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1 A bill to be entitled
2 An act relating to local government accountability;
3 amending s. 11.40, F.S.; revising duties of the
4 Legislative Auditing Committee; amending s. 11.45, F.S.;
5 revising reporting requirements of the Auditor General;
6 amending s. 61.181, F.S.; correcting a cross reference;
7 amending s. 75.05, F.S.; deleting a requirement for an
8 independent special district to submit a copy of a
9 complaint to the Division of Bond Finance of the State
10 Board of Administration; amending s. 112.625, F.S.;
11 revising the definition of "governmental entity" to
12 include counties and district school boards; amending s.
13 112.63, F.S.; providing for additional information to be
14 provided to the Department of Management Services in
15 actuarial reports with regard to retirement systems and
16 plans and providing procedures therefor; providing for
17 notification of the Department of Revenue and the
18 Department of Financial Services in cases of noncompliance
19 and authorizing the withholding of certain funds;
20 requiring the Department of Management Services to notify
21 the Department of Community Affairs in the case of
22 affected special districts; amending s. 130.04, F.S.;
23 revising provisions governing notice of bids and
24 disposition of bonds; amending s. 132.02, F.S.; revising
25 provisions relating to the authorization to issue refund
26 bonds; amending s. 132.09, F.S.; revising provisions
27 relating to the notice of sale, bids, and awards and
28 private sale of bonds; amending s. 163.05, F.S.; revising
29 provisions governing the Small County Technical Assistance
30 Program; amending s. 166.121, F.S.; revising provisions



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31 governing the issuance of bonds by a municipality;
32 amending s. 166.241, F.S.; providing a municipal budget
33 amendment process and requirements; amending s. 189.4044,
34 F.S.; revising special procedures for determination of
35 inactive special districts; amending s. 189.412, F.S.;
36 revising duties of the Special District Information
37 Program of the Department of Community Affairs; amending
38 s. 189.418, F.S.; revising reporting requirements of newly
39 created special districts; authorizing the governing body
40 of a special district to amend its budget; amending s.
41 189.419, F.S.; revising provisions relating to the failure
42 of special districts to file required reports; amending s.
43 189.421, F.S.; revising provisions governing the failure
44 of special districts to disclose financial reports;
45 providing for extension of time for the filing of said
46 reports; providing remedies for noncompliance; providing
47 for attorney's fees and costs; amending s. 189.428, F.S.;
48 revising provisions governing the special district
49 oversight review process; amending s. 189.439, F.S.;
50 revising provisions governing the issuance of bonds by
51 special districts; amending s. 215.981, F.S.; exempting
52 state agency direct-support organizations and citizen
53 support organizations meeting specified expense levels
54 from audit requirements; amending s. 218.075, F.S.;
55 revising provisions governing the reduction or waiver of
56 permit processing fees for certain counties; amending s.
57 218.32, F.S., relating to annual financial reports;
58 requiring the Department of Financial Services to notify
59 the Speaker of the House of Representatives and the
60 President of the Senate of any municipality that has not



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61 had financial activity for a specified period of time;
62 providing that such notice is sufficient to initiate
63 dissolution procedures; amending s. 218.321, F.S.;
64 correcting a cross reference; amending s. 218.36, F.S.;
65 revising reporting requirements for boards of county
66 commissioners relating to the failure of a county officer
67 to comply with the provisions of the section; amending s.
68 218.369, F.S.; revising the definition of "unit of local
69 government" to include district school boards; renaming
70 pt. V of ch. 218, F.S., as "Local Governmental Entity and
71 District School Board Financial Emergencies"; amending s.
72 218.50, F.S.; renaming ss. 218.50-218.504, F.S., as the
73 "Local Governmental Entity and District School Board Act";
74 amending s. 218.501, F.S.; revising the stated purposes of
75 pt. V of ch. 218, F.S.; amending s. 218.502, F.S.;
76 revising the definition of "local governmental entity";
77 amending s. 218.503, F.S.; revising provisions governing
78 the determination of financial emergency for local
79 governments and district school boards; amending s.
80 218.504, F.S.; revising provisions relating to the
81 authority of the Governor and authorizing the Commissioner
82 of Education to terminate all state actions pursuant to
83 ss. 218.50-218.504, F.S.; repealing ch. 131, F.S.,
84 consisting of ss. 131.01, 131.02, 131.03, 131.04, 131.05,
85 and 131.06, F.S., relating to refunding bonds of counties,
86 municipalities, and special districts; repealing s.
87 132.10, F.S., relating to minimum sale price of bonds;
88 repealing s. 165.052, F.S., relating to special
89 dissolution procedures for municipalities; repealing s.
90 189.409, F.S., relating to determination of financial



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91 emergencies of special districts; repealing s. 189.422,
92 F.S., relating to actions of the Department of Community
93 Affairs and special districts; repealing s. 200.0684,
94 F.S., relating to an annual compliance report of the
95 Department of Community Affairs regarding special
96 districts; repealing s. 218.37(1)(h), F.S., relating to
97 the requirement that the Division of Bond Finance use a
98 served copy of the complaint for bond validation to verify
99 compliance by special districts with the requirements in
100 s. 218.38, F.S.; transferring a position from the
101 Executive Office of the Governor to the Department of
102 Financial Services; providing an effective date.

103
104 Be It Enacted by the Legislature of the State of Florida:

105
106 Section 1. Paragraphs (a) and (b) of subsection (5) of
107 section 11.40, Florida Statutes, are amended to read:

108 11.40 Legislative Auditing Committee.--

109 (5) Following notification by the Auditor General, the
110 Department of Financial Services ~~Banking and Finance~~, or the
111 Division of Bond Finance of the State Board of Administration of
112 the failure of a local governmental entity, district school
113 board, charter school, or charter technical career center to
114 comply with the applicable provisions within s. 11.45(5)-(7), s.
115 218.32(1), or s. 218.38, the Legislative Auditing Committee may
116 schedule a hearing. If a hearing is scheduled, the committee
117 shall determine if the entity should be subject to further state
118 action. If the committee determines that the entity should be
119 subject to further state action, the committee shall:



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120 (a) In the case of a local governmental entity or district
 121 school board, direct ~~request~~ the Department of Revenue and the
 122 Department of Financial Services ~~Banking and Finance~~ to withhold
 123 any funds not pledged for bond debt service satisfaction which
 124 are payable to such entity until the entity complies with the
 125 law. The committee, ~~in its request~~, shall specify the date such
 126 action shall begin, and the directive ~~request~~ must be received
 127 by the Department of Revenue and the Department of Financial
 128 Services ~~Banking and Finance~~ 30 days before the date of the
 129 distribution mandated by law. The Department of Revenue and the
 130 Department of Financial Services ~~Banking and Finance~~ are
 131 authorized to implement the provisions of this paragraph.

132 (b) In the case of a special district, notify the
 133 Department of Community Affairs that the special district has
 134 failed to comply with the law. Upon receipt of notification, the
 135 Department of Community Affairs shall proceed pursuant to the
 136 provisions specified in s. ss. 189.421 and 189.422.

137 Section 2. Subsection (5), paragraph (e) of subsection
 138 (7), and subsection (8) of section 11.45, Florida Statutes, are
 139 amended to read:

140 11.45 Definitions; duties; authorities; reports; rules.--

141 (5) PETITION FOR AN AUDIT BY THE AUDITOR GENERAL.--The
 142 Legislative Auditing Committee shall direct the Auditor General
 143 to make an ~~a financial~~ audit of any municipality whenever
 144 petitioned to do so by at least 20 percent of the electors of
 145 that municipality. The supervisor of elections of the county in
 146 which the municipality is located shall certify whether or not
 147 the petition contains the signatures of at least 20 percent of
 148 the electors of the municipality. After the completion of the
 149 audit, the Auditor General shall determine whether the



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150 municipality has the fiscal resources necessary to pay the cost
151 of the audit. The municipality shall pay the cost of the audit
152 within 90 days after the Auditor General's determination that
153 the municipality has the available resources. If the
154 municipality fails to pay the cost of the audit, the Department
155 of Revenue shall, upon certification of the Auditor General,
156 withhold from that portion of the distribution pursuant to s.
157 212.20(6)(d)6. which is distributable to such municipality, a
158 sum sufficient to pay the cost of the audit and shall deposit
159 that sum into the General Revenue Fund of the state.

160 (7) AUDITOR GENERAL REPORTING REQUIREMENTS.--

161 (e) The Auditor General shall notify the Governor or the
162 Commissioner of Education, as appropriate, and the Legislative
163 Auditing Committee of any audit report reviewed by the Auditor
164 General pursuant to paragraph (b) that ~~which~~ contains a
165 statement that a ~~the~~ local governmental entity or district
166 school board has met one or more of the conditions specified ~~is~~
167 ~~in a state of financial emergency as provided~~ in s. 218.503. If
168 the Auditor General requests a clarification regarding
169 information included in an audit report to determine whether a
170 local governmental entity or district school board has met one
171 or more of the conditions specified in s. 218.503 ~~is in a state~~
172 ~~of financial emergency,~~ the requested clarification must be
173 provided within 45 days after the date of the request. If the
174 local governmental entity or district school board does not
175 comply with the Auditor General's request, the Auditor General
176 shall notify the Legislative Auditing Committee. If, after
177 obtaining the requested clarification, the Auditor General
178 determines that the local governmental entity or district school
179 board has met one or more of the conditions specified in s.



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180 ~~218.503 is in a state of financial emergency,~~ he or she shall
 181 notify the Governor or the Commissioner of Education, as
 182 appropriate, and the Legislative Auditing Committee.

183 (8) RULES OF THE AUDITOR GENERAL.--The Auditor General, in
 184 consultation with the Board of Accountancy, shall adopt rules
 185 for the form and conduct of all ~~financial~~ audits performed by
 186 independent certified public accountants pursuant to ss.
 187 215.981, 218.39, 1001.453, 1004.28, and 1004.70. The rules for
 188 audits of local governmental entities and district school boards
 189 must include, but are not limited to, requirements for the
 190 reporting of information necessary to carry out the purposes of
 191 the Local Governmental Entity and District School Board
 192 ~~Government~~ Financial Emergencies Act as stated in s. 218.501.

193 Section 3. Subsection (10) of section 61.181, Florida
 194 Statutes, is amended to read:

195 61.181 Depository for alimony transactions, support,
 196 maintenance, and support payments; fees.--

197 (10) Compliance with the requirements of this section
 198 shall be included as part of the annual county audit required
 199 pursuant to s. 218.39 ~~11.45~~.

200 Section 4. Subsection (3) of section 75.05, Florida
 201 Statutes, is amended to read:

202 75.05 Order and service.--

203 (3) ~~In the case of independent special districts as~~
 204 ~~defined in s. 218.31(7), a copy of the complaint shall be served~~
 205 ~~on the Division of Bond Finance of the State Board of~~
 206 ~~Administration.~~ Notwithstanding any other provision of law,
 207 whether a general law or special act, validation of bonds to be
 208 issued by a special district, other than a community development
 209 district established pursuant to chapter 190, as provided in s.



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210 190.016(12), is not mandatory, but is at the option of the
 211 issuer. However, the validation of bonds issued by such
 212 community development districts shall not be required on
 213 refunding issues.

214 Section 5. Subsection (5) of section 112.625, Florida
 215 Statutes, is amended to read:

216 112.625 Definitions.--As used in this act:

217 (5) "Governmental entity" means the state, for the Florida
 218 Retirement System, and the county, municipality, ~~or~~ special
 219 district, or district school board which is the employer of the
 220 member of a local retirement system or plan.

221 Section 6. Subsection (4) of section 112.63, Florida
 222 Statutes, is amended to read:

223 112.63 Actuarial reports and statements of actuarial
 224 impact; review.--

225 (4) Upon receipt, pursuant to subsection (2), of an
 226 actuarial report, or upon receipt, pursuant to subsection (3),
 227 of a statement of actuarial impact, the Department of Management
 228 Services shall acknowledge such receipt, but shall only review
 229 and comment on each retirement system's or plan's actuarial
 230 valuations at least on a triennial basis. If the department
 231 finds that the actuarial valuation is not complete, accurate, or
 232 based on reasonable assumptions or otherwise fails to satisfy
 233 the requirements of this part, the department requires
 234 additional information necessary to complete its review of the
 235 actuarial valuation of a system or plan or information necessary
 236 to satisfy the duties of the department pursuant to s.

237 112.665(1), or ~~if~~ the department does not receive the actuarial
 238 report or statement of actuarial impact, the department shall
 239 notify the administrator of the affected retirement system or



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240 plan and the affected governmental entity ~~local government~~ and
 241 request appropriate adjustment, the additional information, or
 242 the required report or statement. The notification shall inform
 243 the administrator of the affected retirement system or plan and
 244 the affected governmental entity of the consequences for failure
 245 to comply with the requirements of this subsection. If, after a
 246 reasonable period of time, a satisfactory adjustment is not made
 247 or the report, statement, or additional information is not
 248 provided, the department may notify the Department of Revenue
 249 and the Department of Financial Services of such noncompliance,
 250 in which case the Department of Revenue and the Department of
 251 Financial Services shall withhold any funds not pledged for bond
 252 debt service satisfaction that are payable to the affected
 253 governmental entity until the adjustment is made or the report,
 254 statement, or additional information is provided to the
 255 department. The department shall specify the date such action is
 256 to begin and notification by the department must be received by
 257 the Department of Revenue, the Department of Financial Services,
 258 and the affected governmental entity 30 days before the date the
 259 action is to begin.

260 (a) Within 21 days after receipt of the notice, the
 261 affected governmental entity ~~local government~~ or the department
 262 may petition for a hearing under the provisions of ss. 120.569
 263 and 120.57 with the Department of Management Services. The
 264 Department of Revenue and the Department of Financial Services
 265 shall not be parties to any such hearing but may request to
 266 intervene if requested by the Department of Management Services
 267 or if either the Department of Revenue or the Department of
 268 Financial Services determines its interests may be adversely
 269 affected by the hearing. If the administrative law judge



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270 recommends in favor of the department, the department shall
271 perform an actuarial review or prepare the statement of
272 actuarial impact, or collect the requested information. The cost
273 to the department of performing such actuarial review, ~~or~~
274 preparing such statement, or collecting the requested
275 information shall be charged to the affected governmental entity
276 of which the employees are covered by the retirement system or
277 plan. If payment of such costs is not received by the department
278 within 60 days after receipt by the affected governmental entity
279 of the request for payment, the department shall certify to the
280 Department of Revenue and the Department of Financial Services
281 ~~Comptroller~~ the amount due, and the Department of Revenue and
282 the Department of Financial Services ~~Comptroller~~ shall pay such
283 amount to the Department of Management Services from any funds
284 not pledged for bond debt service satisfaction that are payable
285 to the affected governmental entity of which the employees are
286 covered by the retirement system or plan. If the administrative
287 law judge recommends in favor of the affected governmental
288 entity ~~local retirement system~~ and the department performs an
289 actuarial review, prepares the statement of actuarial impact, or
290 collects the requested information, the cost to the department
291 of performing the actuarial review, preparing the statement, or
292 collecting the requested information shall be paid by the
293 Department of Management Services.

294 (b) In the case of an affected special district, the
295 Department of Management Services shall also notify the
296 Department of Community Affairs. Upon receipt of notification,
297 the Department of Community Affairs shall proceed pursuant to
298 the provisions of s. 189.421 with regard to the special
299 district.



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300 Section 7. Section 130.04, Florida Statutes, is amended to
301 read:

302 130.04 Sale ~~Notice for bids and disposition~~ of bonds.--In
303 case the issuing of bonds shall be authorized by the result of
304 such election, the county commissioners shall sell the bonds in
305 the manner provided in s. 218.385 ~~cause notice to be given by~~
306 ~~publication in a newspaper published in the county, or in some~~
307 ~~newspaper published in the same judicial circuit, if there be~~
308 ~~none published in the county, that they will receive bids for~~
309 ~~the purchase of county bonds at the clerk's office, on a date~~
310 ~~not less than 10 days nor more than 60 days from the first~~
311 ~~publication of such notice. The notice shall specify the amount~~
312 ~~of bonds offered for sale, the rate of interest, and the time~~
313 ~~when principal and installments of interest shall be due and~~
314 ~~payable. Any and all bids shall be rejected if the~~
315 ~~commissioners shall deem it to the best interest for the county~~
316 ~~so to do, and they may cause a new notice to be given in like~~
317 ~~manner inviting other bids for said bonds; provided, that when~~
318 ~~the rate of interest on said bonds exceeds 5 percent per annum,~~
319 ~~said bonds shall not be sold for less than 95 cents on the~~
320 ~~dollar, but when any bonds have heretofore been provided for by~~
321 ~~election, and the rate of interest is 5 percent per annum, or~~
322 ~~less, that in such cases the county commissioners may accept~~
323 ~~less than 95 cents upon the dollar, in the sale of said bonds,~~
324 ~~or for any portion of said bonds not already sold; provided,~~
325 ~~however, no bonds shall be sold for less than 90 cents on the~~
326 ~~dollar.~~

327 Section 8. Subsection (1) of section 132.02, Florida
328 Statutes, is amended to read:

329 132.02 Taxing units may refund obligations.--



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330 (1) Each county, municipality, ~~city, town, special road~~
 331 ~~and bridge district, special tax~~ school district, or ~~and~~ other
 332 taxing district ~~districts~~ in this state, herein sometimes called
 333 a unit, may issue, pursuant to a resolution or resolutions of
 334 the governing body thereof (meaning thereby the board or body
 335 vested with the power of determining the amount of tax levies
 336 required for taxing the taxable property of such unit for the
 337 purpose of such unit) and either with or without the approval of
 338 such bonds at an election, except as may be required by the
 339 Constitution of the state, bonds of such unit for the purpose of
 340 refunding any or all bonds, coupons, or interest on any such
 341 bonds, ~~or coupons or paving certificates of indebtedness or~~
 342 ~~interest on any such paving certificates of indebtedness~~, now or
 343 hereafter outstanding, or any other funded debt, all of which
 344 are herein referred to as bonds, whether such unit created such
 345 indebtedness or has assumed, or may become liable therefor, ~~and~~
 346 ~~whether indebtedness to be refunded has matured or to thereafter~~
 347 ~~become matured.~~

348 Section 9. Section 132.09, Florida Statutes, is amended to
 349 read:

350 132.09 Sale of bonds ~~Notice of sale; bids and award;~~
 351 ~~private sale.~~--When sold, the refunding bonds (except as
 352 otherwise expressly provided) shall be sold in the manner
 353 provided in s. 218.385 ~~pursuant to the terms of a notice of sale~~
 354 ~~which shall be published at least twice. The first publication~~
 355 ~~to be not less than 7 days before the date fixed for the sale~~
 356 ~~and to be published in a newspaper published in the unit, or if~~
 357 ~~no newspaper is published in the unit, then in a newspaper~~
 358 ~~published in the county, or if no newspaper is published in the~~
 359 ~~county, then in a newspaper published in Tallahassee, and in the~~



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360 ~~discretion of the governing body of the unit may be published in~~
361 ~~a financial newspaper in the City of New York. Such notices~~
362 ~~shall state the time and place and when and where sealed bids~~
363 ~~will be received, shall state the amount of bonds, their dates,~~
364 ~~maturities, denominations and interest rate or rates (which may~~
365 ~~be a maximum rate), interest payment dates, an outline of the~~
366 ~~terms, if any, on which they are redeemable or become payable~~
367 ~~before maturity, the amount which must be deposited with the bid~~
368 ~~to secure its performance if accepted, and such other pertinent~~
369 ~~information as the governing body of the unit may determine.~~
370 ~~The notice of sale may require the bidders to fix the interest~~
371 ~~rate or rates that the bonds are to bear subject to the terms of~~
372 ~~the notice and the maximum rate permitted by this chapter. The~~
373 ~~award of the bonds shall be made by the governing body of the~~
374 ~~unit to the bidder making the most advantageous bid which shall~~
375 ~~be determined by the governing body in its absolute and~~
376 ~~uncontrolled discretion. The right to reject all bids shall be~~
377 ~~reserved to the governing body of the unit. If no bids are~~
378 ~~received at such public sale, or if all bids are rejected, the~~
379 ~~bonds may be sold without notice at private sale at any time~~
380 ~~within one year thereafter, but such bonds shall not be sold at~~
381 ~~private sale on terms less favorable to the unit than were~~
382 ~~contained in the best bid at the prior public sale.~~

383 Section 10. Paragraph (a) of subsection (2) of section
384 163.05, Florida Statutes, is amended to read:

385 163.05 Small County Technical Assistance Program.--

386 (2) Recognizing the findings in subsection (1), the
387 Legislature declares that:

388 (a) The financial difficulties ~~fiscal emergencies~~
389 confronting small counties require an investment that will



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390 facilitate efforts to improve the productivity and efficiency of
 391 small counties' structures and operating procedures.

392 Section 11. Subsection (2) of section 166.121, Florida
 393 Statutes, is amended to read:

394 166.121 Issuance of bonds.--

395 (2) The governing body of a municipality shall determine
 396 the terms and manner of sale and distribution or other
 397 disposition of any and all bonds it may issue, consistent with
 398 the provisions of s. 218.385, and shall have any and all powers
 399 necessary or convenient to such disposition.

400 Section 12. Section 166.241, Florida Statutes, is amended
 401 to read:

402 166.241 Fiscal years, ~~financial reports~~, appropriations,
 403 ~~and budgets~~, and budget amendments.--

404 ~~(1) Each municipality shall report its finances annually~~
 405 ~~as provided by general law.~~

406 (1)~~(2)~~ Each municipality shall make provision for
 407 establishing a fiscal year beginning October 1 of each year and
 408 ending September 30 of the following year.

409 (2)~~(3)~~ The governing body of each municipality shall adopt
 410 a budget each fiscal year. The budget must be adopted by
 411 ordinance unless otherwise specified in the respective
 412 municipality's charter, except that municipalities required to
 413 establish millage pursuant to chapter 200 shall adopt the budget
 414 by resolution or ordinance in the manner specified in s.
 415 200.065(2). The amount available from taxation and other
 416 sources, including amounts carried over from prior fiscal years,
 417 must equal the total appropriations for expenditures and
 418 reserves. The budget must regulate expenditures of the
 419 municipality, and it is unlawful for any officer of a municipal



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420 government to expend or contract for expenditures in any fiscal
 421 year except in pursuance of budgeted appropriations.

422 (3) The governing body of each municipality at any time
 423 within a fiscal year or within up to 60 days following the end
 424 of the fiscal year may amend a budget for that year as follows:

425 (a) Appropriations for expenditures within a fund may be
 426 decreased or increased by motion recorded in the minutes,
 427 provided that the total of the appropriations of the fund is not
 428 changed.

429 (b) The governing body may establish procedures by which
 430 the designated budget officer may authorize certain budget
 431 amendments within a department, provided that the total of the
 432 appropriations of the department is not changed.

433 (c) If a budget amendment is required for a purpose not
 434 specifically authorized in paragraph (a) or paragraph (b), the
 435 budget amendment must be adopted in the same manner as the
 436 original budget unless otherwise specified in the charter of the
 437 respective municipality.

438 Section 13. Section 189.4044, Florida Statutes, is amended
 439 to read:

440 189.4044 Special procedures for inactive districts.--

441 (1) The department shall declare inactive any special
 442 district in this state by documenting the following filing a
 443 ~~report with the Speaker of the House of Representatives and the~~
 444 ~~President of the Senate which shows that such special district~~
 445 ~~is no longer active. The inactive status of the special~~
 446 ~~district must be based upon a finding:~~

447 (a) ~~That~~ The special district meets one of the following
 448 criteria:



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449 1. The registered agent of the district, the chair of the
 450 governing body of the district, or the governing body of the
 451 appropriate local general-purpose government notifies the
 452 department in writing that the district has taken no action for
 453 2 or more ~~calendar~~ years;

454 2. Following an inquiry from the department, the
 455 registered agent of the district, the chair of the governing
 456 body of the district, or the governing body of the appropriate
 457 local general-purpose government notifies the department in
 458 writing that the district has not had a governing board or a
 459 sufficient number of governing board members to constitute a
 460 quorum for 2 or more years or the registered agent of the
 461 district, the chair of the governing body of the district, or
 462 the governing body of the appropriate local general-purpose
 463 government fails to respond to the department's inquiry within
 464 21 days; or ~~18 or more months;~~

465 3. The department determines, pursuant to s. 189.421, that
 466 the district has failed to file ~~or make a good faith effort to~~
 467 ~~file~~ any of the reports listed in s. 189.419. ~~;~~ ~~or~~

468 4. ~~The district has failed, for 2 consecutive fiscal~~
 469 ~~years, to pay fees assessed by the Special District Information~~
 470 ~~Program pursuant to this chapter.~~

471 (b) The department, special district, or local general-
 472 purpose government published ~~That~~ a notice of ~~the~~ proposed
 473 declaration of inactive status ~~has been published once a week~~
 474 ~~for 2 weeks~~ in a newspaper of general circulation in ~~within~~ the
 475 county or municipality in which ~~wherein~~ the territory of the
 476 special district is located and sent a copy of such notice by
 477 certified mail to the registered agent or chair of the board, if
 478 any. Such notice shall include, ~~stating~~ the name of said special



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479 district, the law under which it was organized and operating, a
 480 general description of the territory included in said special
 481 district, and a statement stating that any objections must be
 482 filed pursuant to chapter 120 within 21 days after the
 483 publication date to the proposed declaration or to any claims
 484 against the assets of said special district shall be filed not
 485 later than 60 days following the date of last publication with
 486 the department; and

487 (c) Twenty-one ~~That 60~~ days have elapsed from the last
 488 publication date of the notice of proposed declaration of
 489 inactive status and no administrative appeals were sustained
 490 ~~objections have been~~ filed.

491 (2) If any special district is declared inactive pursuant
 492 to this section, the property or assets of the special district
 493 are subject to legal process for payment of any debts of the
 494 district. After the payment of all the debts of said inactive
 495 special district, the remainder of its property or assets shall
 496 escheat to the county or municipality wherein located. If,
 497 however, it shall be necessary, in order to pay any such debt,
 498 to levy any tax or taxes on the property in the territory or
 499 limits of the inactive special district, the same may be
 500 assessed and levied by order of the local general-purpose
 501 government wherein the same is situated and shall be assessed by
 502 the county property appraiser and collected by the county tax
 503 collector.

504 (3) In the case of a district created by special act of
 505 the Legislature, the department shall send a notice of
 506 declaration of inactive status to notify the Speaker of the
 507 House of Representatives and the President of the Senate. The
 508 notice of declaration of inactive status shall reference of each



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509 known special act creating or amending the charter of any
 510 special district declared to be inactive under this section.
 511 The declaration of inactive status shall be sufficient notice as
 512 required by s. 10, Art. III of the State Constitution to
 513 authorize the Legislature to repeal any special laws so
 514 reported. In the case of a district created by one or more local
 515 general-purpose governments, the department shall send a notice
 516 of declaration of inactive status to the chair of the governing
 517 body of each local general-purpose government that created the
 518 district. In the case of a district created by interlocal
 519 agreement, the department shall send a notice of declaration of
 520 inactive status to the chair of the governing body of each local
 521 general-purpose government that entered into the interlocal
 522 agreement.

523 (4) The entity that created a special district declared
 524 inactive under this section must dissolve the special district
 525 ~~be dissolved~~ by repealing ~~repeal~~ of its enabling laws or by
 526 other appropriate means.

527 Section 14. Subsection (1) of section 189.412, Florida
 528 Statutes, is amended, and subsection (8) is added to said
 529 section, to read:

530 189.412 Special District Information Program; duties and
 531 responsibilities.--The Special District Information Program of
 532 the Department of Community Affairs is created and has the
 533 following special duties:

534 (1) The collection and maintenance of special district
 535 noncompliance ~~compliance~~ status reports from the Department of
 536 Management Services Auditor General, the Department of Financial
 537 Services Banking and Finance, the Division of Bond Finance of
 538 the State Board of Administration, and the Auditor General ~~the~~



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539 ~~Department of Management Services, the Department of Revenue,~~
 540 ~~and the Commission on Ethics~~ for the reporting required in ss.
 541 ~~112.3144, 112.3145, 112.3148, 112.3149, 112.63, 200.068, 218.32,~~
 542 ~~218.38, and 218.39, and 280.17 and chapter 121 and from state~~
 543 ~~agencies administering programs that distribute money to special~~
 544 ~~districts. The noncompliance special district compliance status~~
 545 ~~reports must list those consist of a list of special districts~~
 546 ~~used in that state agency and a list of which special districts~~
 547 ~~that did not comply with the statutory reporting requirements~~
 548 ~~statutorily required by that agency.~~

549 (8) Providing assistance to local general-purpose
 550 governments and certain state agencies in collecting delinquent
 551 reports or information, helping special districts comply with
 552 reporting requirements, declaring special districts inactive
 553 when appropriate, and, when directed by the Legislative Auditing
 554 Committee, initiating enforcement provisions as provided in ss.
 555 189.4044, 189.419, and 189.421.

556 Section 15. Subsections (1) and (2) of section 189.418,
 557 Florida Statutes, are amended, subsection (5) is renumbered as
 558 subsection (6), present subsection (6) is renumbered as
 559 subsection (7) and amended, and a new subsection (5) is added to
 560 said section, to read:

561 189.418 Reports; budgets; audits.--

562 (1) When a new special district is created, the district
 563 must forward to the department, within 30 days after the
 564 adoption of the special act, rule, ordinance, resolution, or
 565 other document that provides for the creation of the district, a
 566 copy of the document and a written statement that includes a
 567 reference to the status of the special district as dependent or
 568 independent and the basis for such classification. In addition



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569 to the document or documents that create the district, the
570 district must also submit a map of the district, showing any
571 municipal boundaries that cross the district's boundaries, and
572 any county lines if the district is located in more than one
573 county. The department must notify the local government or
574 other entity and the district within 30 days after receipt of
575 the document or documents that create the district as to whether
576 the district has been determined to be dependent or independent.

577 (2) Any amendment, modification, or update of the document
578 by which the district was created, including changes in
579 boundaries, must be filed with the department within 30 days
580 after adoption. The department may initiate proceedings against
581 special districts as provided in s. ss. 189.421 and 189.422 for
582 failure to file the information required by this subsection.

583 (5) The governing body of each special district at any
584 time within a fiscal year or within up to 60 days following the
585 end of the fiscal year may amend a budget for that year. The
586 budget amendment must be adopted by resolution.

587 (7)(6) All reports or information required to be filed
588 with a local governing authority under ss. 189.415, 189.416, and
589 189.417, 218.32, and 218.39 and this section shall:

590 (a) When the local governing authority is a county, be
591 filed with the clerk of the board of county commissioners.

592 (b) When the district is a multicounty district, be filed
593 with the clerk of the county commission in each county.

594 (c) When the local governing authority is a municipality,
595 be filed at the place designated by the municipal governing
596 body.

597 Section 16. Section 189.419, Florida Statutes, is amended
598 to read:



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599 189.419 Effect of failure to file certain reports or
600 information.--

601 (1) If a special district fails to file the reports or
602 information required under s. 189.415, s. 189.416, or s.
603 ~~189.417, s. 189.418, s. 218.32, or s. 218.39~~ and a description
604 ~~of all new bonds as provided in s. 218.38(1)~~ with the local
605 governing authority, the person authorized to receive and read
606 the reports or information shall notify the district's
607 registered agent and the appropriate local governing authority
608 or authorities. If requested by the district ~~At any time~~, the
609 governing authority shall ~~may~~ grant an extension of time of up
610 to 30 days for filing the required reports or information,
611 ~~except that an extension may not exceed 30 days.~~

612 (2) If at any time the local governing authority or
613 authorities or the board of county commissioners determines that
614 there has been an unjustified failure to file the reports or
615 information described in subsection (1), it may notify ~~petition~~
616 the department and the department may proceed pursuant to
617 ~~initiate proceedings against the special district in the manner~~
618 ~~provided in s. 189.421.~~

619 (3) If a special district fails to file the reports or
620 information required under s. 112.63, s. 218.32, s. 218.38, or
621 s. 218.39 with the appropriate state agency, the agency shall
622 notify the department, and the department shall proceed pursuant
623 to s. 189.421 ~~may initiate proceedings against the special~~
624 ~~district in the manner provided in s. 189.421 or assess fines of~~
625 ~~not more than \$25, with an aggregate total not to exceed \$50,~~
626 ~~when formal inquiries do not resolve the noncompliance.~~

627 Section 17. Section 189.421, Florida Statutes, is amended
628 to read:



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629 (Substantial rewording of section. See
630 s. 189.421, F.S., for present text.)
631 189.421 Failure of district to disclose financial
632 reports.--

633 (1) When notified pursuant to s. 189.419, the department
634 shall attempt to assist a special district to comply with its
635 financial reporting requirements by sending a certified letter
636 to the special district, and a copy of the letter to the chair
637 of the governing body of the local general-purpose government,
638 which includes the following: a description of the required
639 report, including statutory submission deadlines, a contact
640 telephone number for technical assistance to help the special
641 district comply, a 60-day extension of time for filing the
642 required report with the appropriate entity, the address where
643 the report must be filed, and an explanation of the penalties
644 for noncompliance. The department may grant an additional 30-
645 day extension of time if requested to do so in writing by the
646 special district. The department shall notify the appropriate
647 entity of the new extension of time. In the case of a special
648 district that did not timely file the reports or information
649 required by s. 218.38, the department shall send a certified
650 technical assistance letter to the special district that
651 summarizes the requirements and encourages the special district
652 to take steps to prevent the noncompliance from reoccurring.

653 (2) Failure of a special district to comply with the
654 financial reporting requirements after the procedures of
655 subsection (1) are exhausted shall be deemed final action of the
656 special district. The financial reporting requirements are
657 hereby declared to be essential requirements of law. Remedy for



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658 noncompliance shall be by writ of certiorari as set forth in
 659 subsection (3).

660 (3) Pursuant to s. 11.40(5)(b), the Legislative Auditing
 661 Committee shall notify the department of those districts that
 662 failed to file the required report. Within 30 days after
 663 receiving this notice or within 30 days after the extension date
 664 provided in subsection (1), whichever occurs later, the
 665 department shall proceed as follows: notwithstanding the
 666 provisions of chapter 120, the department shall file a petition
 667 for writ of certiorari with the circuit court. Venue for all
 668 actions pursuant to this subsection shall be in Leon County.
 669 The court shall award the prevailing party attorney's fees and
 670 costs in all cases filed pursuant to this section unless
 671 affirmatively waived by all parties. A writ of certiorari shall
 672 be issued unless a respondent establishes that the notification
 673 of the Legislative Auditing Committee was issued as a result of
 674 material error. Proceedings under this subsection shall
 675 otherwise be governed by the Rules of Appellate Procedure.

676 Section 18. Subsection (5) of section 189.428, Florida
 677 Statutes, is amended to read:

678 189.428 Special districts; oversight review process.--

679 (5) Those conducting the oversight review process shall,
 680 at a minimum, consider the listed criteria for evaluating the
 681 special district, but may also consider any additional factors
 682 relating to the district and its performance. If any of the
 683 listed criteria does ~~de~~ not apply to the special district being
 684 reviewed, it ~~they~~ need not be considered. The criteria to be
 685 considered by the reviewer include:



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686 (a) The degree to which the service or services offered by
687 the special district are essential or contribute to the well-
688 being of the community.

689 (b) The extent of continuing need for the service or
690 services currently provided by the special district.

691 (c) The extent of municipal annexation or incorporation
692 activity occurring or likely to occur within the boundaries of
693 the special district and its impact on the delivery of services
694 by the special district.

695 (d) Whether there is a less costly alternative method of
696 delivering the service or services that would adequately provide
697 the district residents with the services provided by the
698 district.

699 (e) Whether transfer of the responsibility for delivery of
700 the service or services to an entity other than the special
701 district being reviewed could be accomplished without
702 jeopardizing the district's existing contracts, bonds, or
703 outstanding indebtedness.

704 (f) Whether the Auditor General has notified the
705 Legislative Auditing Committee that the special district's audit
706 report, reviewed pursuant to s. 11.45(7), indicates that the
707 district has met any of the conditions specified in s.
708 218.503(1) or that a deteriorating financial condition exists
709 that may cause a condition described in s. 218.503(1) to occur
710 if actions are not taken to address such condition.

711 ~~(g) Whether the Auditor General has determined that the~~
712 ~~special district is in a state of financial emergency as~~
713 ~~provided in s. 218.503(1), and has notified the Governor and the~~
714 ~~Legislative Auditing Committee.~~



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715 ~~(g)(h)~~ Whether the district is inactive according to the
 716 official list of special districts, and whether the district is
 717 meeting and discharging its responsibilities as required by its
 718 charter, as well as projected increases or decreases in district
 719 activity.

720 ~~(h)(i)~~ Whether the special district has failed to comply
 721 with any of the reporting requirements in this chapter,
 722 including preparation of the public facilities report.

723 ~~(i)(j)~~ Whether the special district has designated a
 724 registered office and agent as required by s. 189.416, and has
 725 complied with all open public records and meeting requirements.

726 Section 19. Paragraph (a) of subsection (1) of section
 727 189.439, Florida Statutes, is amended to read:

728 189.439 Bonds.--

729 (1) AUTHORIZATION AND FORM OF BONDS.--

730 (a) The authority may issue and sell bonds for any purpose
 731 for which the authority has the power to expend money,
 732 including, without limitation, the power to obtain working
 733 capital loans to finance the costs of any project and to refund
 734 any bonds or other indebtedness at the time outstanding at or
 735 before maturity. Bonds may be sold in the manner provided in s.
 736 218.385 and ~~by public or negotiated sale after advertisement, if~~
 737 ~~any, as the board considers advisable.~~ Bonds may be authorized
 738 by resolution of the board.

739 Section 20. Section 215.981, Florida Statutes, is amended
 740 to read:

741 215.981 Audits of state agency direct-support
 742 organizations and citizen support organizations.--

743 (1) Each direct-support organization and each citizen
 744 support organization, created or authorized pursuant to law, and



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745 created, approved, or administered by a state agency, other than
 746 a university, district board of trustees of a community college,
 747 or district school board, shall provide for an annual financial
 748 audit of its accounts and records to be conducted by an
 749 independent certified public accountant in accordance with rules
 750 adopted by the Auditor General pursuant to s. 11.45(8) and the
 751 state agency that created, approved, or administers the direct-
 752 support organization or citizen support organization. The audit
 753 report shall be submitted within 9 months after the end of the
 754 fiscal year to the Auditor General and to the state agency
 755 responsible for creation, administration, or approval of the
 756 direct-support organization or citizen support organization,
 757 whenever the organization's expenditures and expenses exceed
 758 \$100,000. Such state agency, the Auditor General, and the Office
 759 of Program Policy Analysis and Government Accountability shall
 760 have the authority to require and receive from the organization
 761 or from the independent auditor any records relative to the
 762 operation of the organization.

763 (2) Notwithstanding the provisions of subsection (1), and
 764 for the 2002-2003 fiscal year only, citizen support
 765 organizations for the Department of Environmental Protection
 766 that are not for profit and that have annual expenditures of
 767 less than \$100,000 are not required to have an independent
 768 audit. This subsection expires July 1, 2003.

769 Section 21. Subsection (3) of section 218.075, Florida
 770 Statutes, is amended to read:

771 218.075 Reduction or waiver of permit processing
 772 fees.--Notwithstanding any other provision of law, the
 773 Department of Environmental Protection and the water management
 774 districts shall reduce or waive permit processing fees for



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775 counties with a population of 50,000 or less on April 1, 1994,
 776 until such counties exceed a population of 75,000 and
 777 municipalities with a population of 25,000 or less, or any
 778 county or municipality not included within a metropolitan
 779 statistical area. Fee reductions or waivers shall be approved on
 780 the basis of fiscal hardship or environmental need for a
 781 particular project or activity. The governing body must certify
 782 that the cost of the permit processing fee is a fiscal hardship
 783 due to one of the following factors:

784 (3) Any condition specified in s. 218.503(1), that results
 785 in the county or municipality being in ~~determines~~ a state of
 786 financial emergency;

787
 788 The permit applicant must be the governing body of a county or
 789 municipality or a third party under contract with a county or
 790 municipality and the project for which the fee reduction or
 791 waiver is sought must serve a public purpose. If a permit
 792 processing fee is reduced, the total fee shall not exceed \$100.

793 Section 22. Subsection (3) is added to section 218.32,
 794 Florida Statutes, to read:

795 218.32 Annual financial reports; local governmental
 796 entities.--

797 (3) The department shall notify the President of the
 798 Senate and the Speaker of the House of Representatives of any
 799 municipality that has not had financial activity for the last 4
 800 fiscal years. Such notice shall be sufficient to initiate
 801 dissolution procedures described in s. 165.051(1)(a). Any
 802 special law authorizing the incorporation or creation of said
 803 municipality shall be included within the notification.



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804 Section 23. Subsection (2) of section 218.321, Florida
 805 Statutes, is amended to read:

806 218.321 Annual financial statements; local governmental
 807 entities.--

808 (2) Each local governmental entity that is not required to
 809 provide for an audit report in accordance with s. 218.39
 810 ~~11.45(3)(a)5~~. must complete its financial statements no later
 811 than 12 months after the end of the fiscal year.

812 Section 24. Subsection (3) of section 218.36, Florida
 813 Statutes, is amended to read:

814 218.36 County officers; record and report of fees and
 815 disposition of same.--

816 (3) The board of county commissioners may ~~shall, on the~~
 817 ~~32nd day following the close of the fiscal year,~~ notify the
 818 Governor of the failure of any county officer to comply with the
 819 provisions of this section. Such notification shall specify the
 820 name of the officer and the office held by him or her at the
 821 time of such failure and shall subject said officer to
 822 suspension from office at the Governor's discretion.

823 Section 25. Section 218.369, Florida Statutes, is amended
 824 to read:

825 218.369 Definitions applicable to ss. 218.37-218.386.--As
 826 used in this section and in ss. 218.37, 218.38, 218.385, and
 827 218.386, the term "unit of local government," except where
 828 exception is made, means a county, municipality, special
 829 district, district school board, local agency, authority, or
 830 consolidated city-county government or any other local
 831 governmental body or public body corporate and politic
 832 authorized or created by general or special law and granted the
 833 power to issue general obligation or revenue bonds; and the



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834 words "general obligation or revenue bonds" shall be interpreted
 835 to include within their scope general obligation bonds, revenue
 836 bonds, special assessment bonds, limited revenue bonds, special
 837 obligation bonds, debentures, and other similar instruments, but
 838 not bond anticipation notes.

839 Section 26. Part V of chapter 218, Florida Statutes,
 840 entitled "Financial Emergencies" is renamed "Local Governmental
 841 Entity and District School Board Financial Emergencies."

842 Section 27. Section 218.50, Florida Statutes, is amended
 843 to read:

844 218.50 Popular name ~~Short title~~.--Sections 218.50-218.504
 845 shall be known by the popular name ~~as~~ the "Local Governmental
 846 Entity and District School Board ~~Government~~ Financial
 847 Emergencies Act."

848 Section 28. Section 218.501, Florida Statutes, is amended
 849 to read:

850 218.501 Purposes.--The purposes of ss. 218.50-218.504 are:

851 (1) To promote ~~preserve and protect~~ the fiscal
 852 responsibility ~~solveney~~ of local governmental entities and
 853 district school boards.

854 (2) To assist local governmental entities and district
 855 school boards in providing essential services without
 856 interruption and in meeting their financial obligations.

857 (3) To assist local governmental entities and district
 858 school boards through the improvement of local financial
 859 management procedures.

860 Section 29. Section 218.502, Florida Statutes, is amended
 861 to read:



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862 218.502 Definition.--As used in ss. 218.50-218.504, the
 863 term "local governmental entity" means a county, municipality,
 864 or special district, ~~or district school board~~.

865 Section 30. Section 218.503, Florida Statutes, is amended
 866 to read:

867 218.503 Determination of financial emergency.--

868 (1) A Local governmental entities and district school
 869 boards shall be subject to review and oversight by the Governor
 870 or the Commissioner of Education ~~entity is in a state of~~
 871 ~~financial emergency~~ when any one of the following conditions
 872 occurs:

873 (a) Failure within the same fiscal year in which due to
 874 pay short-term loans from banks or failure to make bond debt
 875 service or other long-term debt payments when due, as a result
 876 of a lack of funds.

877 (b) Failure to pay uncontested claims from creditors
 878 within 90 days after the claim is presented, as a result of a
 879 lack of funds.

880 (c)~~(b)~~ Failure to transfer at the appropriate time, due to
 881 lack of funds:

882 1. Taxes withheld on the income of employees; or

883 2. Employer and employee contributions for:

884 a. Federal social security; or

885 b. Any pension, retirement, or benefit plan of an
 886 employee.

887 (d)~~(e)~~ Failure for one pay period to pay, due to lack of
 888 funds:

889 1. Wages and salaries owed to employees; or

890 2. Retirement benefits owed to former employees.



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891 ~~(e)~~(d) An unreserved or total fund balance or retained
892 earnings deficit, or unrestricted or total net assets deficit,
893 as reported on the balance sheet or statement of net assets on
894 the general purpose or fund financial statements, for which
895 sufficient resources of the local governmental entity, as
896 reported on the balance sheet or statement of net assets on the
897 general purpose or fund financial statements, are not available
898 to cover the deficit ~~for 2 successive years.~~ Resources available
899 to cover reported deficits include net assets that are not
900 otherwise restricted by federal, state, or local laws, bond
901 covenants, contractual agreements, or other legal constraints.
902 Fixed or capital assets the disposal of which would impair the
903 ability of a local governmental entity to carry out its
904 functions are not considered resources available to cover
905 reported deficits.

906 ~~(e) Noncompliance of the local government retirement~~
907 ~~system with actuarial conditions provided by law.~~

908 (2) A local governmental entity shall notify the Governor
909 and the Legislative Auditing Committee, and a district school
910 board shall notify the Commissioner of Education and the
911 Legislative Auditing Committee, when one or more of the
912 conditions specified in subsection (1) have occurred or will
913 occur if action is not taken to assist the local governmental
914 entity or district school board. In addition, any state agency
915 must, within 30 days after a determination that one or more of
916 the conditions specified in subsection (1) have occurred or will
917 occur if action is not taken to assist the local governmental
918 entity or district school board ~~the identification of the~~
919 ~~financial emergency,~~ notify the Governor or the Commissioner of
920 Education, as appropriate, and the Legislative Auditing



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921 Committee ~~when one or more of the conditions specified in~~
922 ~~subsection (1) have occurred or will occur if action is not~~
923 ~~taken to assist a local governmental entity.~~

924 (3) Upon notification that one or more of the conditions
925 in subsection (1) exist, the Governor or his or her designee
926 shall contact the local governmental entity or the Commissioner
927 of Education or his or her designee shall contact the district
928 school board to determine what actions have been taken by the
929 local governmental entity or the district school board to
930 resolve the condition ~~financial emergency~~. The Governor or the
931 Commissioner of Education, as appropriate, shall determine
932 whether the local governmental entity or the district school
933 board needs state assistance to resolve the condition. If state
934 assistance is needed, the local governmental entity or district
935 school board is considered to be in a state of financial
936 emergency. The Governor or the Commissioner of Education, as
937 appropriate, has the authority to implement measures as set
938 forth in ss. 218.50-218.504 to assist the local governmental
939 entity or district school board in resolving ~~resolve~~ the
940 financial emergency. Such measures may include, but are not
941 limited to:

942 (a) Requiring approval of the local governmental entity's
943 budget by the Governor or approval of the district school
944 board's budget by the Commissioner of Education.

945 (b) Authorizing a state loan to a ~~the~~ local governmental
946 entity and providing for repayment of same.

947 (c) Prohibiting a local governmental entity or district
948 school board from issuing bonds, notes, certificates of
949 indebtedness, or any other form of debt until such time as it is
950 no longer subject to this section.



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951 (d) Making such inspections and reviews of records,
 952 information, reports, and assets of the local governmental
 953 entity or district school board. The appropriate local officials
 954 shall cooperate in such, ~~in which~~ inspections and reviews ~~the~~
 955 ~~appropriate local officials shall cooperate.~~

956 (e) Consulting with ~~the~~ officials and auditors of the
 957 local governmental entity or the district school board and the
 958 appropriate state officials ~~agency~~ regarding any steps necessary
 959 to bring the books of account, accounting systems, financial
 960 procedures, and reports into compliance with state requirements.

961 (f) Providing technical assistance to the local
 962 governmental entity or the district school board.

963 (g)1. Establishing a financial emergency ~~emergencies~~ board
 964 to oversee the activities of the local governmental entity or
 965 the district school board. If a financial emergency ~~The board,~~
 966 ~~if is~~ established for a local governmental entity, ~~shall be~~
 967 ~~appointed by~~ the Governor shall appoint board members and select
 968 a chair. If a financial emergency board is established for a
 969 district school board, the State Board of Education shall
 970 appoint board members and select a chair. ~~The Governor shall~~
 971 ~~select a chair and such other officers as are necessary.~~ The
 972 financial emergency board shall adopt such rules as are
 973 necessary for conducting board business. The board may:

974 a. Make such reviews of records, reports, and assets of
 975 the local governmental entity or the district school board as
 976 are needed.

977 b. Consult with ~~the~~ officials and auditors of the local
 978 governmental entity or the district school board and the
 979 appropriate state officials regarding any steps necessary to
 980 bring the books of account, accounting systems, financial



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981 procedures, and reports of the local governmental entity or the
 982 district school board into compliance with state requirements.

983 c. Review the operations, management, efficiency,
 984 productivity, and financing of functions and operations of the
 985 local governmental entity or district school board.

986 2. The recommendations and reports made by the financial
 987 emergency board must be submitted to the Governor for local
 988 governmental entities or to the Commissioner of Education and
 989 the State Board of Education for district school boards for
 990 appropriate action.

991 (h) Requiring and approving a plan, to be prepared by
 992 officials of the appropriate state agency in conjunction with
 993 the local governmental entity or the district school board in
 994 consultation with the appropriate state officials, prescribing
 995 actions that will cause the local governmental entity or
 996 district school board to no longer be subject to this section.
 997 The plan must include, but need not be limited to:

998 1. Provision for payment in full of obligations outlined
 999 in subsection (1), designated as priority items, that are
 1000 currently all payments due or will to come due on debt
 1001 obligations, pension payments, and all payments and charges
 1002 imposed or mandated by federal or state law and for all
 1003 judgments and past due accounts, as priority items of
 1004 expenditures.

1005 2. Establishment of a ~~basis of~~ priority budgeting or zero-
 1006 based budgeting in order, ~~so as~~ to eliminate ~~low-priority~~ items
 1007 that are not affordable.

1008 3. The prohibition of a level of operations which can be
 1009 sustained only with nonrecurring revenues.



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1010 (4) ~~A During the financial emergency period,~~ the local
 1011 governmental entity or district school board may not seek
 1012 application of laws under the bankruptcy provisions of the
 1013 United States Constitution except with the prior approval of the
 1014 Governor for local governmental entities or the Commissioner of
 1015 Education for district school boards.

1016 (5)(a) The governing authority of any municipality having
 1017 a resident population of 300,000 or more on or after April 1,
 1018 1999, which has been declared in a state of financial emergency
 1019 pursuant to this section may impose a discretionary per-vehicle
 1020 surcharge of up to 20 percent on the gross revenues of the sale,
 1021 lease, or rental of space at parking facilities within the
 1022 municipality which are open for use to the general public.

1023 (b) A municipal governing authority that imposes the
 1024 surcharge authorized by this subsection may use the proceeds of
 1025 such surcharge for the following purposes only:

1026 1. No less than 60 percent and no more than 80 percent of
 1027 the surcharge proceeds shall be used by the governing authority
 1028 to reduce its ad valorem tax millage rate or to reduce or
 1029 eliminate non-ad valorem assessments.

1030 2. A portion of the balance of the surcharge proceeds
 1031 shall be used by the governing authority to increase its budget
 1032 reserves; however, the governing authority shall not reduce the
 1033 amount it allocates for budget reserves from other sources below
 1034 the amount allocated for reserves in the fiscal year prior to
 1035 the year in which the surcharge is initially imposed. When a 15-
 1036 percent budget reserve is achieved, based on the average gross
 1037 revenue for the most recent 3 prior fiscal years, the remaining
 1038 proceeds from this subparagraph shall be used for the payment of
 1039 annual debt service related to outstanding obligations backed or



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1040 secured by a covenant to budget and appropriate from non-ad
 1041 valorem revenues.

1042 (c) This subsection expires June 30, 2006.

1043 Section 31. Section 218.504, Florida Statutes, is amended
 1044 to read:

1045 218.504 Cessation of state action.--The Governor or the
 1046 Commissioner of Education, as appropriate, has the authority to
 1047 terminate all state actions pursuant to ss. 218.50-218.504.

1048 Cessation of state action must not occur until the Governor or
 1049 the Commissioner of Education, as appropriate, has determined
 1050 that:

1051 (1) The local governmental entity or district school
 1052 board:

1053 (a) Has established and is operating an effective
 1054 financial accounting and reporting system.

1055 (b) Has resolved ~~corrected or eliminated~~ the ~~fiscal~~
 1056 ~~emergency~~ conditions outlined in s. 218.503(1).

1057 (2) None of the ~~No new fiscal emergency~~ conditions
 1058 outlined in s. 218.503(1) exists ~~exist~~.

1059 Section 32. Chapter 131, Florida Statutes, consisting of
 1060 sections 131.01, 131.02, 131.03, 131.04, 131.05, and 131.06,
 1061 Florida Statutes, is repealed.

1062 Section 33. Section 132.10, Florida Statutes, is repealed.

1063 Section 34. Section 165.052, Florida Statutes, is
 1064 repealed.

1065 Section 35. Section 189.409, Florida Statutes, is
 1066 repealed.

1067 Section 36. Section 189.422, Florida Statutes, is
 1068 repealed.



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1069 Section 37. Section 200.0684, Florida Statutes, is
 1070 repealed.

1071 Section 38. Paragraph (h) of subsection (1) of section
 1072 218.37, Florida Statutes, is repealed.

1073 Section 39. Section 215.195, Florida Statutes, is amended
 1074 to read:

1075 215.195 Agency deposits relating to the Statewide Cost
 1076 Allocation Plan.--

1077 (1) APPLICATION FOR ALLOCABLE STATEWIDE OVERHEAD.--Each
 1078 state agency, and the judicial branch, making application for
 1079 federal grant or contract funds shall, in accordance with the
 1080 Statewide Cost Allocation Plan (SWCAP), include in its
 1081 application a prorated share of the cost of services provided by
 1082 state central service agencies which are reimbursable to the
 1083 state pursuant to the provisions of Office of Management and
 1084 Budget Circular A-87. Preparation of the Statewide Cost
 1085 Allocation Plan and coordination thereof with all applicable
 1086 parties is the responsibility of the Department of Financial
 1087 Services. The Department of Financial Services shall ensure that
 1088 the SWCAP presents the most favorable allocation of central
 1089 services cost allowable to the state by the Federal Government.

1090 (2) DEPOSIT OF OVERHEAD IN THE GENERAL REVENUE FUND.--If
 1091 an application for federal grant or contract funds is approved,
 1092 the state agency or judicial branch receiving the federal grant
 1093 or contract shall identify that portion representing
 1094 reimbursement of allocable statewide overhead and deposit that
 1095 amount into the General Revenue Fund unallocated as directed by
 1096 the Department of Financial Services ~~Executive Office of the~~
 1097 ~~Governor~~. The Department of Financial Services shall be
 1098 responsible for monitoring agency compliance with this section.



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1099 Section 40. Section 215.97, Florida Statutes, is amended
 1100 to read:

1101 215.97 Florida Single Audit Act.--

1102 (1) The purposes of the section are to:

1103 (a) Establish uniform state audit requirements for state
 1104 financial assistance provided by state agencies to nonstate
 1105 entities to carry out state projects.

1106 (b) Promote sound financial management, including
 1107 effective internal controls, with respect to state financial
 1108 assistance administered by nonstate entities.

1109 (c) Promote audit economy and efficiency by relying to the
 1110 extent possible on already required audits of federal financial
 1111 assistance provided to nonstate entities.

1112 (d) Provide for identification of state financial
 1113 assistance transactions in the appropriations act, state
 1114 accounting records, and recipient organization records.

1115 (e) Promote improved coordination and cooperation within
 1116 and between affected state agencies providing state financial
 1117 assistance and nonstate entities receiving state assistance.

1118 (f) Ensure, to the maximum extent possible, that state
 1119 agencies monitor, use, and followup on audits of state financial
 1120 assistance provided to nonstate entities.

1121 (2) Definitions; as used in this section, the term:

1122 (a) "Audit threshold" means the threshold amount used to
 1123 determine ~~to use in determining~~ when a state single audit of a
 1124 nonstate entity shall be conducted in accordance with this
 1125 section. Each nonstate entity that expends a total amount of
 1126 state financial assistance equal to or in excess of \$300,000 in
 1127 any fiscal year of such nonstate entity shall be required to
 1128 have a state single audit for such fiscal year in accordance



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1129 with the requirements of this section. Every 2 years the Auditor
 1130 General, after consulting with the Executive Office of the
 1131 Governor, the Department of Financial Services ~~Comptroller~~, and
 1132 all state awarding agencies ~~that provide state financial~~
 1133 ~~assistance to nonstate entities~~, shall review the threshold
 1134 amount for requiring audits under this section and may adjust
 1135 such threshold ~~dollar~~ amount consistent with the purposes
 1136 ~~purpose~~ of this section.

1137 (b) "Auditing standards" means the auditing standards as
 1138 stated in the rules of the Auditor General as applicable to for-
 1139 profit organizations, nonprofit organizations, or local
 1140 governmental entities.

1141 (c) "Catalog of State Financial Assistance" means a
 1142 comprehensive listing of state projects. The Catalog of State
 1143 Financial Assistance shall be issued by the Department of
 1144 Financial Services ~~Executive Office of the Governor~~ after
 1145 conferring with ~~the Comptroller and~~ all state awarding agencies
 1146 ~~that provide state financial assistance to nonstate entities~~.
 1147 The Catalog of State Financial Assistance shall include for each
 1148 listed state project: the responsible state awarding agency;
 1149 standard state project number identifier; official title; legal
 1150 authorization; and description of the state project, including
 1151 objectives, restrictions, application and awarding procedures,
 1152 and other relevant information determined necessary.

1153 (d) "Coordinating agency" means the state awarding agency
 1154 that provides the predominant amount of state financial
 1155 assistance expended by a recipient, as determined by the
 1156 recipient's Schedule of Expenditures of State Financial
 1157 Assistance. To provide continuity, the determination of the
 1158 predominant amount of state financial assistance shall be based



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1159 upon state financial assistance expended in the recipient's
 1160 fiscal years ending in 2003, 2006, and 2009, and every third
 1161 year thereafter.

1162 (e)~~(d)~~ "Financial reporting package" means the nonstate
 1163 entities' financial statements, Schedule of Expenditures of
 1164 State Financial Assistance, auditor's reports, management
 1165 letter, auditee's written responses or corrective action plan,
 1166 correspondence on followup of prior years' corrective actions
 1167 taken, and such other information determined by the Auditor
 1168 General to be necessary and consistent with the purposes of this
 1169 section.

1170 (f)~~(e)~~ "Federal financial assistance" means financial
 1171 assistance from federal sources passed through the state and
 1172 provided to nonstate organizations ~~entities~~ to carry out a
 1173 federal program. "Federal financial assistance" includes all
 1174 types of federal assistance as defined in applicable United
 1175 States Office of Management and Budget circulars.

1176 (g)~~(f)~~ "For-profit organization" means any organization or
 1177 sole proprietor that ~~but~~ is not a local governmental entity or a
 1178 nonprofit organization.

1179 (h)~~(g)~~ "Independent auditor" means an external state or
 1180 local governmental ~~government~~ auditor or a certified public
 1181 accountant who meets the independence standards.

1182 (i)~~(h)~~ "Internal control over state projects" means a
 1183 process, effected by a nonstate ~~an~~ entity's management and other
 1184 personnel, designed to provide reasonable assurance regarding
 1185 the achievement of objectives in the following categories:

- 1186 1. Effectiveness and efficiency of operations.
- 1187 2. Reliability of financial operations.
- 1188 3. Compliance with applicable laws and regulations.



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1189 (j)~~(i)~~ "Local governmental entity" means a county ~~agency,~~
 1190 municipality, or special district or any other entity (other
 1191 than a district school board, charter school, ~~or~~ community
 1192 college, or public university), however styled, which
 1193 independently exercises any type of governmental function within
 1194 the state.

1195 (k)~~(j)~~ "Major state project" means any state project
 1196 meeting the criteria as stated in the rules of the Department of
 1197 Financial Services ~~Executive Office of the Governor.~~ Such
 1198 criteria shall be established after consultation with all ~~the~~
 1199 ~~Comptroller and appropriate~~ state awarding agencies ~~that provide~~
 1200 ~~state financial assistance~~ and shall consider the amount of
 1201 state project expenditures and ~~or~~ expenses or inherent risks.
 1202 Each major state project shall be audited in accordance with the
 1203 requirements of this section.

1204 (l)~~(k)~~ "Nonprofit organization" means any corporation,
 1205 trust, association, cooperative, or other organization that:
 1206 1. Is operated primarily for scientific, educational
 1207 service, charitable, or similar purpose in the public interest;
 1208 2. Is not organized primarily for profit;
 1209 3. Uses net proceeds to maintain, improve, or expand the
 1210 operations of the organization; and
 1211 4. Has no part of its income or profit distributable to
 1212 its members, directors, or officers.

1213 (m)~~(l)~~ "Nonstate entity" means a local governmental
 1214 entity, nonprofit organization, or for-profit organization that
 1215 receives state financial assistance ~~resources.~~

1216 (n) "Nonstate organization" means a local governmental
 1217 entity, nonprofit organization, or for-profit organization that
 1218 receives state resources.



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1219 (o)~~(m)~~ "Recipient" means a nonstate entity that receives
 1220 state financial assistance directly from a state awarding
 1221 agency.

1222 (p)~~(n)~~ "Schedule of Expenditures of State Financial
 1223 Assistance" means a document prepared in accordance with the
 1224 rules of the Department of Financial Services ~~Comptroller~~ and
 1225 included in each financial reporting package required by this
 1226 section.

1227 (q)~~(e)~~ "State awarding agency" means a ~~the~~ state agency,
 1228 as defined in s. 216.011, that provides ~~provided~~ state financial
 1229 assistance to a ~~the~~ nonstate entity.

1230 (r)~~(p)~~ "State financial assistance" means ~~financial~~
 1231 ~~assistance from~~ state resources, not including federal financial
 1232 assistance and state matching on federal programs, provided to a
 1233 nonstate entity ~~entities~~ to carry out a state project. "State
 1234 financial assistance" shall include the ~~includes all~~ types of
 1235 state resources ~~assistance as~~ stated in the rules of the
 1236 Department of Financial Services ~~Executive Office of the~~
 1237 ~~Governor~~ established in consultation with all ~~the~~ ~~Comptroller~~
 1238 and ~~appropriate~~ state awarding agencies that ~~provide~~ state
 1239 ~~financial assistance. It includes~~ State financial assistance may
 1240 be provided directly by state awarding agencies or indirectly by
 1241 nonstate entities ~~recipients of state awards or subrecipients.~~
 1242 State financial assistance ~~It~~ does not include procurement
 1243 contracts used to buy goods or services from vendors and. ~~Audits~~
 1244 ~~of such procurement contracts with vendors are outside of the~~
 1245 ~~scope of this section. Also, audits of~~ contracts to operate
 1246 state-owned ~~state-government-owned~~ and contractor-operated
 1247 facilities ~~are excluded from the audit requirements of this~~
 1248 section.



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1249 (s)~~(q)~~ "State matching" means state resources provided to
 1250 a nonstate entity ~~entities to be used~~ to meet federal financial
 1251 participation matching requirements ~~of federal programs~~.

1252 (t) "State program" means a set of special purpose
 1253 activities undertaken to realize identifiable goals and
 1254 objectives in order to achieve a state agency's mission and
 1255 legislative intent requiring accountability for state resources.

1256 (u)~~(r)~~ "State project" means a state program that provides
 1257 ~~all~~ state financial assistance to a nonstate organization and
 1258 that must be ~~entity~~ assigned a ~~single~~ state project number
 1259 identifier in the Catalog of State Financial Assistance.

1260 (v)~~(s)~~ "State Projects Compliance Supplement" means a
 1261 document issued by the Department of Financial Services
 1262 ~~Executive Office of the Governor~~, in consultation with ~~the~~
 1263 ~~Comptroller and~~ all state awarding agencies ~~that provide state~~
 1264 ~~financial assistance~~. The State Projects Compliance Supplement
 1265 shall identify state projects, the significant compliance
 1266 requirements, eligibility requirements, matching requirements,
 1267 suggested audit procedures, and other relevant information
 1268 determined necessary.

1269 (w)~~(t)~~ "State project-specific audit" means an audit of
 1270 one state project performed in accordance with the requirements
 1271 of subsection (10) ~~(9)~~.

1272 (x)~~(u)~~ "State single audit" means an audit of a nonstate
 1273 entity's financial statements and state financial assistance.
 1274 Such audits shall be conducted in accordance with the auditing
 1275 standards as stated in the rules of the Auditor General.

1276 (y)~~(v)~~ "Subrecipient" means a nonstate entity that
 1277 receives state financial assistance through another nonstate
 1278 entity.



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1279 (z)~~(w)~~ "Vendor" means a dealer, distributor, merchant, or
 1280 other seller providing goods or services that are required for
 1281 the conduct of a state project. These goods or services may be
 1282 for an organization's own use or for the use of beneficiaries of
 1283 the state project.

1284 (3) The Executive Office of the Governor shall be
 1285 responsible for notifying the Department of Financial Services
 1286 of any actions during the budgetary process that impact the
 1287 Catalog of State Financial Assistance.÷

1288 ~~(a) Upon conferring with the Comptroller and all state~~
 1289 ~~awarding agencies, adopt rules necessary to provide appropriate~~
 1290 ~~guidance to state awarding agencies, recipients and~~
 1291 ~~subrecipients, and independent auditors of state financial~~
 1292 ~~assistance relating to the requirements of this section,~~
 1293 ~~including:~~

1294 1. ~~The types or classes of financial assistance considered~~
 1295 ~~to be state financial assistance which would be subject to the~~
 1296 ~~requirements of this section. This would include guidance to~~
 1297 ~~assist in identifying when the state agency or recipient has~~
 1298 ~~contracted with a vendor rather than with a recipient or~~
 1299 ~~subrecipient.~~

1300 2. ~~The criteria for identifying a major state project.~~

1301 3. ~~The criteria for selecting state projects for audits~~
 1302 ~~based on inherent risk.~~

1303 ~~(b) Be responsible for coordinating the initial~~
 1304 ~~preparation and subsequent revisions of the Catalog of State~~
 1305 ~~Financial Assistance after consultation with the Comptroller and~~
 1306 ~~all state awarding agencies.~~

1307 ~~(c) Be responsible for coordinating the initial~~
 1308 ~~preparation and subsequent revisions of the State Projects~~



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1309 ~~Compliance Supplement, after consultation with the Comptroller~~
1310 ~~and all state awarding agencies.~~

1311 (4) The Department of Financial Services Comptroller
1312 shall:

1313 (a) Upon conferring with the Executive Office of the
1314 Governor and all state awarding agencies, adopt rules necessary
1315 to provide appropriate guidance to state awarding agencies,
1316 nonstate entities, and independent auditors of state financial
1317 assistance relating to the requirements of this section,
1318 including:

1319 1. The types or classes of state resources considered to
1320 be state financial assistance that would be subject to the
1321 requirements of this section. This would include guidance to
1322 assist in identifying when the state awarding agency or a
1323 nonstate entity has contracted with a vendor rather than with a
1324 recipient or subrecipient.

1325 2. The criteria for identifying a major state project.

1326 3. The criteria for selecting state projects for audits
1327 based on inherent risk.

1328 (b) Be responsible for coordinating revisions to the
1329 Catalog of State Financial Assistance after consultation with
1330 the Executive Office of the Governor and all state awarding
1331 agencies.

1332 (c) Be responsible for coordinating with the Executive
1333 Office of the Governor actions affecting the budgetary process
1334 under paragraph (b).

1335 (d) Be responsible for coordinating revisions to the State
1336 Projects Compliance Supplement, after consultation with the
1337 Executive Office of the Governor and all state awarding
1338 agencies.



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1339 ~~(e)(a)~~ Make enhancements to the state's accounting system
1340 to provide for the:

1341 1. Recording of state financial assistance and federal
1342 financial assistance appropriations and expenditures within the
1343 state awarding agencies' operating funds.

1344 2. Recording of state project number identifiers, as
1345 provided in the Catalog of State Financial Assistance, for state
1346 financial assistance.

1347 3. Establishment and recording of an identification code
1348 for each financial transaction, including state awarding
1349 agencies' disbursements of state financial assistance and
1350 federal financial assistance, as to the corresponding type or
1351 organization that is party to the transaction(e.g., other
1352 governmental agencies, nonprofit organizations, and for-profit
1353 organizations), and disbursements of federal financial
1354 assistance, as to whether the party to the transaction is or is
1355 not a nonstate entity ~~recipient or subrecipient~~.

1356 ~~(f)(b)~~ Upon conferring with the Executive Office of the
1357 Governor and all state awarding agencies, adopt rules necessary
1358 to provide appropriate guidance to state awarding agencies,
1359 nonstate entities ~~recipients and subrecipients~~, and independent
1360 auditors of state financial assistance relating to the format
1361 for the Schedule of Expenditures of State Financial Assistance.

1362 ~~(g)(e)~~ Perform any inspections, reviews, investigations,
1363 or audits of state financial assistance considered necessary in
1364 carrying out the Department of Financial Services's
1365 ~~Comptroller's~~ legal responsibilities for state financial
1366 assistance or to comply with the requirements of this section.

1367 (5) Each state awarding agency shall:



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1368 (a) Provide to each a recipient information needed by the
 1369 recipient to comply with the requirements of this section,
 1370 including:

1371 1. The audit and accountability requirements for state
 1372 projects as stated in this section and applicable ~~rules of the~~
 1373 ~~Executive Office of the Governor,~~ rules of the Department of
 1374 Financial Services Comptroller, and rules of the Auditor
 1375 General.

1376 2. Information from the Catalog of State Financial
 1377 Assistance, including the standard state project number
 1378 identifier; official title; legal authorization; and description
 1379 of the state project including objectives, restrictions, and
 1380 other relevant information determined necessary.

1381 3. Information from the State Projects Compliance
 1382 Supplement, including the significant compliance requirements,
 1383 eligibility requirements, matching requirements, suggested audit
 1384 procedures, and other relevant information determined necessary.

1385 (b) Require the recipient, as a condition of receiving
 1386 state financial assistance, to allow the state awarding agency,
 1387 the Department of Financial Services Comptroller, and the
 1388 Auditor General access to the recipient's records and the
 1389 recipient's independent auditor's working papers as necessary
 1390 for complying with the requirements of this section.

1391 (c) Notify the recipient that this section does not limit
 1392 the authority of the state awarding agency to conduct or arrange
 1393 for the conduct of additional audits or evaluations of state
 1394 financial assistance or limit the authority of any state
 1395 awarding agency inspector general, the Auditor General, or any
 1396 other state official.



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1397 (d) Be provided one copy of each financial reporting
1398 package prepared in accordance with the requirement of this
1399 section.

1400 (e) Review the recipient's ~~recipient~~ financial reporting
1401 package, including the management letters and corrective action
1402 plans, to the extent necessary to determine whether timely and
1403 appropriate corrective action has been taken with respect to
1404 audit findings and recommendations pertaining to state financial
1405 assistance that are specific to ~~provided by~~ the state awarding
1406 agency.

1407 (f) Designate within the state awarding agency a division,
1408 bureau, or other organizational unit that will be responsible
1409 for reviewing financial reporting packages pursuant to paragraph
1410 (e).

1411
1412 If the state awarding agency is not the coordinating agency as
1413 defined in paragraph (2)(d), the state awarding agency's
1414 designated division, bureau, or other organizational unit shall
1415 communicate to the coordinating agency the state awarding
1416 agency's approval of the recipient's corrective action plan with
1417 respect to findings and recommendations that are not specific to
1418 the state awarding agency.

1419 (6) Each coordinating agency shall:

1420 (a) Review the recipient's financial reporting package,
1421 including the management letter and corrective action plan, to
1422 identify audit findings and recommendations that affect state
1423 financial assistance that are not specific to a particular state
1424 awarding agency.

1425 (b) For any such findings and recommendations determine:



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1426 1. Whether timely and appropriate corrective action has
 1427 been taken.

1428 2. Promptly inform the state awarding agency's contact, as
 1429 designated pursuant to paragraph (5)(f), of actions taken by the
 1430 recipient to comply with the approved corrective action plan.

1431 (c) Maintain records of followup actions taken for the use
 1432 of any succeeding coordinating agency.

1433 (7)(6) As a condition of receiving state financial
 1434 assistance, each nonstate entity recipient that provides state
 1435 financial assistance to a subrecipient shall:

1436 (a) Provide to each a subrecipient information needed by
 1437 the subrecipient to comply with the requirements of this
 1438 section, including:

- 1439 1. Identification of the state awarding agency.
- 1440 2. The audit and accountability requirements for state
 1441 projects as stated in this section and applicable ~~rules of the~~
 1442 ~~Executive Office of the Governor~~, rules of the Department of
 1443 Financial Services ~~Comptroller~~, and rules of the Auditor
 1444 General.

1445 3. Information from the Catalog of State Financial
 1446 Assistance, including the standard state project number
 1447 identifier; official title; legal authorization; and description
 1448 of the state project, including objectives, restrictions, and
 1449 other relevant information.

1450 4. Information from the State Projects Compliance
 1451 Supplement including the significant compliance requirements,
 1452 eligibility requirements, matching requirements, and suggested
 1453 audit procedures, and other relevant information determined
 1454 necessary.



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1455 (b) Review the financial reporting package of the
 1456 subrecipient ~~audit reports~~, including the management letter and
 1457 corrective action plan letters, to the extent necessary to
 1458 determine whether timely and appropriate corrective action has
 1459 been taken with respect to audit findings and recommendations
 1460 pertaining to state financial assistance provided by a the state
 1461 awarding agency or nonstate entity.

1462 (c) Perform such other procedures as specified in terms
 1463 and conditions of the written agreement with the state awarding
 1464 agency or nonstate entity including any required monitoring of
 1465 the subrecipient's use of state financial assistance through
 1466 onsite visits, limited scope audits, or other specified
 1467 procedures.

1468 (d) Require subrecipients, as a condition of receiving
 1469 state financial assistance, to permit the independent auditor of
 1470 the nonstate entity recipient, the state awarding agency, the
 1471 Department of Financial Services Comptroller, and the Auditor
 1472 General access to the subrecipient's records and the
 1473 subrecipient's independent auditor's working papers as necessary
 1474 to comply with the requirements of this section.

1475 ~~(8)(7)~~ Each recipient or subrecipient of state financial
 1476 assistance shall comply with the following:

1477 (a) Each nonstate entity that ~~receives state financial~~
 1478 ~~assistance and~~ meets the audit threshold requirements, in any
 1479 fiscal year of the nonstate entity, as stated in the rules of
 1480 the Auditor General, shall have a state single audit conducted
 1481 for such fiscal year in accordance with the requirements of this
 1482 act and with additional requirements established in ~~rules of the~~
 1483 ~~Executive Office of the Governor~~, rules of the Department of
 1484 Financial Services Comptroller, and rules of the Auditor



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1485 General. If only one state project is involved in a nonstate
 1486 entity's fiscal year, the nonstate entity may elect to have only
 1487 a state project-specific audit ~~of the state project for that~~
 1488 ~~fiscal year.~~

1489 (b) Each nonstate entity that ~~receives state financial~~
 1490 ~~assistance and~~ does not meet the audit threshold requirements,
 1491 in any fiscal year of the nonstate entity, as stated in this law
 1492 or the rules of the Auditor General is exempt for such fiscal
 1493 year from the state single audit requirements of this section.
 1494 However, such nonstate entity must meet terms and conditions
 1495 specified in the written agreement with the state awarding
 1496 agency or nonstate entity.

1497 (c) Regardless of the amount of ~~the~~ state financial
 1498 assistance, the provisions of this section do not exempt a
 1499 nonstate entity from compliance with provisions of law relating
 1500 to maintaining records concerning state financial assistance to
 1501 such nonstate entity or allowing access and examination of those
 1502 records by the state awarding agency, nonstate entity, the
 1503 Department of Financial Services ~~Comptroller,~~ or the Auditor
 1504 General.

1505 (d) Audits conducted pursuant to this section shall be
 1506 performed annually.

1507 (e) Audits conducted pursuant to this section shall be
 1508 conducted by independent auditors in accordance with auditing
 1509 standards as stated in rules of the Auditor General.

1510 (f) Upon completion of the audit as required by this
 1511 section, a copy of the recipient's financial reporting package
 1512 shall be filed with the state awarding agency and the Auditor
 1513 General. Upon completion of the audit as required by this
 1514 section, a copy of the subrecipient's financial reporting



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1515 package shall be filed with the nonstate entity ~~recipient~~ that
1516 provided the state financial assistance and the Auditor General.
1517 The financial reporting package shall be filed in accordance
1518 with the rules of the Auditor General.

1519 (g) All financial reporting packages prepared pursuant to
1520 the requirements of this section shall be available for public
1521 inspection.

1522 (h) If an audit conducted pursuant to this section
1523 discloses any significant audit findings relating to state
1524 financial assistance, including material noncompliance with
1525 individual state project compliance requirements or reportable
1526 conditions in internal controls of the nonstate entity, the
1527 nonstate entity shall submit as part of the financial reporting
1528 ~~audit~~ package to the state awarding agency or nonstate entity a
1529 plan for corrective action to eliminate such audit findings or a
1530 statement describing the reasons that corrective action is not
1531 necessary.

1532 (i) An audit conducted in accordance with this section is
1533 in addition to any audit of federal awards required by the
1534 federal Single Audit Act and other federal laws and regulations.
1535 To the extent that such federally required audits provide the
1536 state awarding agency or nonstate entity with information it
1537 requires to carry out its responsibilities under state law or
1538 other guidance, the a state awarding agency or nonstate entity
1539 shall rely upon and use that information.

1540 (j) Unless prohibited by law, the costs ~~cost~~ of audits
1541 pursuant to this section are ~~is~~ allowable charges to state
1542 projects. However, any charges to state projects should be
1543 limited to those incremental costs incurred as a result of the
1544 audit requirements of this section in relation to other audit



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1545 requirements. The nonstate entity should allocate such
1546 incremental costs to all state projects for which it expended
1547 state financial assistance.

1548 (k) Audit costs may not be charged to state projects when
1549 audits required by this section have not been made or have been
1550 made but not in accordance with this section. If a nonstate
1551 entity fails to have an audit conducted consistent with this
1552 section, a state awarding agency or nonstate entity ~~agencie~~s may
1553 take appropriate corrective action to enforce compliance.

1554 (l) This section does not prohibit the state awarding
1555 agency or nonstate entity from including terms and conditions in
1556 the written agreement which require additional assurances that
1557 state financial assistance meets the applicable requirements of
1558 laws, regulations, and other compliance rules.

1559 (m) A state awarding agency or nonstate entity that
1560 ~~provides state financial assistance to nonstate entities and~~
1561 conducts or arranges for audits of state financial assistance
1562 that are in addition to the audits conducted under this act,
1563 including audits of nonstate entities that do not meet the audit
1564 threshold requirements, shall, consistent with other applicable
1565 law, arrange for funding the full cost of such additional
1566 audits.

1567 ~~(9)~~~~(8)~~ The independent auditor when conducting a state
1568 single audit of a nonstate entity ~~recipients or subrecipients~~
1569 shall:

1570 (a) Determine whether the nonstate entity's financial
1571 statements are presented fairly in all material respects in
1572 conformity with generally accepted accounting principles.

1573 (b) Determine whether state financial assistance shown on
1574 the Schedule of Expenditures of State Financial Assistance is



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1575 presented fairly in all material respects in relation to the
 1576 nonstate entity's financial statements taken as a whole.

1577 (c) With respect to internal controls pertaining to each
 1578 major state project:

- 1579 1. Obtain an understanding of internal controls;
- 1580 2. Assess control risk;
- 1581 3. Perform tests of controls unless the controls are
 1582 deemed to be ineffective; and
- 1583 4. Determine whether the nonstate entity has internal
 1584 controls in place to provide reasonable assurance of compliance
 1585 with the provisions of laws and rules pertaining to state
 1586 financial assistance that have a material effect on each major
 1587 state project.

1588 (d) Determine whether each major state project complied
 1589 with the provisions of laws, rules, and guidelines as identified
 1590 in the State Projects Compliance Supplement, or otherwise
 1591 identified by the state awarding agency, which have a material
 1592 effect on each major state project. When major state projects
 1593 are less than 50 percent of the nonstate entity's total
 1594 expenditures for all state financial assistance, the auditor
 1595 shall select and test additional state projects as major state
 1596 projects as necessary to achieve audit coverage of at least 50
 1597 percent of the expenditures for all state financial assistance
 1598 provided to the nonstate entity. Additional state projects
 1599 needed to meet the 50-percent requirement may be selected on an
 1600 inherent risk basis as stated in the rules of the Department of
 1601 Financial Services ~~Executive Office of the Governor~~.

1602 (e) Report on the results of any audit conducted pursuant
 1603 to this section in accordance with the ~~rules of the Executive~~
 1604 ~~Office of the Governor~~, rules of the Department of Financial



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1605 Services ~~Comptroller~~, and rules of the Auditor General.
 1606 Financial reporting packages ~~Audit reports~~ shall include
 1607 summaries of the auditor's results regarding the nonstate
 1608 entity's financial statements; Schedule of Expenditures of State
 1609 Financial Assistance; internal controls; and compliance with
 1610 laws, rules, and guidelines.

1611 (f) Issue a management letter as prescribed in the rules
 1612 of the Auditor General.

1613 (g) Upon notification by the nonstate entity, make
 1614 available the working papers relating to the audit conducted
 1615 pursuant to the requirements of this section to the state
 1616 awarding agency, the Department of Financial Services
 1617 ~~Comptroller~~, or the Auditor General for review or copying.

1618 ~~(10)(9)~~ The independent auditor, when conducting a state
 1619 project-specific audit of a nonstate entity ~~recipients or~~
 1620 ~~subrecipients~~, shall:

1621 (a) Determine whether the nonstate entity's Schedule of
 1622 Expenditures of State Financial Assistance is presented fairly
 1623 in all material respects in conformity with stated accounting
 1624 policies.

1625 (b) Obtain an understanding of internal controls ~~control~~
 1626 and perform tests of internal controls ~~control~~ over the state
 1627 project consistent with the requirements of a major state
 1628 project.

1629 (c) Determine whether or not the auditee has complied with
 1630 applicable provisions of laws, rules, and guidelines as
 1631 identified in the State Projects Compliance Supplement, or
 1632 otherwise identified by the state awarding agency, which could
 1633 have a direct and material effect on the state project.



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1634 (d) Report on the results of the a state project-specific
1635 audit consistent with the requirements of the state single audit
1636 and issue a management letter as prescribed in the rules of the
1637 Auditor General.

1638 (e) Upon notification by the nonstate entity, make
1639 available the working papers relating to the audit conducted
1640 pursuant to the requirements of this section to the state
1641 awarding agency, the Department of Financial Services
1642 ~~Comptroller~~, or the Auditor General for review or copying.

1643 (11)~~(10)~~ The Auditor General shall:

1644 (a) Have the authority to audit state financial assistance
1645 provided to any nonstate entity when determined necessary by the
1646 Auditor General or when directed by the Legislative Auditing
1647 Committee.

1648 (b) Adopt rules that state the auditing standards that
1649 independent auditors are to follow for audits of nonstate
1650 entities required by this section.

1651 (c) Adopt rules that describe the contents and the filing
1652 deadlines for the financial reporting package.

1653 (d) Provide technical advice upon request of the
1654 Department of Financial Services ~~Comptroller, Executive Office~~
1655 ~~of the Governor~~, and state awarding agencies relating to
1656 financial reporting and audit responsibilities contained in this
1657 section.

1658 (e) Be provided one copy of each financial reporting
1659 package prepared in accordance with the requirements of this
1660 section.

1661 (f) Perform ongoing reviews of a sample of financial
1662 reporting packages filed pursuant to the requirements of this
1663 section to determine compliance with the reporting requirements



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1664 of this section and applicable ~~rules of the Executive Office of~~
1665 ~~the Governor,~~ rules of the Department of Financial Services
1666 ~~Comptroller,~~ and rules of the Auditor General.

1667 Section 41. Effective July 1, 2003, one full-time
1668 equivalent position is transferred from the Executive Office of
1669 the Governor to the Department of Financial Services.

1670 Section 42. This act shall take effect upon becoming a
1671 law.