

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Community Affairs Committee

BILL: SB 1368

INTRODUCER: Senator Dean

SUBJECT: Local Government's Audit and Finance Reports

DATE: March 19, 2009      REVISED: 03/24/09 \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Molloy	Yeatman	CA	<b>Fav/1 amendment</b>
2.			GO	
3.			FT	
4.			GA	
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input type="checkbox"/>            | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input checked="" type="checkbox"/> | Significant amendments were recommended |

**I. Summary:**

This bill revises the schedule by which local governments that are required to undergo an audit must submit a copy of the audit report and the annual financial report to the Department of Financial Services, and requires that the audit be completed within 9 months after the end of the fiscal year. A copy of the audit report and the annual financial report must be submitted within 45 days after completion of the audit but not more than 9 months after the end of the local government's fiscal year.

For local governments that are not audited, the deadline for submitting the annual financial report is extended from April 30 to 9 months after the end of the local government's fiscal year. Each local governmental entity's website must provide a link to the Department of Financial Services' website to view the entity's annual financial report. If the local governmental entity does not have a website, the county government's website must provide the link.

This bill substantially amends sections 218.32 and 218.39 of the Florida Statutes.

## II. Present Situation:

*Local Government Annual Financial Reports*— Section 218.32 (1), F.S., requires that local governments submit to the Department of Financial Services (DFS) an Annual Financial Report covering their operations for the preceding fiscal year. DFS makes available to local governments an electronic filing system that accumulates the financial information reported on the annual financial reports in a database and makes that information available to the public in an electronic format. Submission of the annual report depends on whether or not the local government entity is required to have an annual audit; if no audit is required the deadline is April 30 of each year, and if an audit is required the deadline is no later than 12 months after the end of the fiscal year. If DFS does not receive a completed annual financial report from a local government entity within the required period, DFS must notify the Legislative Auditing Committee, which must schedule a hearing.

If the Legislative Auditing Committee determines that an entity should be subject to further state action, the committee must:

- In the case of a local government entity or a district school board, direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction until the local government entity or the district school board is in compliance. The committee must specify the date that action will begin and both departments must receive notification 30 days before the date the withheld funds would normally be distributed.<sup>1</sup>
- In the case of a special district, the committee must notify the Department of Community Affairs and the department must offer assistance to the special district. If the district is still in noncompliance, the department must petition the circuit court in Leon County for a writ of certiorari, and the court must award attorney costs and court fees to the prevailing party.<sup>2</sup>
- In the case of a charter school or charter technical career center, the committee must notify the appropriate sponsoring entity who may terminate the charter.<sup>3</sup>

*Local Government Annual Financial Audit Reports*— Section 218.39, F.S., provides that if a local government will not be audited by the Auditor General, the local government must provide for an annual financial audit to be completed within 12 months after the end of the fiscal year. The audit must be conducted by an independent certified public accountant retained by the entity and paid for from public funds. The entities are:

- Each county, district school board, charter school, or charter technical center.
- Each city with revenues or expenditures and expenses of more than \$250,000.
- Each special district with revenues or expenditures and expenses of more than \$100,000.
- Each city with revenues or expenditures and expenses between \$100,000 and \$250,000 that has not been audited within the 2 preceding fiscal years.
- Each special district with revenues or expenditures and expenses between \$50,000 and \$100,000 that has not been audited within the 2 preceding fiscal years.

<sup>1</sup> See s. 11.40(5), F.S.

<sup>2</sup> See s. 189.421(3), F.S.

<sup>3</sup> See s. 11.40(5), F.S.

### III. Effect of Proposed Changes:

**Section 1.** Amends s. 218.32, F.S., to provide that each local governmental entity required to undergo an audit, must submit a copy of the audit report and the annual financial statement to the Department of Financial Services within 9 months after the end of the local government's fiscal year, instead of within the 12-month period provided in current law.

The annual financial report of a local governmental entity not required to undergo an audit must be submitted within 9 months after the end of the local government's fiscal year, instead of by April 30 as provided in current law.

Each local governmental entity's website must provide a link to the Department of Financial Services' website to view the entity's annual financial report. If the local governmental entity does not have a website, the county government's website must provide the link.

**Section 2.** Amends s. 218.39, F.S., to provide that each local governmental entity, district school board, charter school, or charter technical career center that has not been notified that the Auditor General will perform a financial audit, must have an annual financial audit completed within 9 months after the end of the entity's fiscal year, instead of within the 12-month period provided in current law.

**Section 3.** Provides that the act will take effect July 1, 2009.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

If the costs of complying with the website posting requirements of the bill exceed \$1.9 million statewide, the mandate provisions of paragraph (a) of s. 18, Art. VII, Florida Constitution, may apply. If so, the Legislature must determine that the bill fulfills an important state interest and the bill will require approval by a two-thirds vote of the membership of each house of the Legislature.

#### B. Public Records/Open Meetings Issues:

None.

#### C. Trust Funds Restrictions:

None.

### V. Fiscal Impact Statement:

#### A. Tax/Fee Issues:

None.

**B. Private Sector Impact:**

Citizens will have access to local government annual financial reporting information in a format that is easy to understand.

**C. Government Sector Impact:**

The website posting requirements will have an indeterminate fiscal impact on local governments.

The Department of Financial Services reports no fiscal impact to the department from the provisions of the bill.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:****Barcode 371202 by Community Affairs on March 24, 2009:**

The amendment provides for minimum standards for budgeting by counties, county officers, municipalities, and special districts. The amendment requires budgets and budget amendments for each county, county officer, municipality, special district, and school district to be posted on the governmental entity website. The amendment revises the schedule by which local governments must submit audit reports and annual financial reports to the Department of Financial Services, and provides that each local governmental entity's website must provide a link to the Department of Financial Services' website to view the entity's annual financial report. If the local governmental entity does not have a website, the county government's website must provide the link.  
(WITH TITLE AMENDMENT)