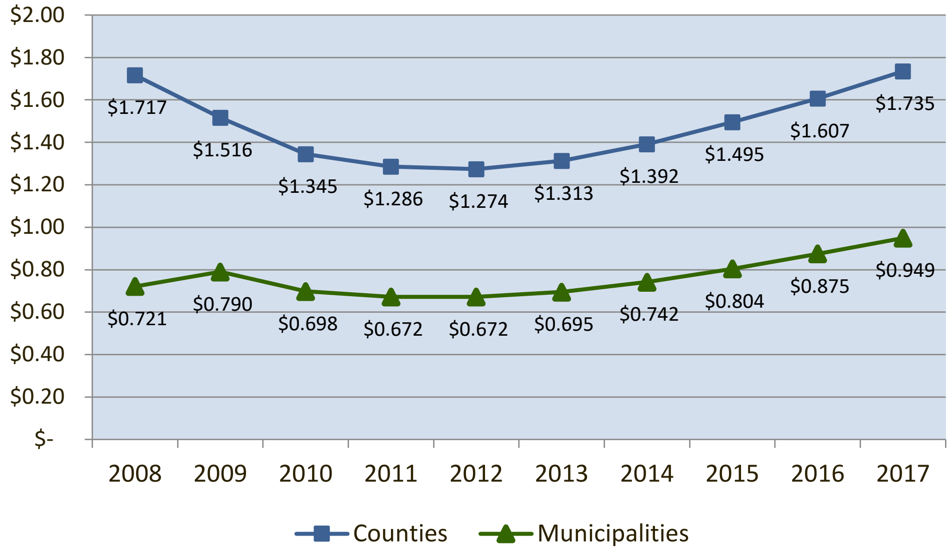
Source: Florida Department of Revenue, Property Valuations and Tax Data.

Table 5 also shows that the counties' average millage rates slightly decreased for the 2017 calendar. After steady annual increases from the 2008 through 2014 calendar years, average county millage rates have stabilized within a narrow range for the 2015 through 2017 calendar years. In contrast, the municipalities' average millage rates have increased each year from the 2008 calendar year.

As depicted in Charts 4 and 5, there was an overall increase in the taxable property values and taxes levied over the 9-year period 2008 through 2017. Over that period, taxable property values for counties and municipalities increased by $19 billion (1 percent) and $228 billion (32 percent), respectively. Taxes levied also increased by $804 million (10 percent) for counties and increased by $1.5 billion (50 percent) for municipalities, for the same period. Additionally, a comparison of 2008 and 2013 calendar year data for counties shows notable variances, including a decrease in taxable property values and taxes levied. In contrast, although taxable property values decreased during the same period for municipalities, taxes levied increased.

Chart 4
Taxable Property Values

For the 2008 Through 2017 Calendar Years [a]
(In Trillions)

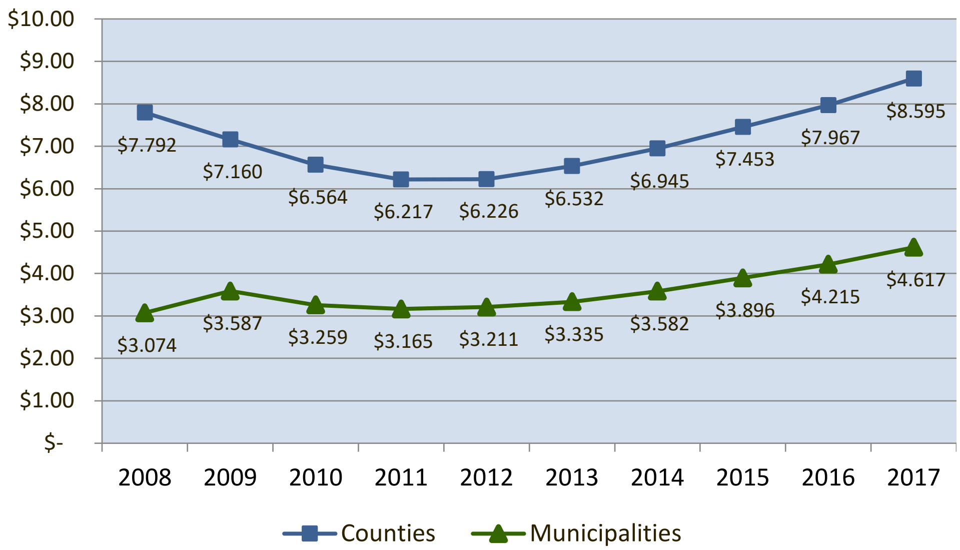


[a] Amounts depicted may not agree to those in our prior reports due to information updates included in the Property Valuations and Tax Data by the Florida Department of Revenue.

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

Chart 5
Taxes Levied

For the 2008 Through 2017 Calendar Years [a]
(In Billions)



[a] Amounts depicted may not agree to those in our prior reports due to information updates included in the Property Valuations and Tax Data by the Florida Department of Revenue.

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

Pension Plans

We noted that 507 of the 1,335 local governmental entity 2016-17 fiscal year audit reports filed with us as of July 31, 2018, reported the existence of one or more employee defined benefit pension plans. These 507 audit reports related to 59 counties, 274 municipalities, and 174 special districts. The reported employee defined benefit pension plans include plans for general employees, firefighters, police officers, or some combination thereof (mixed).

Of the 507 local governmental entities reporting employee defined benefit pension plans, 347 local governmental entities (59 counties, 141 municipalities, and 147 special districts) participated in the Florida Retirement System (FRS). In addition, 219 of the 507 local governmental entities reported a total of 413 local pension plans (i.e., plans not part of the FRS), including 375 municipal plans (111 for general employees, 103 for firefighters, 120 for police officers, and 41 mixed pension plans), 35 special district plans (18 for general employees and 17 for firefighters), and 3 county firefighter plans.

Historically, defined benefit pension plans that provide specified pension benefits to retirees have been prevalent in the public sector. The Government Finance Officers Association (GFOA),[34] in its best practice publication, *Sustainable Funding Practices of Defined Benefit Pension Plans*, indicates that a fundamental financial objective of a public employee defined benefit pension plan is to fund the long-term cost of benefits promised to plan participants. It is widely acknowledged that the appropriate way to attain reasonable assurance regarding the sustainability of pension benefits is for a government to accumulate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefiting employees (i.e., long-term funding). Long-term funding is accomplished by employer and employee contributions and investment earnings.

The GFOA recommends that governments adopt funding policies that target a funded ratio[35] of 100 percent or more. Additionally, the *Federal Pension Protection Act of 2006* provides that large private sector pension plans will be considered at risk of defaulting on their liabilities if they have funded ratios less than 80 percent under standard actuarial assumptions and less than 70 percent under certain "worst-case" actuarial assumptions. The implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 67, *Financial Reporting for Pension Plans,* and 68, *Accounting and Financial Reporting for Pensions*, replaced the funded ratio measurement with the calculation of Plan Fiduciary Net Position as a Percentage of Total Pension Liability[36] and these two measures are not comparable. Currently, there is no GFOA guidance regarding what percentages of Plan Fiduciary Net Position as a Percentage of Total Pension Liability may be considered as indicators of potential default.

Chart 6 illustrates, for the local pension plans that reported Plan Fiduciary Net Position as a Percentage of Total Pension Liability for the 2016-17 fiscal year as required by GASB Statement Nos. 67 and 68, ranges of reported percentages by local pension plan type (i.e., general employees, firefighters, police

[34] The GFOA issues best practices to communicate enhanced techniques and provide information about effective strategies regarding public finance for state and local governments.

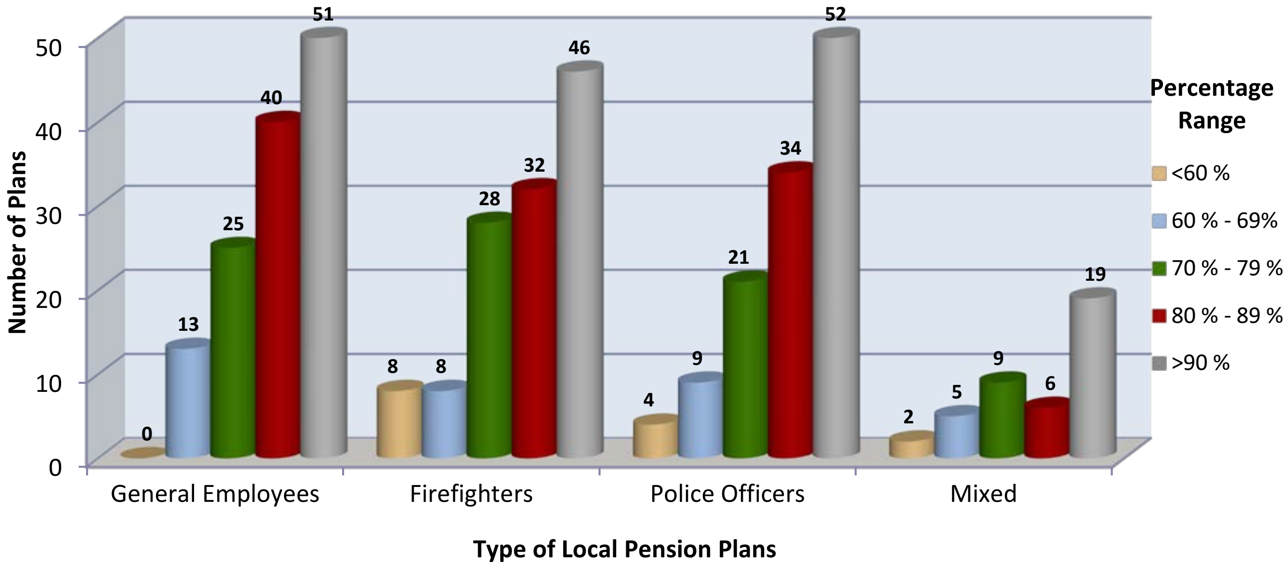
[35] A pension plan's funded ratio is the percentage of the plan's liabilities covered by its assets.

[36] Fiduciary net position is the residual amount on the pension plan's statement of fiduciary net position after subtracting liabilities and deferred inflows of resources from assets and deferred outflows of resources. The total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.

officers, and mixed). For comparative purposes, as of June 30, 2017, the FRS reported 83.89 percent as the Plan Fiduciary Net Position as a Percentage of Total Pension Liability.

Chart 6
Local Pension Plans Reported Plan Fiduciary Net Position As a Percentage of Total Pension Liability

For the 2016-17 Fiscal Year



Source: Auditor General analysis of local governmental entity audit reports.

Other Financial Trends

Our examination of trends using financial and other information obtained for the counties, municipalities, and special districts evaluated for the 2006-07 through 2016-17 fiscal years disclosed certain significant financial trends relating to financial equity, results of operations, and other trends. These financial trends are compiled based on our 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.

Fund Equity and Results of Operations

Effective for the 2010-11 fiscal year, local governments were required to implement the requirements of GASB Statement No. 54, which established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

As shown in Table 6, 119 entities reported net deficit total assigned and unassigned[37] or unrestricted fund equities at the 2016-17 fiscal year end, which represent a 7 percent increase from the number of entities that reported deficits at the 2011-12 fiscal year end, and a 205 percent increase over the number

[37] For comparison purposes, the assigned and unassigned fund balance classifications pursuant to GASB Statement No. 54 is similar to unreserved fund balance used in prior reports.

of entities that reported deficits at the 2006-07 fiscal year end. Although local governments are not statutorily required to maintain a specified level of assigned and unassigned or 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.

Table 6
Summary of Analysis of Fund Equities and Results of Operations [a]
For the 2006-07, 2011-12, and 2016-17 Fiscal Years

	Counties			Municipalities			Special Districts			Totals		
	Fiscal Year			Fiscal Year			Fiscal Year			Fiscal Year		
	2006-07	2011-12	2016-17	2006-07	2011-12	2016-17	2006-07	2011-12	2016-17	2006-07	2011-12	2016-17
Total Number of Reports Reviewed.	66	66	60	379	376	371	881	931	1,060	1,326	1,373	1,491 [b]
Number of reports that:												
Reported net deficit total assigned and unassigned or unrestricted fund equity.	-	-	-	9	6	11	30	105	108	39	111	119
Reported no assigned and unassigned or unrestricted fund equity.	-	-	-	1	-	2	162	74	128	163	74	130
Experienced either excess expenditures over revenues in governmental operations or operating losses in proprietary operations.	42	56	46	251	281	260	415	500	504	708	837	810
Experienced net losses when both governmental and proprietary funds were taken into account.	34	47	30	174	185	169	411	491	490	619	723	689
Experienced net losses and reported net deficit assigned and unassigned or unrestricted fund equity.	-	-	-	7	5	9	80	90	72	87	95	81

[a] For the 156 annual financial reports reviewed for the 2016-17 fiscal year, 2 municipalities and 81 special districts reported no assigned and unassigned or unrestricted fund equity, and 1 municipality and 18 special districts reported net deficit total assigned and unassigned or unrestricted fund equity. Also, for those annual financial reports, 4 municipalities and 63 special districts reported losses in either governmental or proprietary funds, and 4 municipalities and 55 special districts experienced net losses when both governmental and proprietary funds were considered. For the 2006-07 fiscal year, pre-GASB Statement No. 54 terminology (i.e., unreserved or unrestricted fund equity) was used for the fund equity amounts.

[b] For the 2016-17 fiscal year, the total includes the 1,335 audit reports received through July 31, 2018, and 156 annual financial reports.

Source: Auditor General analysis of local governmental entity audit reports and annual financial reports.

Although many entities use excess revenues in governmental funds to support proprietary fund operations, or vice versa, we noted that 689 entities, or 46 percent of the entities whose reports we reviewed, experienced net losses when both governmental and proprietary funds were taken into account for the 2016-17 fiscal year. This percentage is comparable to the 47 percent of the local governmental entities whose reports were reviewed for the 2006-07 fiscal year and less than the 53 percent of entities whose reports we reviewed for the 2011-12 fiscal year. However, counties reported significant changes, as the percentage of entities that experienced net losses decreased from 71 percent for the 2011-12 fiscal year to 50 percent for the 2016-17 fiscal year.

For the 2006-07, 2011-12, and 2016-17 fiscal years, the percentage of entities reviewed with net losses (combining both governmental and proprietary funds) were 47 percent (619 of 1,326 reports), 53 percent (723 of 1,373 reports), and 46 percent (689 of 1,491 reports), respectively. Additionally, of the 689 entities that experienced net losses for 2016-17 fiscal year operations, 81 entities (5 percent of the 1,491 reports reviewed) also reported net deficit total assigned and unassigned or unrestricted fund equities at the 2016-17 fiscal year end. Continued net losses and net deficit total assigned and unassigned or unrestricted fund equities may leave such entities with insufficient funds to sustain current levels of services without borrowing funds from outside sources. Additionally, those entities have less resources available for emergencies and unforeseen situations.

Other Trends

A total of 146 audited entities (10 municipalities and 136 special districts) reported cash and investments in amounts that were not sufficient to cover current liabilities at the 2016-17 fiscal year end, as compared to 100 entities at the 2011-12 fiscal year end, and 87 entities at the 2006-07 fiscal year end that similarly reported cash and investments. In addition, our examination of annual financial reports disclosed that 55 special districts reported cash and investments in amounts not sufficient to cover current liabilities at the 2016-17 fiscal year end. Declining levels of cash and investments as compared to current liabilities may indicate that the local governmental entity has overextended itself or may be having difficulty raising the cash necessary to meet its current needs.

Long-term debt reported for governmental activities totaled $29.1 billion at the 2016-17 fiscal year end, an increase of $479 million, or 1.7 percent, compared to $28.6 billion at the 2011-12 fiscal year end, for the audit reports we received for those fiscal years. While local governments are statutorily authorized to enter into long-term debt arrangements, for example, to fund construction projects or repay or refinance older debt that has not been paid off, it is important to consider current revenue streams and other available resources to ensure debt service requirements are met and to reduce debt as appropriate.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this project for the audit reports filed with us from local governmental entities and the annual financial reports provided to us from the Department of Financial Services (DFS) were to:

- Identify significant findings based on our review of the audit reports.
- Identify financial trends using information from the audit reports and annual financial reports.

Although all local governmental entities are required to file annual financial reports with the DFS,[38] all references to annual financial reports in this report pertain to those for entities without audited financial statements. As a result, the financial trends based on annual financial reports included in this report are based on unverified amounts.

The scope of this project included a review of the independent auditor-prepared 2016-17 fiscal year audit reports filed with us by July 31, 2018, for 60 counties (which included 352 individual county agency reports), 363 municipalities, and 912 special districts. The scope also included 8 municipality and 148 special district annual financial reports (filed with the DFS and provided to us) of entities that were not required to provide for an audit. In addition, the scope included a review of audit reports received for 1,392 entities (61 counties, 380 municipalities, and 951 special districts) through October 31, 2018, to identify entities that were reported as having met a condition specified in State law,[39] or having deteriorating financial conditions.

Our methodology included a review of applicable audit reports and annual financial reports and a compilation of significant findings and financial trends. We included 1,627 entities (352 county agencies, 363 municipalities, and 912 special districts) in our analysis of significant findings. We included 1,335 entities (60 counties, 363 municipalities, and 912 special districts) in our analysis of significant financial trends (except for Table 7, where we also included annual financial reports for 8 municipalities and 148 special districts). 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 findings and financial trends included in this report.

[38] Section 218.32(1)(e), Florida Statutes.

[39] Section 218.503(1), Florida Statutes.

AUTHORITY

Pursuant to Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present the summary of significant findings and financial trends identified in local governmental entity audit reports prepared by independent certified public accountants or, for entities not required to provide for an audit, financial trend information obtained from local governmental entity annual financial reports, for the 2016-17 fiscal year.

Sherrill F. Norman

Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

SUMMARY OF AUDIT FINDINGS BY FINDING CATEGORY AND LOCAL GOVERNMENTAL ENTITY TYPE

FOR THE 2015-16 AND 2016-17 FISCAL YEARS

Category	Number of	County Agencies Fiscal Year 2015-16	County Agencies Fiscal Year 2016-17	Municipalities Fiscal Year 2015-16	Municipalities Fiscal Year 2016-17	Special Districts Fiscal Year 2015-16	Special Districts Fiscal Year 2016-17	Totals Fiscal Year 2015-16	Totals Fiscal Year 2016-17
Separation of Duties - Findings related to inadequate separation of duties.	Findings	31	19	57	39	25	25	113	83
	Entities	31	19	56	39	25	25	112	83
Budget Administration – Findings related to inadequate budgetary controls or noncompliance with legal requirements relating to budgets.	Findings	16	10	31	22	25	49	72	81
	Entities	16	9	28	19	25	49	69	77
General Accounting Records - Findings related to inadequate accounting or other records, lack of subsidiary records or failure to timely reconcile subsidiary records to general ledger control accounts, or improper recording of transactions (excludes capital assets).	Findings	28	33	68	80	22	36	118	149
	Entities	25	24	53	61	19	34	97	119
Financial Reporting - Findings related to reporting of financial data externally or within the local governmental entity.	Findings	35	25	61	61	45	45	141	131
	Entities	34	25	59	56	44	44	137	125
Cash – Findings related to inadequate controls or noncompliance with legal requirements pertaining to cash on hand or held by banks.	Findings	12	17	35	29	10	10	57	56
	Entities	11	16	33	27	9	9	53	52
Capital Assets - Findings related to noncompliance with legal requirements pertaining to acquisitions or disposals of capital assets or the improper use of, and lack of accountability for, capital assets.	Findings	6	9	30	27	18	18	54	54
	Entities	6	8	29	26	15	18	50	52
Debt Administration - Findings related to noncompliance with bond covenants or loan agreements and failure to make debt service payments.	Findings	-	-	13	13	67	62	80	75
	Entities	-	-	12	11	48	45	60	56
Revenues and Collections - Findings related to inadequate controls or noncompliance with legal requirements pertaining to revenues and accounts receivable.	Findings	16	18	52	44	6	7	74	69
	Entities	13	14	43	36	6	6	62	56
Payroll and Personnel Administration - Findings related to inadequate controls or noncompliance with legal requirements pertaining to payroll and personnel administration.	Findings	7	10	43	38	15	14	65	62
	Entities	7	10	35	32	12	12	54	54
Expenditures and Expenses - Findings related to the expenditure of public funds.	Findings	13	9	23	19	17	19	53	47
	Entities	10	9	20	18	17	19	47	46
Other Findings	Findings	63	36	156	141	73	58	292	235
	Entities	50	29	122	103	65	52	237	184
Total Number of Findings		**227**	**186**	**569**	**513**	**323**	**343**	**1,119**	**1,042**

Note: Some entities had more than one finding in each category. In total, findings were included in audit reports for 94 county agencies, 183 municipalities, and 206 special districts.

Source: Auditor General analysis of local governmental entity audit reports.