

By Senator Atwater

25-1538A-03

See HB 1603

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

1 s. 132.09, F.S.; revising provisions relating  
2 to the notice of sale, bids, and awards and  
3 private sale of bonds; amending s. 163.05,  
4 F.S.; revising provisions governing the Small  
5 County Technical Assistance Program; amending  
6 s. 166.121, F.S.; revising provisions governing  
7 the issuance of bonds by a municipality;  
8 amending s. 166.241, F.S.; providing a  
9 municipal budget amendment process and  
10 requirements; amending s. 189.4044, F.S.;  
11 revising special procedures for determination  
12 of inactive special districts; amending s.  
13 189.412, F.S.; revising duties of the Special  
14 District Information Program of the Department  
15 of Community Affairs; amending s. 189.418,  
16 F.S.; revising reporting requirements of newly  
17 created special districts; authorizing the  
18 governing body of a special district to amend  
19 its budget; amending s. 189.419, F.S.; revising  
20 provisions relating to the failure of special  
21 districts to file required reports; amending s.  
22 189.421, F.S.; revising provisions governing  
23 the failure of special districts to disclose  
24 financial reports; providing for extension of  
25 time for the filing of said reports; providing  
26 remedies for noncompliance; providing for  
27 attorney's fees and costs; amending s. 189.428,  
28 F.S.; revising provisions governing the special  
29 district oversight review process; amending s.  
30 189.439, F.S.; revising provisions governing  
31 the issuance of bonds by special districts;

1 amending s. 215.981, F.S.; exempting state  
2 agency direct-support organizations and citizen  
3 support organizations meeting specified expense  
4 levels from audit requirements; amending s.  
5 218.075, F.S.; revising provisions governing  
6 the reduction or waiver of permit processing  
7 fees for certain counties; amending s. 218.32,  
8 F.S., relating to annual financial reports;  
9 requiring the Department of Financial Services  
10 to notify the Speaker of the House of  
11 Representatives and the President of the Senate  
12 of any municipality that has not had financial  
13 activity for a specified period of time;  
14 providing that such notice is sufficient to  
15 initiate dissolution procedures; amending s.  
16 218.321, F.S.; correcting a cross-reference;  
17 amending s. 218.36, F.S.; revising reporting  
18 requirements for boards of county commissioners  
19 relating to the failure of a county officer to  
20 comply with the provisions of the section;  
21 amending s. 218.369, F.S.; revising the  
22 definition of "unit of local government" to  
23 include district school boards; renaming pt. V  
24 of ch. 218, F.S., as "Local Governmental Entity  
25 and District School Board Financial  
26 Emergencies"; amending s. 218.50, F.S.;  
27 renaming ss. 218.50-218.504, F.S., as the  
28 "Local Governmental Entity and District School  
29 Board Act"; amending s. 218.501, F.S.; revising  
30 the stated purposes of pt. V of ch. 218, F.S.;  
31 amending s. 218.502, F.S.; revising the

1 definition of "local governmental entity";  
2 amending s. 218.503, F.S.; revising provisions  
3 governing the determination of financial  
4 emergency for local governments and district  
5 school boards; amending s. 218.504, F.S.;  
6 revising provisions relating to the authority  
7 of the Governor and authorizing the  
8 Commissioner of Education to terminate all  
9 state actions pursuant to ss. 218.50-218.504,  
10 F.S.; repealing ch. 131, F.S., consisting of  
11 ss. 131.01, 131.02, 131.03, 131.04, 131.05, and  
12 131.06, F.S., relating to refunding bonds of  
13 counties, municipalities, and special  
14 districts; repealing s. 132.10, F.S., relating  
15 to minimum sale price of bonds; repealing s.  
16 165.052, F.S., relating to special dissolution  
17 procedures for municipalities; repealing s.  
18 189.409, F.S., relating to determination of  
19 financial emergencies of special districts;  
20 repealing s. 189.422, F.S., relating to actions  
21 of the Department of Community Affairs and  
22 special districts; repealing s. 200.0684, F.S.,  
23 relating to an annual compliance report of the  
24 Department of Community Affairs regarding  
25 special districts; repealing s. 218.37(1)(h),  
26 F.S., relating to the requirement that the  
27 Division of Bond Finance use a served copy of  
28 the complaint for bond validation to verify  
29 compliance by special districts with the  
30 requirements in s. 218.38, F.S.; transferring a  
31 position from the Executive Office of the

1 Governor to the Department of Financial  
2 Services; providing an effective date.

3  
4 Be It Enacted by the Legislature of the State of Florida:

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

8 11.40 Legislative Auditing Committee.--

9 (5) Following notification by the Auditor General, the  
10 Department of Financial Services ~~Banking and Finance~~, or the  
11 Division of Bond Finance of the State Board of Administration  
12 of the failure of a local governmental entity, district school  
13 board, charter school, or charter technical career center to  
14 comply with the applicable provisions within s. 11.45(5)-(7),  
15 s. 218.32(1), or s. 218.38, the Legislative Auditing Committee  
16 may schedule a hearing. If a hearing is scheduled, the  
17 committee shall determine if the entity should be subject to  
18 further state action. If the committee determines that the  
19 entity should be subject to further state action, the  
20 committee shall:

21 (a) In the case of a local governmental entity or  
22 district school board, direct request the Department of  
23 Revenue and the Department of Financial Services ~~Banking and~~  
24 ~~Finance~~ to withhold any funds not pledged for bond debt  
25 service satisfaction which are payable to such entity until  
26 the entity complies with the law. The committee, ~~in its~~  
27 ~~request~~, shall specify the date such action shall begin, and  
28 the directive request must be received by the Department of  
29 Revenue and the Department of Financial Services ~~Banking and~~  
30 ~~Finance~~ 30 days before the date of the distribution mandated  
31 by law. The Department of Revenue and the Department of

1 Financial Services ~~Banking and Finance~~ are authorized to  
2 implement the provisions of this paragraph.

3 (b) In the case of a special district, notify the  
4 Department of Community Affairs that the special district has  
5 failed to comply with the law. Upon receipt of notification,  
6 the Department of Community Affairs shall proceed pursuant to  
7 the provisions specified in s. 189.421 ~~and 189.422~~.

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

11 11.45 Definitions; duties; authorities; reports;  
12 rules.--

13 (5) PETITION FOR AN AUDIT BY THE AUDITOR GENERAL.--The  
14 Legislative Auditing Committee shall direct the Auditor  
15 General to make an ~~a financial~~ audit of any municipality  
16 whenever petitioned to do so by at least 20 percent of the  
17 electors of that municipality. The supervisor of elections of  
18 the county in which the municipality is located shall certify  
19 whether or not the petition contains the signatures of at  
20 least 20 percent of the electors of the municipality. After  
21 the completion of the audit, the Auditor General shall  
22 determine whether the municipality has the fiscal resources  
23 necessary to pay the cost of the audit. The municipality shall  
24 pay the cost of the audit within 90 days after the Auditor  
25 General's determination that the municipality has the  
26 available resources. If the municipality fails to pay the cost  
27 of the audit, the Department of Revenue shall, upon  
28 certification of the Auditor General, withhold from that  
29 portion of the distribution pursuant to s. 212.20(6)(d)6.  
30 which is distributable to such municipality, a sum sufficient  
31

1 to pay the cost of the audit and shall deposit that sum into  
2 the General Revenue Fund of the state.

3 (7) AUDITOR GENERAL REPORTING REQUIREMENTS.--

4 (e) The Auditor General shall notify the Governor or  
5 the Commissioner of Education, as appropriate,and the  
6 Legislative Auditing Committee of any audit report reviewed by  
7 the Auditor General pursuant to paragraph (b) that ~~which~~  
8 contains a statement that a ~~the~~ local governmental entity or  
9 district school board has met one or more of the conditions  
10 specified ~~is in a state of financial emergency as provided in~~  
11 s. 218.503. If the Auditor General requests a clarification  
12 regarding information included in an audit report to determine  
13 whether a local governmental entity or district school board  
14 has met one or more of the conditions specified in s. 218.503  
15 ~~is in a state of financial emergency,~~ the requested  
16 clarification must be provided within 45 days after the date  
17 of the request. If the local governmental entity or district  
18 school board does not comply with the Auditor General's  
19 request, the Auditor General shall notify the Legislative  
20 Auditing Committee. If, after obtaining the requested  
21 clarification, the Auditor General determines that the local  
22 governmental entity or district school board has met one or  
23 more of the conditions specified in s. 218.503 ~~is in a state~~  
24 ~~of financial emergency,~~ he or she shall notify the Governor or  
25 the Commissioner of Education, as appropriate,and the  
26 Legislative Auditing Committee.

27 (8) RULES OF THE AUDITOR GENERAL.--The Auditor  
28 General, in consultation with the Board of Accountancy, shall  
29 adopt rules for the form and conduct of all financial audits  
30 performed by independent certified public accountants pursuant  
31 to ss. 215.981, 218.39, 1001.453, 1004.28, and 1004.70. The

1 rules for audits of local governmental entities and district  
2 school boards must include, but are not limited to,  
3 requirements for the reporting of information necessary to  
4 carry out the purposes of the Local Governmental Entity and  
5 District School Board ~~Government~~ Financial Emergencies Act as  
6 stated in s. 218.501.

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

9 61.181 Depository for alimony transactions, support,  
10 maintenance, and support payments; fees.--

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

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

16 75.05 Order and service.--

17 (3) ~~In the case of independent special districts as~~  
18 ~~defined in s. 218.31(7), a copy of the complaint shall be~~  
19 ~~served on the Division of Bond Finance of the State Board of~~  
20 ~~Administration.~~Notwithstanding any other provision of law,  
21 whether a general law or special act, validation of bonds to  
22 be issued by a special district, other than a community  
23 development district established pursuant to chapter 190, as  
24 provided in s. 190.016(12), is not mandatory, but is at the  
25 option of the issuer. However, the validation of bonds issued  
26 by such community development districts shall not be required  
27 on refunding issues.

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

30 112.625 Definitions.--As used in this act:

31

1           (5) "Governmental entity" means the state, for the  
2 Florida Retirement System, and the county, municipality, or  
3 special district, or district school board which is the  
4 employer of the member of a local retirement system or plan.

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

7           112.63 Actuarial reports and statements of actuarial  
8 impact; review.--

9           (4) Upon receipt, pursuant to subsection (2), of an  
10 actuarial report, or upon receipt, pursuant to subsection (3),  
11 of a statement of actuarial impact, the Department of  
12 Management Services shall acknowledge such receipt, but shall  
13 only review and comment on each retirement system's or plan's  
14 actuarial valuations at least on a triennial basis. If the  
15 department finds that the actuarial valuation is not complete,  
16 accurate, or based on reasonable assumptions or otherwise  
17 fails to satisfy the requirements of this part, the department  
18 requires additional information necessary to complete its  
19 review of the actuarial valuation of a system or plan or  
20 information necessary to satisfy the duties of the department  
21 pursuant to s. 112.665(1), or if the department does not  
22 receive the actuarial report or statement of actuarial impact,  
23 the department shall notify the administrator of the affected  
24 retirement system or plan and the affected governmental entity  
25 local government and request appropriate adjustment, the  
26 additional information, or the required report or statement.  
27 The notification shall inform the administrator of the  
28 affected retirement system or plan and the affected  
29 governmental entity of the consequences for failure to comply  
30 with the requirements of this subsection. If, after a  
31 reasonable period of time, a satisfactory adjustment is not

1 made or the report, statement, or additional information is  
2 not provided, the department may notify the Department of  
3 Revenue and the Department of Financial Services of such  
4 noncompliance, in which case the Department of Revenue and the  
5 Department of Financial Services shall withhold any funds not  
6 pledged for bond debt service satisfaction that are payable to  
7 the affected governmental entity until the adjustment is made  
8 or the report, statement, or additional information is  
9 provided to the department. The department shall specify the  
10 date such action is to begin and notification by the  
11 department must be received by the Department of Revenue, the  
12 Department of Financial Services, and the affected  
13 governmental entity 30 days before the date the action is to  
14 begin.

15 (a) Within 21 days after receipt of the notice, the  
16 affected governmental entity ~~local government or the~~  
17 ~~department~~ may petition for a hearing under the provisions of  
18 ss. 120.569 and 120.57 with the Department of Management  
19 Services. The Department of Revenue and the Department of  
20 Financial Services shall not be parties to any such hearing  
21 but may request to intervene if requested by the Department of  
22 Management Services or if either the Department of Revenue or  
23 the Department of Financial Services determines its interests  
24 may be adversely affected by the hearing. If the  
25 administrative law judge recommends in favor of the  
26 department, the department shall perform an actuarial review  
27 or prepare the statement of actuarial impact, or collect the  
28 requested information. The cost to the department of  
29 performing such actuarial review, ~~or~~ preparing such statement,  
30 or collecting the requested information shall be charged to  
31 the affected governmental entity of which the employees are

1 covered by the retirement system or plan. If payment of such  
2 costs is not received by the department within 60 days after  
3 receipt by the affected governmental entity of the request for  
4 payment, the department shall certify to the Department of  
5 Revenue and the Department of Financial Services ~~Comptroller~~  
6 the amount due, and the Department of Revenue and the  
7 Department of Financial Services ~~Comptroller~~ shall pay such  
8 amount to the Department of Management Services from any funds  
9 not pledged for bond debt service satisfaction that are  
10 payable to the affected governmental entity of which the  
11 employees are covered by the retirement system or plan. If the  
12 administrative law judge recommends in favor of the affected  
13 governmental entity ~~local retirement system~~ and the department  
14 performs an actuarial review, prepares the statement of  
15 actuarial impact, or collects the requested information, the  
16 cost to the department of performing the actuarial review,  
17 preparing the statement, or collecting the requested  
18 information shall be paid by the Department of Management  
19 Services.

20 (b) In the case of an affected special district, the  
21 Department of Management Services shall also notify the  
22 Department of Community Affairs. Upon receipt of notification,  
23 the Department of Community Affairs shall proceed pursuant to  
24 the provisions of s. 189.421 with regard to the special  
25 district.

26 Section 7. Section 130.04, Florida Statutes, is  
27 amended to read:

28 130.04 Sale ~~Notice for bids and disposition~~ of  
29 bonds.--In case the issuing of bonds shall be authorized by  
30 the result of such election, the county commissioners shall  
31 sell the bonds in the manner provided in s. 218.385 ~~cause~~

1 ~~notice to be given by publication in a newspaper published in~~  
2 ~~the county, or in some newspaper published in the same~~  
3 ~~judicial circuit, if there be none published in the county,~~  
4 ~~that they will receive bids for the purchase of county bonds~~  
5 ~~at the clerk's office, on a date not less than 10 days nor~~  
6 ~~more than 60 days from the first publication of such notice.~~  
7 ~~The notice shall specify the amount of bonds offered for sale,~~  
8 ~~the rate of interest, and the time when principal and~~  
9 ~~installments of interest shall be due and payable. Any and all~~  
10 ~~bids shall be rejected if the commissioners shall deem it to~~  
11 ~~the best interest for the county so to do, and they may cause~~  
12 ~~a new notice to be given in like manner inviting other bids~~  
13 ~~for said bonds; provided, that when the rate of interest on~~  
14 ~~said bonds exceeds 5 percent per annum, said bonds shall not~~  
15 ~~be sold for less than 95 cents on the dollar, but when any~~  
16 ~~bonds have heretofore been provided for by election, and the~~  
17 ~~rate of interest is 5 percent per annum, or less, that in such~~  
18 ~~cases the county commissioners may accept less than 95 cents~~  
19 ~~upon the dollar, in the sale of said bonds, or for any portion~~  
20 ~~of said bonds not already sold; provided, however, no bonds~~  
21 ~~shall be sold for less than 90 cents on the dollar.~~

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

24 132.02 Taxing units may refund obligations.--

25 (1) Each county, municipality, ~~city, town, special~~  
26 ~~road and bridge district, special tax~~ school district, or and  
27 other taxing district ~~districts~~ in this state, herein  
28 sometimes called a unit, may issue, pursuant to a resolution  
29 or resolutions of the governing body thereof (meaning thereby  
30 the board or body vested with the power of determining the  
31 amount of tax levies required for taxing the taxable property

1 of such unit for the purpose of such unit) and either with or  
2 without the approval of such bonds at an election, except as  
3 may be required by the Constitution of the state, bonds of  
4 such unit for the purpose of refunding any or all bonds,  
5 coupons, or interest on any such bonds, ~~or coupons or paving~~  
6 ~~certificates of indebtedness or interest on any such paving~~  
7 ~~certificates of indebtedness,~~ now or hereafter outstanding, or  
8 any other funded debt, all of which are herein referred to as  
9 bonds, whether such unit created such indebtedness or has  
10 assumed, or may become liable therefor, ~~and whether~~  
11 ~~indebtedness to be refunded has matured or to thereafter~~  
12 ~~become matured.~~

13 Section 9. Section 132.09, Florida Statutes, is  
14 amended to read:

15 132.09 Sale of bonds ~~Notice of sale; bids and award;~~  
16 ~~private sale.~~--When sold, the refunding bonds (except as  
17 otherwise expressly provided) shall be sold in the manner  
18 provided in s. 218.385 ~~pursuant to the terms of a notice of~~  
19 ~~sale which shall be published at least twice. The first~~  
20 ~~publication to be not less than 7 days before the date fixed~~  
21 ~~for the sale and to be published in a newspaper published in~~  
22 ~~the unit, or if no newspaper is published in the unit, then in~~  
23 ~~a newspaper published in the county, or if no newspaper is~~  
24 ~~published in the county, then in a newspaper published in~~  
25 ~~Fallahassee, and in the discretion of the governing body of~~  
26 ~~the unit may be published in a financial newspaper in the City~~  
27 ~~of New York. Such notices shall state the time and place and~~  
28 ~~when and where sealed bids will be received, shall state the~~  
29 ~~amount of bonds, their dates, maturities, denominations and~~  
30 ~~interest rate or rates (which may be a maximum rate), interest~~  
31 ~~payment dates, an outline of the terms, if any, on which they~~

1 ~~are redeemable or become payable before maturity, the amount~~  
2 ~~which must be deposited with the bid to secure its performance~~  
3 ~~if accepted, and such other pertinent information as the~~  
4 ~~governing body of the unit may determine. The notice of sale~~  
5 ~~may require the bidders to fix the interest rate or rates that~~  
6 ~~the bonds are to bear subject to the terms of the notice and~~  
7 ~~the maximum rate permitted by this chapter. The award of the~~  
8 ~~bonds shall be made by the governing body of the unit to the~~  
9 ~~bidder making the most advantageous bid which shall be~~  
10 ~~determined by the governing body in its absolute and~~  
11 ~~uncontrolled discretion. The right to reject all bids shall~~  
12 ~~be reserved to the governing body of the unit. If no bids are~~  
13 ~~received at such public sale, or if all bids are rejected, the~~  
14 ~~bonds may be sold without notice at private sale at any time~~  
15 ~~within one year thereafter, but such bonds shall not be sold~~  
16 ~~at private sale on terms less favorable to the unit than were~~  
17 ~~contained in the best bid at the prior public sale.~~

18 Section 10. Paragraph (a) of subsection (2) of section  
19 163.05, Florida Statutes, is amended to read:

20 163.05 Small County Technical Assistance Program.--

21 (2) Recognizing the findings in subsection (1), the  
22 Legislature declares that:

23 (a) The financial difficulties ~~fiscal emergencies~~  
24 confronting small counties require an investment that will  
25 facilitate efforts to improve the productivity and efficiency  
26 of small counties' structures and operating procedures.

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

29 166.121 Issuance of bonds.--

30 (2) The governing body of a municipality shall  
31 determine the terms and manner of sale and distribution or

1 other disposition of any and all bonds it may issue,  
2 consistent with the provisions of s. 218.385, and shall have  
3 any and all powers necessary or convenient to such  
4 disposition.

5 Section 12. Section 166.241, Florida Statutes, is  
6 amended to read:

7 166.241 Fiscal years, ~~financial reports,~~  
8 appropriations, ~~and~~ budgets, and budget amendments.--

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

11 (1)(2) Each municipality shall make provision for  
12 establishing a fiscal year beginning October 1 of each year  
13 and ending September 30 of the following year.

14 (2)(3) The governing body of each municipality shall  
15 adopt a budget each fiscal year. The budget must be adopted by  
16 ordinance unless otherwise specified in the respective  
17 municipality's charter, except that municipalities required to  
18 establish millage pursuant to chapter 200 shall adopt the  
19 budget by resolution or ordinance in the manner specified in  
20 s. 200.065(2). The amount available from taxation and other  
21 sources, including amounts carried over from prior fiscal  
22 years, must equal the total appropriations for expenditures  
23 and reserves. The budget must regulate expenditures of the  
24 municipality, and it is unlawful for any officer of a  
25 municipal government to expend or contract for expenditures in  
26 any fiscal year except in pursuance of budgeted  
27 appropriations.

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

1           (a) Appropriations for expenditures within a fund may  
2 be decreased or increased by motion recorded in the minutes,  
3 provided that the total of the appropriations of the fund is  
4 not changed.

5           (b) The governing body may establish procedures by  
6 which the designated budget officer may authorize certain  
7 budget amendments within a department, provided that the total  
8 of the appropriations of the department is not changed.

9           (c) If a budget amendment is required for a purpose  
10 not specifically authorized in paragraph (a) or paragraph (b),  
11 the budget amendment must be adopted in the same manner as the  
12 original budget unless otherwise specified in the charter of  
13 the respective municipality.

14           Section 13. Section 189.4044, Florida Statutes, is  
15 amended to read:

16           189.4044 Special procedures for inactive districts.--

17           (1) The department shall declare inactive any special  
18 district in this state by documenting the following filing a  
19 ~~report with the Speaker of the House of Representatives and~~  
20 ~~the President of the Senate which shows that such special~~  
21 ~~district is no longer active. The inactive status of the~~  
22 ~~special district must be based upon a finding:~~

23           (a) ~~That~~ The special district meets one of the  
24 following criteria:

25           1. The registered agent of the district, the chair of  
26 the governing body of the district, or the governing body of  
27 the appropriate local general-purpose government notifies the  
28 department in writing that the district has taken no action  
29 for 2 or more calendar years;

30           2. Following an inquiry from the department, the  
31 registered agent of the district, the chair of the governing

1 body of the district, or the governing body of the appropriate  
2 local general-purpose government notifies the department in  
3 writing that the district has not had a governing board or a  
4 sufficient number of governing board members to constitute a  
5 quorum for 2 or more years or the registered agent of the  
6 district, the chair of the governing body of the district, or  
7 the governing body of the appropriate local general-purpose  
8 government fails to respond to the department's inquiry within  
9 21 days; or ~~18 or more months~~

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

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

16 (b) The department, special district, or local  
17 general-purpose government published ~~That~~ a notice of the  
18 proposed declaration of inactive status ~~has been published~~  
19 ~~once a week for 2 weeks~~ in a newspaper of general circulation  
20 ~~in within~~ the county or municipality ~~in which wherein~~ the  
21 territory of the special district is located and sent a copy  
22 of such notice by certified mail to the registered agent or  
23 chair of the board, if any. Such notice shall include, ~~stating~~  
24 the name of said special district, the law under which it was  
25 organized and operating, a general description of the  
26 territory included in said special district, and a statement  
27 ~~stating~~ that any objections must be filed pursuant to chapter  
28 120 within 21 days after the publication date to the proposed  
29 ~~declaration or to any claims against the assets of said~~  
30 ~~special district shall be filed not later than 60 days~~

1 ~~following the date of last publication with the department;~~  
2 and

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

7 (2) If any special district is declared inactive  
8 pursuant to this section, the property or assets of the  
9 special district are subject to legal process for payment of  
10 any debts of the district. After the payment of all the debts  
11 of said inactive special district, the remainder of its  
12 property or assets shall escheat to the county or municipality  
13 wherein located. If, however, it shall be necessary, in order  
14 to pay any such debt, to levy any tax or taxes on the property  
15 in the territory or limits of the inactive special district,  
16 the same may be assessed and levied by order of the local  
17 general-purpose government wherein the same is situated and  
18 shall be assessed by the county property appraiser and  
19 collected by the county tax collector.

20 (3) In the case of a district created by special act  
21 of the Legislature, the department shall send a notice of  
22 declaration of inactive status to ~~notify~~ the Speaker of the  
23 House of Representatives and the President of the Senate. The  
24 notice of declaration of inactive status shall reference ~~of~~  
25 each known special act creating or amending the charter of any  
26 special district declared to be inactive under this  
27 section. The declaration of inactive status shall be  
28 sufficient notice as required by s. 10, Art. III of the State  
29 Constitution to authorize the Legislature to repeal any  
30 special laws so reported. In the case of a district created by  
31 one or more local general-purpose governments, the department

1 shall send a notice of declaration of inactive status to the  
2 chair of the governing body of each local general-purpose  
3 government that created the district. In the case of a  
4 district created by interlocal agreement, the department shall  
5 send a notice of declaration of inactive status to the chair  
6 of the governing body of each local general-purpose government  
7 that entered into the interlocal agreement.

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

12 Section 14. Subsection (1) of section 189.412, Florida  
13 Statutes, is amended, and subsection (8) is added to that  
14 section, to read:

15 189.412 Special District Information Program; duties  
16 and responsibilities.--The Special District Information  
17 Program of the Department of Community Affairs is created and  
18 has the following special duties:

19 (1) The collection and maintenance of special district  
20 noncompliance ~~compliance~~ status reports from the Department of  
21 Management Services ~~Auditor General~~, the Department of  
22 Financial Services ~~Banking and Finance~~, the Division of Bond  
23 Finance of the State Board of Administration, and the Auditor  
24 General ~~the Department of Management Services, the Department~~  
25 ~~of Revenue, and the Commission on Ethics~~ for the reporting  
26 required in ss. ~~112.3144, 112.3145, 112.3148, 112.3149,~~  
27 ~~112.63, 200.068,~~ 218.32, 218.38, and 218.39, ~~and 280.17~~ and  
28 ~~chapter 121 and from state agencies administering programs~~  
29 ~~that distribute money to special districts. The~~ noncompliance  
30 ~~special district compliance status reports must~~ list those  
31 ~~consist of a list of special districts used in that state~~

1 ~~agency and a list of which~~ special districts that did not  
2 comply with the statutory reporting requirements ~~statutorily~~  
3 ~~required by that agency.~~

4 (8) Providing assistance to local general-purpose  
5 governments and certain state agencies in collecting  
6 delinquent reports or information, helping special districts  
7 comply with reporting requirements, declaring special  
8 districts inactive when appropriate, and, when directed by the  
9 Legislative Auditing Committee, initiating enforcement  
10 provisions as provided in ss. 189.4044, 189.419, and 189.421.

11 Section 15. Subsections (1) and (2) of section  
12 189.418, Florida Statutes, are amended, subsection (5) is  
13 renumbered as subsection (6), present subsection (6) is  
14 renumbered as subsection (7) and amended, and a new subsection  
15 (5) is added to that section, to read:

16 189.418 Reports; budgets; audits.--

17 (1) When a new special district is created, the  
18 district must forward to the department, within 30 days after  
19 the adoption of the special act, rule, ordinance, resolution,  
20 or other document that provides for the creation of the  
21 district, a copy of the document and a written statement that  
22 includes a reference to the status of the special district as  
23 dependent or independent and the basis for such  
24 classification. In addition to the document or documents that  
25 create the district, the district must also submit a map of  
26 the district, showing any municipal boundaries that cross the  
27 district's boundaries, and any county lines if the district is  
28 located in more than one county. The department must notify  
29 the local government or other entity and the district within  
30 30 days after receipt of the document or documents that create  
31

1 the district as to whether the district has been determined to  
2 be dependent or independent.

3 (2) Any amendment, modification, or update of the  
4 document by which the district was created, including changes  
5 in boundaries, must be filed with the department within 30  
6 days after adoption. The department may initiate proceedings  
7 against special districts as provided in s. ss. 189.421 and  
8 ~~189.422~~ for failure to file the information required by this  
9 subsection.

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

14 ~~(7)(6)~~ All reports or information required to be filed  
15 with a local governing authority under ss. 189.415, 189.416,  
16 and 189.417, 218.32, and 218.39 and this section shall:

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

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

21 (c) When the local governing authority is a  
22 municipality, be filed at the place designated by the  
23 municipal governing body.

24 Section 16. Section 189.419, Florida Statutes, is  
25 amended to read:

26 189.419 Effect of failure to file certain reports or  
27 information.--

28 (1) If a special district fails to file the reports or  
29 information required under s. 189.415, s. 189.416, or s.  
30 ~~189.417, s. 189.418, s. 218.32, or s. 218.39~~ and a description  
31 ~~of all new bonds as provided in s. 218.38(1)~~ with the local

1 governing authority, the person authorized to receive and read  
2 the reports or information shall notify the district's  
3 registered agent and the appropriate local governing authority  
4 or authorities. If requested by the district ~~At any time,~~ the  
5 governing authority shall ~~may~~ grant an extension of time of up  
6 to 30 days for filing the required reports or information,  
7 ~~except that an extension may not exceed 30 days.~~

8 (2) If at any time the local governing authority or  
9 authorities or the board of county commissioners determines  
10 that there has been an unjustified failure to file the reports  
11 or information described in subsection (1), it may notify  
12 ~~petition~~ the department and the department may proceed  
13 pursuant to initiate proceedings against the special district  
14 ~~in the manner provided in s. 189.421.~~

15 (3) If a special district fails to file the reports or  
16 information required under s. 112.63, s. 218.32, s. 218.38, or  
17 s. 218.39 with the appropriate state agency, the agency shall  
18 notify the department, and the department shall proceed  
19 pursuant to s. 189.421 ~~may initiate proceedings against the~~  
20 ~~special district in the manner provided in s. 189.421 or~~  
21 ~~assess fines of not more than \$25, with an aggregate total not~~  
22 ~~to exceed \$50, when formal inquiries do not resolve the~~  
23 ~~noncompliance.~~

24 Section 17. Section 189.421, Florida Statutes, is  
25 amended to read:

26 (Substantial rewording of section. See  
27 s. 189.421, F.S., for present text.)

28 189.421 Failure of district to disclose financial  
29 reports.--

30 (1) When notified pursuant to s. 189.419, the  
31 department shall attempt to assist a special district to

1 comply with its financial reporting requirements by sending a  
2 certified letter to the special district, and a copy of the  
3 letter to the chair of the governing body of the local  
4 general-purpose government, which includes the following: a  
5 description of the required report, including statutory  
6 submission deadlines, a contact telephone number for technical  
7 assistance to help the special district comply, a 60-day  
8 extension of time for filing the required report with the  
9 appropriate entity, the address where the report must be  
10 filed, and an explanation of the penalties for  
11 noncompliance. The department may grant an additional 30-day  
12 extension of time if requested to do so in writing by the  
13 special district. The department shall notify the appropriate  
14 entity of the new extension of time. In the case of a special  
15 district that did not timely file the reports or information  
16 required by s. 218.38, the department shall send a certified  
17 technical assistance letter to the special district that  
18 summarizes the requirements and encourages the special  
19 district to take steps to prevent the noncompliance from  
20 reoccurring.

21 (2) Failure of a special district to comply with the  
22 financial reporting requirements after the procedures of  
23 subsection (1) are exhausted shall be deemed final action of  
24 the special district. The financial reporting requirements  
25 are hereby declared to be essential requirements of  
26 law. Remedy for noncompliance shall be by writ of certiorari  
27 as set forth in subsection (3).

28 (3) Pursuant to s. 11.40(5)(b), the Legislative  
29 Auditing Committee shall notify the department of those  
30 districts that failed to file the required report. Within 30  
31 days after receiving this notice or within 30 days after the

1 extension date provided in subsection (1), whichever occurs  
2 later, the department shall proceed as follows:  
3 notwithstanding the provisions of chapter 120, the department  
4 shall file a petition for writ of certiorari with the circuit  
5 court. Venue for all actions pursuant to this subsection shall  
6 be in Leon County. The court shall award the prevailing party  
7 attorney's fees and costs in all cases filed pursuant to this  
8 section unless affirmatively waived by all parties. A writ of  
9 certiorari shall be issued unless a respondent establishes  
10 that the notification of the Legislative Auditing Committee  
11 was issued as a result of material error. Proceedings under  
12 this subsection shall otherwise be governed by the Rules of  
13 Appellate Procedure.

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

16 189.428 Special districts; oversight review process.--

17 (5) Those conducting the oversight review process  
18 shall, at a minimum, consider the listed criteria for  
19 evaluating the special district, but may also consider any  
20 additional factors relating to the district and its  
21 performance. If any of the listed criteria does ~~do~~ not apply  
22 to the special district being reviewed, it ~~they~~ need not be  
23 considered. The criteria to be considered by the reviewer  
24 include:

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

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

30 (c) The extent of municipal annexation or  
31 incorporation activity occurring or likely to occur within the

1 boundaries of the special district and its impact on the  
2 delivery of services by the special district.

3 (d) Whether there is a less costly alternative method  
4 of delivering the service or services that would adequately  
5 provide the district residents with the services provided by  
6 the district.

7 (e) Whether transfer of the responsibility for  
8 delivery of the service or services to an entity other than  
9 the special district being reviewed could be accomplished  
10 without jeopardizing the district's existing contracts, bonds,  
11 or outstanding indebtedness.

12 (f) Whether the Auditor General has notified the  
13 Legislative Auditing Committee that the special district's  
14 audit report, reviewed pursuant to s. 11.45(7), indicates that  
15 the district has met any of the conditions specified in s.  
16 218.503(1) or that a deteriorating financial condition exists  
17 that may cause a condition described in s. 218.503(1) to occur  
18 if actions are not taken to address such condition.

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

23 (g)(h) Whether the district is inactive according to  
24 the official list of special districts, and whether the  
25 district is meeting and discharging its responsibilities as  
26 required by its charter, as well as projected increases or  
27 decreases in district activity.

28 (h)(i) Whether the special district has failed to  
29 comply with any of the reporting requirements in this chapter,  
30 including preparation of the public facilities report.

31

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

5            Section 19. Paragraph (a) of subsection (1) of section  
6 189.439, Florida Statutes, is amended to read:

7            189.439 Bonds.--

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

9            (a) The authority may issue and sell bonds for any  
10 purpose for which the authority has the power to expend money,  
11 including, without limitation, the power to obtain working  
12 capital loans to finance the costs of any project and to  
13 refund any bonds or other indebtedness at the time outstanding  
14 at or before maturity. Bonds may be sold in the manner  
15 provided in s. 218.385 and ~~by public or negotiated sale after~~  
16 ~~advertisement, if any, as the board considers~~  
17 ~~advisable.~~ Bonds may be authorized by resolution of the  
18 board.

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

21            215.981 Audits of state agency direct-support  
22 organizations and citizen support organizations.--

23            (1) Each direct-support organization and each citizen  
24 support organization, created or authorized pursuant to law,  
25 and created, approved, or administered by a state agency,  
26 other than a university, district board of trustees of a  
27 community college, or district school board, shall provide for  
28 an annual financial audit of its accounts and records to be  
29 conducted by an independent certified public accountant in  
30 accordance with rules adopted by the Auditor General pursuant  
31 to s. 11.45(8) and the state agency that created, approved, or

1 administers the direct-support organization or citizen support  
2 organization. The audit report shall be submitted within 9  
3 months after the end of the fiscal year to the Auditor General  
4 and to the state agency responsible for creation,  
5 administration, or approval of the direct-support organization  
6 or citizen support organization, whenever the organization's  
7 expenditures and expenses exceed \$100,000. Such state agency,  
8 the Auditor General, and the Office of Program Policy Analysis  
9 and Government Accountability shall have the authority to  
10 require and receive from the organization or from the  
11 independent auditor any records relative to the operation of  
12 the organization.

13 (2) Notwithstanding the provisions of subsection (1),  
14 and for the 2002-2003 fiscal year only, citizen support  
15 organizations for the Department of Environmental Protection  
16 that are not for profit and that have annual expenditures of  
17 less than \$100,000 are not required to have an independent  
18 audit. This subsection expires July 1, 2003.

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

21 218.075 Reduction or waiver of permit processing  
22 fees.--Notwithstanding any other provision of law, the  
23 Department of Environmental Protection and the water  
24 management districts shall reduce or waive permit processing  
25 fees for counties with a population of 50,000 or less on April  
26 1, 1994, until such counties exceed a population of 75,000 and  
27 municipalities with a population of 25,000 or less, or any  
28 county or municipality not included within a metropolitan  
29 statistical area. Fee reductions or waivers shall be approved  
30 on the basis of fiscal hardship or environmental need for a  
31 particular project or activity. The governing body must

1 certify that the cost of the permit processing fee is a fiscal  
2 hardship due to one of the following factors:

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

6  
7 The permit applicant must be the governing body of a county or  
8 municipality or a third party under contract with a county or  
9 municipality and the project for which the fee reduction or  
10 waiver is sought must serve a public purpose. If a permit  
11 processing fee is reduced, the total fee shall not exceed  
12 \$100.

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

15 218.32 Annual financial reports; local governmental  
16 entities.--

17 (3) The department shall notify the President of the  
18 Senate and the Speaker of the House of Representatives of any  
19 municipality that has not reported any financial activity for  
20 the last 4 fiscal years. Such notice shall be sufficient to  
21 initiate dissolution procedures described in s.  
22 165.051(1)(a). Any special law authorizing the incorporation  
23 or creation of said municipality shall be included within the  
24 notification.

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

27 218.321 Annual financial statements; local  
28 governmental entities.--

29 (2) Each local governmental entity that is not  
30 required to provide for an audit report in accordance with s.

31

1 218.39 ~~11.45(3)(a)~~5. must complete its financial statements no  
2 later than 12 months after the end of the fiscal year.

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

5 218.36 County officers; record and report of fees and  
6 disposition of same.--

7 (3) The board of county commissioners may ~~shall~~, on  
8 ~~the 32nd day following the close of the fiscal year~~, notify  
9 the Governor of the failure of any county officer to comply  
10 with the provisions of this section. Such notification shall  
11 specify the name of the officer and the office held by him or  
12 her at the time of such failure and shall subject said officer  
13 to suspension from office at the Governor's discretion.

14 Section 25. Section 218.369, Florida Statutes, is  
15 amended to read:

16 218.369 Definitions applicable to ss.  
17 218.37-218.386.--As used in this section and in ss. 218.37,  
18 218.38, 218.385, and 218.386, the term "unit of local  
19 government," except where exception is made, means a county,  
20 municipality, special district, district school board, local  
21 agency, authority, or consolidated city-county government or  
22 any other local governmental body or public body corporate and  
23 politic authorized or created by general or special law and  
24 granted the power to issue general obligation or revenue  
25 bonds; and the words "general obligation or revenue bonds"  
26 shall be interpreted to include within their scope general  
27 obligation bonds, revenue bonds, special assessment bonds,  
28 limited revenue bonds, special obligation bonds, debentures,  
29 and other similar instruments, but not bond anticipation  
30 notes.

31

1           Section 26. Part V of chapter 218, Florida Statutes,  
2 entitled "Financial Emergencies" is renamed "Local  
3 Governmental Entity and District School Board Financial  
4 Emergencies."

5           Section 27. Section 218.50, Florida Statutes, is  
6 amended to read:

7           218.50 Popular name ~~Short title~~.--Sections  
8 218.50-218.504 shall be known by the popular name ~~as~~ the  
9 "Local Governmental Entity and District School Board  
10 ~~Government~~ Financial Emergencies Act."

11           Section 28. Section 218.501, Florida Statutes, is  
12 amended to read:

13           218.501 Purposes.--The purposes of ss. 218.50-218.504  
14 are:

15           (1) To promote ~~preserve and protect~~ the fiscal  
16 responsibility ~~solvency~~ of local governmental entities and  
17 district school boards.

18           (2) To assist local governmental entities and district  
19 school boards in providing essential services without  
20 interruption and in meeting their financial obligations.

21           (3) To assist local governmental entities and district  
22 school boards through the improvement of local financial  
23 management procedures.

24           Section 29. Section 218.502, Florida Statutes, is  
25 amended to read:

26           218.502 Definition.--As used in ss. 218.50-218.504,  
27 the term "local governmental entity" means a county,  
28 municipality, or special district, ~~or district school board~~.

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

31           218.503 Determination of financial emergency.--

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

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

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

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

- 15           1. Taxes withheld on the income of employees; or
- 16           2. Employer and employee contributions for:
  - 17           a. Federal social security; or
  - 18           b. Any pension, retirement, or benefit plan of an
- 19           employee.

20           (d)~~(c)~~ Failure for one pay period to pay, due to lack  
21 of funds:

- 22           1. Wages and salaries owed to employees; or
- 23           2. Retirement benefits owed to former employees.

24           (e)~~(d)~~ An unreserved or total fund balance or retained  
25 earnings deficit, or unrestricted or total net assets deficit,  
26 as reported on the balance sheet or statement of net assets on  
27 the general purpose or fund financial statements, for which  
28 sufficient resources of the local governmental entity, as  
29 reported on the balance sheet or statement of net assets on  
30 the general purpose or fund financial statements, are not  
31 available to cover the deficit ~~for 2 successive years.~~

1 Resources available to cover reported deficits include net  
2 assets that are not otherwise restricted by federal, state, or  
3 local laws, bond covenants, contractual agreements, or other  
4 legal constraints. Fixed or capital assets the disposal of  
5 which would impair the ability of a local governmental entity  
6 to carry out its functions are not considered resources  
7 available to cover reported deficits.

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

10 (2) A local governmental entity shall notify the  
11 Governor and the Legislative Auditing Committee, and a  
12 district school board shall notify the Commissioner of  
13 Education and the Legislative Auditing Committee, when one or  
14 more of the conditions specified in subsection (1) have  
15 occurred or will occur if action is not taken to assist the  
16 local governmental entity or district school board. In  
17 addition, any state agency must, within 30 days after a  
18 determination that one or more of the conditions specified in  
19 subsection (1) have occurred or will occur if action is not  
20 taken to assist the local governmental entity or district  
21 school board ~~the identification of the financial emergency,~~  
22 notify the Governor or the Commissioner of Education, as  
23 appropriate, and the Legislative Auditing Committee ~~when one~~  
24 ~~or more of the conditions specified in subsection (1) have~~  
25 ~~occurred or will occur if action is not taken to assist a~~  
26 ~~local governmental entity.~~

27 (3) Upon notification that one or more of the  
28 conditions in subsection (1) exist, the Governor or his or her  
29 designee shall contact the local governmental entity or the  
30 Commissioner of Education or his or her designee shall contact  
31 the district school board to determine what actions have been

1 taken by the local governmental entity or the district school  
2 board to resolve the condition ~~financial emergency~~. The  
3 Governor or the Commissioner of Education, as appropriate,  
4 shall determine whether the local governmental entity or the  
5 district school board needs state assistance to resolve the  
6 condition. If state assistance is needed, the local  
7 governmental entity or district school board is considered to  
8 be in a state of financial emergency. The Governor or the  
9 Commissioner of Education, as appropriate, has the authority  
10 to implement measures as set forth in ss. 218.50-218.504 to  
11 assist the local governmental entity or district school board  
12 in resolving ~~resolve~~ the financial emergency. Such measures  
13 may include, but are not limited to:

14 (a) Requiring approval of the local governmental  
15 entity's budget by the Governor or approval of the district  
16 school board's budget by the Commissioner of Education.

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

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

23 (d) Making such inspections and reviews of records,  
24 information, reports, and assets of the local governmental  
25 entity or district school board. The appropriate local  
26 officials shall cooperate in such, ~~in which~~ inspections and  
27 reviews ~~the appropriate local officials shall cooperate.~~

28 (e) Consulting with ~~the~~ officials and auditors of the  
29 local governmental entity or the district school board and the  
30 appropriate state officials ~~agency~~ regarding any steps  
31 necessary to bring the books of account, accounting systems,

1 financial procedures, and reports into compliance with state  
2 requirements.

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

5 (g)1. Establishing a financial emergency ~~emergencies~~  
6 board to oversee the activities of the local governmental  
7 entity or the district school board. If a financial emergency  
8 ~~The board, if is~~ established for a local governmental entity,  
9 ~~shall be appointed by the Governor~~ shall appoint board members  
10 and select a chair. If a financial emergency board is  
11 established for a district school board, the State Board of  
12 Education shall appoint board members and select a chair. ~~The~~  
13 ~~Governor shall select a chair and such other officers as are~~  
14 ~~necessary.~~ The financial emergency board shall adopt such  
15 rules as are necessary for conducting board business. The  
16 board may:

17 a. Make such reviews of records, reports, and assets  
18 of the local governmental entity or the district school board  
19 as are needed.

20 b. Consult with ~~the~~ officials and auditors of the  
21 local governmental entity or the district school board and the  
22 appropriate state officials regarding any steps necessary to  
23 bring the books of account, accounting systems, financial  
24 procedures, and reports of the local governmental entity or  
25 the district school board into compliance with state  
26 requirements.

27 c. Review the operations, management, efficiency,  
28 productivity, and financing of functions and operations of the  
29 local governmental entity or district school board.

30 2. The recommendations and reports made by the  
31 financial emergency board must be submitted to the Governor

1 for local governmental entities or to the Commissioner of  
2 Education and the State Board of Education for district school  
3 boards for appropriate action.

4 (h) Requiring and approving a plan, to be prepared by  
5 officials of the appropriate state agency in conjunction with  
6 the local governmental entity or the district school board in  
7 consultation with the appropriate state officials, prescribing  
8 actions that will cause the local governmental entity or  
9 district school board to no longer be subject to this  
10 section. The plan must include, but need not be limited to:

11 1. Provision for payment in full of obligations  
12 outlined in subsection (1), designated as priority items, that  
13 are currently all payments due or will to come due on debt  
14 obligations, pension payments, and all payments and charges  
15 imposed or mandated by federal or state law and for all  
16 judgments and past due accounts, as priority items of  
17 expenditures.

18 2. Establishment of a basis of priority budgeting or  
19 zero-based budgeting in order, so as to eliminate low-priority  
20 items that are not affordable.

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

23 (4) A ~~During the financial emergency period,~~ the local  
24 governmental entity or district school board may not seek  
25 application of laws under the bankruptcy provisions of the  
26 United States Constitution except with the prior approval of  
27 the Governor for local governmental entities or the  
28 Commissioner of Education for district school boards.

29 (5)(a) The governing authority of any municipality  
30 having a resident population of 300,000 or more on or after  
31 April 1, 1999, which has been declared in a state of financial

1 emergency pursuant to this section may impose a discretionary  
2 per-vehicle surcharge of up to 20 percent on the gross  
3 revenues of the sale, lease, or rental of space at parking  
4 facilities within the municipality which are open for use to  
5 the general public.

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

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

13 2. A portion of the balance of the surcharge proceeds  
14 shall be used by the governing authority to increase its  
15 budget reserves; however, the governing authority shall not  
16 reduce the amount it allocates for budget reserves from other  
17 sources below the amount allocated for reserves in the fiscal  
18 year prior to the year in which the surcharge is initially  
19 imposed. When a 15-percent budget reserve is achieved, based  
20 on the average gross revenue for the most recent 3 prior  
21 fiscal years, the remaining proceeds from this subparagraph  
22 shall be used for the payment of annual debt service related  
23 to outstanding obligations backed or secured by a covenant to  
24 budget and appropriate from non-ad valorem revenues.

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

26 Section 31. Section 218.504, Florida Statutes, is  
27 amended to read:

28 218.504 Cessation of state action.--The Governor or  
29 the Commissioner of Education, as appropriate, has the  
30 authority to terminate all state actions pursuant to ss.  
31 218.50-218.504. Cessation of state action must not occur

1 until the Governor or the Commissioner of Education, as  
2 appropriate, has determined that:

3 (1) The local governmental entity or district school  
4 board:

5 (a) Has established and is operating an effective  
6 financial accounting and reporting system.

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

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

11 Section 32. Chapter 131, Florida Statutes, consisting  
12 of sections 131.01, 131.02, 131.03, 131.04, 131.05, and  
13 131.06, Florida Statutes, is repealed.

14 Section 33. Section 132.10, Florida Statutes, is  
15 repealed.

16 Section 34. Section 165.052, Florida Statutes, is  
17 repealed.

18 Section 35. Section 189.409, Florida Statutes, is  
19 repealed.

20 Section 36. Section 189.422, Florida Statutes, is  
21 repealed.

22 Section 37. Section 200.0684, Florida Statutes, is  
23 repealed.

24 Section 38. Paragraph (h) of subsection (1) of section  
25 218.37, Florida Statutes, is repealed.

26 Section 39. Section 215.195, Florida Statutes, is  
27 amended to read:

28 215.195 Agency deposits relating to the Statewide Cost  
29 Allocation Plan.--

30 (1) APPLICATION FOR ALLOCABLE STATEWIDE  
31 OVERHEAD.--Each state agency, and the judicial branch, making

1 application for federal grant or contract funds shall, in  
2 accordance with the Statewide Cost Allocation Plan (SWCAP),  
3 include in its application a prorated share of the cost of  
4 services provided by state central service agencies which are  
5 reimbursable to the state pursuant to the provisions of Office  
6 of Management and Budget Circular A-87. Preparation of the  
7 Statewide Cost Allocation Plan and coordination thereof with  
8 all applicable parties is the responsibility of the Department  
9 of Financial Services. The Department of Financial Services  
10 shall ensure that the SWCAP presents the most favorable  
11 allocation of central services cost allowable to the state by  
12 the Federal Government.

13 (2) DEPOSIT OF OVERHEAD IN THE GENERAL REVENUE  
14 FUND.--If an application for federal grant or contract funds  
15 is approved, the state agency or judicial branch receiving the  
16 federal grant or contract shall identify that portion  
17 representing reimbursement of allocable statewide overhead and  
18 deposit that amount into the General Revenue Fund unallocated  
19 as directed by the Department of Financial Services ~~Executive~~  
20 ~~Office of the Governor.~~ The Department of Financial Services  
21 shall be responsible for monitoring agency compliance with  
22 this section.

23 Section 40. Section 215.97, Florida Statutes, is  
24 amended to read:

25 215.97 Florida Single Audit Act.--

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

27 (a) Establish uniform state audit requirements for  
28 state financial assistance provided by state agencies to  
29 nonstate entities to carry out state projects.

30  
31

1 (b) Promote sound financial management, including  
2 effective internal controls, with respect to state financial  
3 assistance administered by nonstate entities.

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

7 (d) Provide for identification of state financial  
8 assistance transactions in the appropriations act, state  
9 accounting records, and recipient organization records.

10 (e) Promote improved coordination and cooperation  
11 within and between affected state agencies providing state  
12 financial assistance and nonstate entities receiving state  
13 assistance.

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

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

18 (a) "Audit threshold" means the threshold amount used  
19 to determine to use in determining when a state single audit  
20 of a nonstate entity shall be conducted in accordance with  
21 this section. Each nonstate entity that expends a total amount  
22 of state financial assistance equal to or in excess of  
23 \$300,000 in any fiscal year of such nonstate entity shall be  
24 required to have a state single audit for such fiscal year in  
25 accordance with the requirements of this section. Every 2  
26 years the Auditor General, after consulting with the Executive  
27 Office of the Governor, the Department of Financial Services  
28 ~~Comptroller~~, and all state awarding agencies that provide  
29 ~~state financial assistance to nonstate entities~~, shall review  
30 the threshold amount for requiring audits under this section  
31

1 and may adjust such threshold ~~dollar~~ amount consistent with  
2 the purposes ~~purpose~~ of this section.

3 (b) "Auditing standards" means the auditing standards  
4 as stated in the rules of the Auditor General as applicable to  
5 for-profit organizations, nonprofit organizations, or local  
6 governmental entities.

7 (c) "Catalog of State Financial Assistance" means a  
8 comprehensive listing of state projects. The Catalog of State  
9 Financial Assistance shall be issued by the Department of  
10 Financial Services ~~Executive Office of the Governor~~ after  
11 conferring with ~~the Comptroller~~ and all state awarding  
12 ~~agencies that provide state financial assistance to nonstate~~  
13 ~~entities~~. The Catalog of State Financial Assistance shall  
14 include for each listed state project: the responsible state  
15 awarding agency; standard state project number identifier;  
16 official title; legal authorization; and description of the  
17 state project, including objectives, restrictions, application  
18 and awarding procedures, and other relevant information  
19 determined necessary.

20 (d) "Coordinating agency" means the state awarding  
21 agency that provides the predominant amount of state financial  
22 assistance expended by a recipient, as determined by the  
23 recipient's Schedule of Expenditures of State Financial  
24 Assistance. To provide continuity, the determination of the  
25 predominant amount of state financial assistance shall be  
26 based upon state financial assistance expended in the  
27 recipient's fiscal years ending in 2003, 2006, and 2009, and  
28 every third year thereafter.

29 (e)~~(d)~~ "Financial reporting package" means the  
30 nonstate entities' financial statements, Schedule of  
31 Expenditures of State Financial Assistance, auditor's reports,

1 management letter, auditee's written responses or corrective  
2 action plan, correspondence on followup of prior years'  
3 corrective actions taken, and such other information  
4 determined by the Auditor General to be necessary and  
5 consistent with the purposes of this section.

6 (f)~~(e)~~ "Federal financial assistance" means financial  
7 assistance from federal sources passed through the state and  
8 provided to nonstate organizations ~~entities~~ to carry out a  
9 federal program. "Federal financial assistance" includes all  
10 types of federal assistance as defined in applicable United  
11 States Office of Management and Budget circulars.

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

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

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

- 23 1. Effectiveness and efficiency of operations.
- 24 2. Reliability of financial operations.
- 25 3. Compliance with applicable laws and regulations.

26 (j)~~(i)~~ "Local governmental entity" means a county  
27 ~~agency~~, municipality, or special district or any other entity  
28 (other than a district school board, charter school, ~~or~~  
29 community college, or public university), however styled,  
30 which independently exercises any type of governmental  
31 function within the state.

1           (k)(j) "Major state project" means any state project  
2 meeting the criteria as stated in the rules of the Department  
3 of Financial Services ~~Executive Office of the Governor~~. Such  
4 criteria shall be established after consultation with all ~~the~~  
5 ~~Comptroller and appropriate~~ state awarding agencies ~~that~~  
6 ~~provide state financial assistance~~ and shall consider the  
7 amount of state project expenditures and ~~or~~ expenses or  
8 inherent risks. Each major state project shall be audited in  
9 accordance with the requirements of this section.

10           (l)(k) "Nonprofit organization" means any corporation,  
11 trust, association, cooperative, or other organization that:

12           1. Is operated primarily for scientific, educational  
13 service, charitable, or similar purpose in the public  
14 interest;

15           2. Is not organized primarily for profit;

16           3. Uses net proceeds to maintain, improve, or expand  
17 the operations of the organization; and

18           4. Has no part of its income or profit distributable  
19 to its members, directors, or officers.

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

23           (n) "Nonstate organization" means a local governmental  
24 entity, nonprofit organization, or for-profit organization  
25 that receives state resources.

26           (o)(m) "Recipient" means a nonstate entity that  
27 receives state financial assistance directly from a state  
28 awarding agency.

29           (p)(n) "Schedule of Expenditures of State Financial  
30 Assistance" means a document prepared in accordance with the  
31 rules of the Department of Financial Services ~~Comptroller~~ and

1 included in each financial reporting package required by this  
2 section.

3 (q)~~(o)~~ "State awarding agency" means a ~~the~~ state  
4 agency, as defined in s. 216.011, that provides ~~provided~~ state  
5 financial assistance to a ~~the~~ nonstate entity.

6 (r)~~(p)~~ "State financial assistance" means ~~financial~~  
7 ~~assistance from~~ state resources, not including federal  
8 financial assistance and state matching on federal programs,  
9 provided to a nonstate entity ~~entities~~ to carry out a state  
10 project. "State financial assistance" shall include the  
11 ~~includes all~~ types of state resources ~~assistance as~~ stated in  
12 the rules of the Department of Financial Services ~~Executive~~  
13 ~~Office of the Governor~~ established in consultation with all  
14 ~~the Comptroller and appropriate~~ state awarding agencies that  
15 ~~provide state financial assistance. It includes~~ State  
16 financial assistance may be provided directly by state  
17 awarding agencies or indirectly by nonstate entities  
18 ~~recipients of state awards or subrecipients. State financial~~  
19 assistance ~~It~~ does not include procurement contracts used to  
20 buy goods or services from vendors and. ~~Audits of such~~  
21 ~~procurement contracts with vendors are outside of the scope of~~  
22 ~~this section. Also, audits of contracts to operate~~ state-owned  
23 ~~state-government-owned~~ and contractor-operated facilities ~~are~~  
24 ~~excluded from the audit requirements of this section.~~

25 (s)~~(q)~~ "State matching" means state resources provided  
26 to a nonstate entity ~~entities to be used~~ to meet federal  
27 financial participation matching requirements ~~of federal~~  
28 ~~programs.~~

29 (t) "State program" means a set of special purpose  
30 activities undertaken to realize identifiable goals and  
31 objectives in order to achieve a state agency's mission and

1 legislative intent requiring accountability for state  
2 resources.

3 (u)(r) "State project" means a state program that  
4 provides all state financial assistance to a nonstate  
5 organization and that must be ~~entity~~ assigned a ~~single~~ state  
6 project number identifier in the Catalog of State Financial  
7 Assistance.

8 (v)(s) "State Projects Compliance Supplement" means a  
9 document issued by the Department of Financial Services  
10 ~~Executive Office of the Governor~~, in consultation with ~~the~~  
11 ~~Comptroller and~~ all state awarding agencies that provide state  
12 ~~financial assistance~~. The State Projects Compliance Supplement  
13 shall identify state projects, the significant compliance  
14 requirements, eligibility requirements, matching requirements,  
15 suggested audit procedures, and other relevant information  
16 determined necessary.

17 (w)(t) "State project-specific audit" means an audit  
18 of one state project performed in accordance with the  
19 requirements of subsection (10)(9).

20 (x)(u) "State single audit" means an audit of a  
21 nonstate entity's financial statements and state financial  
22 assistance. Such audits shall be conducted in accordance with  
23 the auditing standards as stated in the rules of the Auditor  
24 General.

25 (y)(v) "Subrecipient" means a nonstate entity that  
26 receives state financial assistance through another nonstate  
27 entity.

28 (z)(w) "Vendor" means a dealer, distributor, merchant,  
29 or other seller providing goods or services that are required  
30 for the conduct of a state project. These goods or services  
31

1 may be for an organization's own use or for the use of  
2 beneficiaries of the state project.

3 (3) The Executive Office of the Governor shall be  
4 responsible for notifying the Department of Financial Services  
5 of any actions during the budgetary process that impact the  
6 Catalog of State Financial Assistance.†

7 ~~(a) Upon conferring with the Comptroller and all state~~  
8 ~~awarding agencies, adopt rules necessary to provide~~  
9 ~~appropriate guidance to state awarding agencies, recipients~~  
10 ~~and subrecipients, and independent auditors of state financial~~  
11 ~~assistance relating to the requirements of this section,~~  
12 ~~including:~~

13 1. ~~The types or classes of financial assistance~~  
14 ~~considered to be state financial assistance which would be~~  
15 ~~subject to the requirements of this section. This would~~  
16 ~~include guidance to assist in identifying when the state~~  
17 ~~agency or recipient has contracted with a vendor rather than~~  
18 ~~with a recipient or subrecipient.~~

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

20 3. ~~The criteria for selecting state projects for~~  
21 ~~audits based on inherent risk.~~

22 ~~(b) Be responsible for coordinating the initial~~  
23 ~~preparation and subsequent revisions of the Catalog of State~~  
24 ~~Financial Assistance after consultation with the Comptroller~~  
25 ~~and all state awarding agencies.~~

26 ~~(c) Be responsible for coordinating the initial~~  
27 ~~preparation and subsequent revisions of the State Projects~~  
28 ~~Compliance Supplement, after consultation with the Comptroller~~  
29 ~~and all state awarding agencies.~~

30 (4) The Department of Financial Services ~~Comptroller~~  
31 shall:

1           (a) Upon conferring with the Executive Office of the  
2 Governor and all state awarding agencies, adopt rules  
3 necessary to provide appropriate guidance to state awarding  
4 agencies, nonstate entities, and independent auditors of state  
5 financial assistance relating to the requirements of this  
6 section, including:

7           1. The types or classes of state resources considered  
8 to be state financial assistance that would be subject to the  
9 requirements of this section. This would include guidance to  
10 assist in identifying when the state awarding agency or a  
11 nonstate entity has contracted with a vendor rather than with  
12 a recipient or subrecipient.

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

14           3. The criteria for selecting state projects for  
15 audits based on inherent risk.

16           (b) Be responsible for coordinating revisions to the  
17 Catalog of State Financial Assistance after consultation with  
18 the Executive Office of the Governor and all state awarding  
19 agencies.

20           (c) Be responsible for coordinating with the Executive  
21 Office of the Governor actions affecting the budgetary process  
22 under paragraph (b).

23           (d) Be responsible for coordinating revisions to the  
24 State Projects Compliance Supplement, after consultation with  
25 the Executive Office of the Governor and all state awarding  
26 agencies.

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

29           1. Recording of state financial assistance and federal  
30 financial assistance appropriations and expenditures within  
31 the state awarding agencies' operating funds.

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

4           3. Establishment and recording of an identification  
5 code for each financial transaction, including state awarding  
6 agencies' disbursements of state financial assistance and  
7 federal financial assistance, as to the corresponding type or  
8 organization that is party to the transaction(e.g., other  
9 governmental agencies, nonprofit organizations, and for-profit  
10 organizations), and disbursements of federal financial  
11 assistance, as to whether the party to the transaction is or  
12 is not a nonstate entity ~~recipient or subrecipient~~.

13           (f)~~(b)~~ Upon conferring with the Executive Office of  
14 the Governor and all state awarding agencies, adopt rules  
15 necessary to provide appropriate guidance to state awarding  
16 agencies, nonstate entities ~~recipients and subrecipients~~, and  
17 independent auditors of state financial assistance relating to  
18 the format for the Schedule of Expenditures of State Financial  
19 Assistance.

20           (g)~~(c)~~ Perform any inspections, reviews,  
21 investigations, or audits of state financial assistance  
22 considered necessary in carrying out the Department of  
23 Financial Services's ~~Comptroller's~~ legal responsibilities for  
24 state financial assistance or to comply with the requirements  
25 of this section.

26           (5) Each state awarding agency shall:

27           (a) Provide to each ~~a~~ recipient information needed by  
28 the recipient to comply with the requirements of this section,  
29 including:

30           1. The audit and accountability requirements for state  
31 projects as stated in this section and applicable ~~rules of the~~

1 ~~Executive Office of the Governor~~, rules of the Department of  
2 Financial Services Comptroller, and rules of the Auditor  
3 General.

4           2. Information from the Catalog of State Financial  
5 Assistance, including the standard state project number  
6 identifier; official title; legal authorization; and  
7 description of the state project including objectives,  
8 restrictions, and other relevant information determined  
9 necessary.

10           3. Information from the State Projects Compliance  
11 Supplement, including the significant compliance requirements,  
12 eligibility requirements, matching requirements, suggested  
13 audit procedures, and other relevant information determined  
14 necessary.

15           (b) Require the recipient, as a condition of receiving  
16 state financial assistance, to allow the state awarding  
17 agency, the Department of Financial Services Comptroller, and  
18 the Auditor General access to the recipient's records and the  
19 recipient's independent auditor's working papers as necessary  
20 for complying with the requirements of this section.

21           (c) Notify the recipient that this section does not  
22 limit the authority of the state awarding agency to conduct or  
23 arrange for the conduct of additional audits or evaluations of  
24 state financial assistance or limit the authority of any state  
25 awarding agency inspector general, the Auditor General, or any  
26 other state official.

27           (d) Be provided one copy of each financial reporting  
28 package prepared in accordance with the requirement of this  
29 section.

30           (e) Review the recipient's ~~recipient~~ financial  
31 reporting package, including the management letters and

1 corrective action plans, to the extent necessary to determine  
2 whether timely and appropriate corrective action has been  
3 taken with respect to audit findings and recommendations  
4 pertaining to state financial assistance that are specific to  
5 ~~provided by~~ the state awarding agency.

6 (f) Designate within the state awarding agency a  
7 division, bureau, or other organizational unit that will be  
8 responsible for reviewing financial reporting packages  
9 pursuant to paragraph (e).

10  
11 If the state awarding agency is not the coordinating agency as  
12 defined in paragraph (2)(d), the state awarding agency's  
13 designated division, bureau, or other organizational unit  
14 shall communicate to the coordinating agency the state  
15 awarding agency's approval of the recipient's corrective  
16 action plan with respect to findings and recommendations that  
17 are not specific to the state awarding agency.

18 (6) Each coordinating agency shall:

19 (a) Review the recipient's financial reporting  
20 package, including the management letter and corrective action  
21 plan, to identify audit findings and recommendations that  
22 affect state financial assistance that are not specific to a  
23 particular state awarding agency.

24 (b) For any such findings and recommendations  
25 determine:

26 1. Whether timely and appropriate corrective action  
27 has been taken.

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

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

3           ~~(7)(6)~~ As a condition of receiving state financial  
4 assistance, each nonstate entity recipient that provides state  
5 financial assistance to a subrecipient shall:

6           (a) Provide to each a subrecipient information needed  
7 by the subrecipient to comply with the requirements of this  
8 section, including:

9           1. Identification of the state awarding agency.  
10           2. The audit and accountability requirements for state  
11 projects as stated in this section and applicable ~~rules of the~~  
12 ~~Executive Office of the Governor~~, rules of the Department of  
13 Financial Services Comptroller, and rules of the Auditor  
14 General.

15           3. Information from the Catalog of State Financial  
16 Assistance, including the standard state project number  
17 identifier; official title; legal authorization; and  
18 description of the state project, including objectives,  
19 restrictions, and other relevant information.

20           4. Information from the State Projects Compliance  
21 Supplement including the significant compliance requirements,  
22 eligibility requirements, matching requirements, and suggested  
23 audit procedures, and other relevant information determined  
24 necessary.

25           (b) Review the financial reporting package of the  
26 subrecipient ~~audit reports~~, including the management letter  
27 and corrective action plan letters, to the extent necessary to  
28 determine whether timely and appropriate corrective action has  
29 been taken with respect to audit findings and recommendations  
30 pertaining to state financial assistance provided by a the  
31 state awarding agency or nonstate entity.

1 (c) Perform such other procedures as specified in  
2 terms and conditions of the written agreement with the state  
3 awarding agency or nonstate entity including any required  
4 monitoring of the subrecipient's use of state financial  
5 assistance through onsite visits, limited scope audits, or  
6 other specified procedures.

7 (d) Require subrecipients, as a condition of receiving  
8 state financial assistance, to permit the independent auditor  
9 of the nonstate entity recipient, the state awarding agency,  
10 the Department of Financial Services Comptroller, and the  
11 Auditor General access to the subrecipient's records and the  
12 subrecipient's independent auditor's working papers as  
13 necessary to comply with the requirements of this section.

14 ~~(8)(7)~~ Each recipient or subrecipient of state  
15 financial assistance shall comply with the following:

16 (a) Each nonstate entity that ~~receives state financial~~  
17 ~~assistance and~~ meets the audit threshold requirements, in any  
18 fiscal year of the nonstate entity, as stated in the rules of  
19 the Auditor General, shall have a state single audit conducted  
20 for such fiscal year in accordance with the requirements of  
21 this act and with additional requirements established in ~~rules~~  
22 ~~of the Executive Office of the Governor,~~ rules of the  
23 Department of Financial Services Comptroller, and rules of the  
24 Auditor General. If only one state project is involved in a  
25 nonstate entity's fiscal year, the nonstate entity may elect  
26 to have only a state project-specific audit ~~of the state~~  
27 ~~project for that fiscal year.~~

28 (b) Each nonstate entity that ~~receives state financial~~  
29 ~~assistance and~~ does not meet the audit threshold requirements,  
30 in any fiscal year of the nonstate entity, as stated in this  
31 law or the rules of the Auditor General is exempt for such

1 fiscal year from the state single audit requirements of this  
2 section. However, such nonstate entity must meet terms and  
3 conditions specified in the written agreement with the state  
4 awarding agency or nonstate entity.

5 (c) Regardless of the amount of ~~the~~ state financial  
6 assistance, the provisions of this section do not exempt a  
7 nonstate entity from compliance with provisions of law  
8 relating to maintaining records concerning state financial  
9 assistance to such nonstate entity or allowing access and  
10 examination of those records by the state awarding agency,  
11 nonstate entity, the Department of Financial Services  
12 ~~Comptroller~~, or the Auditor General.

13 (d) Audits conducted pursuant to this section shall be  
14 performed annually.

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

18 (f) Upon completion of the audit as required by this  
19 section, a copy of the recipient's financial reporting package  
20 shall be filed with the state awarding agency and the Auditor  
21 General. Upon completion of the audit as required by this  
22 section, a copy of the subrecipient's financial reporting  
23 package shall be filed with the nonstate entity recipient that  
24 provided the state financial assistance and the Auditor  
25 General. The financial reporting package shall be filed in  
26 accordance with the rules of the Auditor General.

27 (g) All financial reporting packages prepared pursuant  
28 to the requirements of this section shall be available for  
29 public inspection.

30 (h) If an audit conducted pursuant to this section  
31 discloses any significant audit findings relating to state

1 financial assistance, including material noncompliance with  
2 individual state project compliance requirements or reportable  
3 conditions in internal controls of the nonstate entity, the  
4 nonstate entity shall submit as part of the financial  
5 reporting ~~audit~~ package to the state awarding agency or  
6 nonstate entity a plan for corrective action to eliminate such  
7 audit findings or a statement describing the reasons that  
8 corrective action is not necessary.

9 (i) An audit conducted in accordance with this section  
10 is in addition to any audit of federal awards required by the  
11 federal Single Audit Act and other federal laws and  
12 regulations. To the extent that such federally required audits  
13 provide the state awarding agency or nonstate entity with  
14 information it requires to carry out its responsibilities  
15 under state law or other guidance, the ~~a~~ state awarding agency  
16 or nonstate entity shall rely upon and use that information.

17 (j) Unless prohibited by law, the costs ~~cost~~ of audits  
18 pursuant to this section are ~~is~~ allowable charges to state  
19 projects. However, any charges to state projects should be  
20 limited to those incremental costs incurred as a result of the  
21 audit requirements of this section in relation to other audit  
22 requirements. The nonstate entity should allocate such  
23 incremental costs to all state projects for which it expended  
24 state financial assistance.

25 (k) Audit costs may not be charged to state projects  
26 when audits required by this section have not been made or  
27 have been made but not in accordance with this section. If a  
28 nonstate entity fails to have an audit conducted consistent  
29 with this section, a state awarding agency or nonstate entity  
30 ~~agencies~~ may take appropriate corrective action to enforce  
31 compliance.

1           (1) This section does not prohibit the state awarding  
2 agency or nonstate entity from including terms and conditions  
3 in the written agreement which require additional assurances  
4 that state financial assistance meets the applicable  
5 requirements of laws, regulations, and other compliance rules.

6           (m) A state awarding agency or nonstate entity that  
7 ~~provides state financial assistance to nonstate entities and~~  
8 conducts or arranges for audits of state financial assistance  
9 that are in addition to the audits conducted under this act,  
10 including audits of nonstate entities that do not meet the  
11 audit threshold requirements, shall, consistent with other  
12 applicable law, arrange for funding the full cost of such  
13 additional audits.

14           ~~(9)(8)~~ The independent auditor when conducting a state  
15 single audit of a nonstate entity ~~recipients or subrecipients~~  
16 shall:

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

20           (b) Determine whether state financial assistance shown  
21 on the Schedule of Expenditures of State Financial Assistance  
22 is presented fairly in all material respects in relation to  
23 the nonstate entity's financial statements taken as a whole.

24           (c) With respect to internal controls pertaining to  
25 each major state project:

- 26           1. Obtain an understanding of internal controls;
- 27           2. Assess control risk;
- 28           3. Perform tests of controls unless the controls are  
29 deemed to be ineffective; and
- 30           4. Determine whether the nonstate entity has internal  
31 controls in place to provide reasonable assurance of

1 compliance with the provisions of laws and rules pertaining to  
2 state financial assistance that have a material effect on each  
3 major state project.

4 (d) Determine whether each major state project  
5 complied with the provisions of laws, rules, and guidelines as  
6 identified in the State Projects Compliance Supplement, or  
7 otherwise identified by the state awarding agency, which have  
8 a material effect on each major state project. When major  
9 state projects are less than 50 percent of the nonstate  
10 entity's total expenditures for all state financial  
11 assistance, the auditor shall select and test additional state  
12 projects as major state projects as necessary to achieve audit  
13 coverage of at least 50 percent of the expenditures for all  
14 state financial assistance provided to the nonstate entity.  
15 Additional state projects needed to meet the 50-percent  
16 requirement may be selected on an inherent risk basis as  
17 stated in the rules of the Department of Financial Services  
18 ~~Executive Office of the Governor~~.

19 (e) Report on the results of any audit conducted  
20 pursuant to this section in accordance with the ~~rules of the~~  
21 ~~Executive Office of the Governor~~, rules of the Department of  
22 Financial Services Comptroller, and rules of the Auditor  
23 General. Financial reporting packages ~~Audit reports~~ shall  
24 include summaries of the auditor's results regarding the  
25 nonstate entity's financial statements; Schedule of  
26 Expenditures of State Financial Assistance; internal controls;  
27 and compliance with laws, rules, and guidelines.

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

30 (g) Upon notification by the nonstate entity, make  
31 available the working papers relating to the audit conducted

1 pursuant to the requirements of this section to the state  
2 awarding agency, the Department of Financial Services  
3 ~~Comptroller~~, or the Auditor General for review or copying.

4 (10)~~(9)~~ The independent auditor, when conducting a  
5 state project-specific audit of a nonstate entity recipients  
6 ~~or subrecipients~~, shall:

7 (a) Determine whether the nonstate entity's Schedule  
8 of Expenditures of State Financial Assistance is presented  
9 fairly in all material respects in conformity with stated  
10 accounting policies.

11 (b) Obtain an understanding of internal controls  
12 ~~control~~ and perform tests of internal controls ~~control~~ over  
13 the state project consistent with the requirements of a major  
14 state project.

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

20 (d) Report on the results of the ~~a~~ state  
21 project-specific audit consistent with the requirements of the  
22 state single audit and issue a management letter as prescribed  
23 in the rules of the Auditor General.

24 (e) Upon notification by the nonstate entity, make  
25 available the working papers relating to the audit conducted  
26 pursuant to the requirements of this section to the state  
27 awarding agency, the Department of Financial Services  
28 ~~Comptroller~~, or the Auditor General for review or copying.

29 (11)~~(10)~~ The Auditor General shall:

30 (a) Have the authority to audit state financial  
31 assistance provided to any nonstate entity when determined

1 necessary by the Auditor General or when directed by the  
2 Legislative Auditing Committee.

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

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

8 (d) Provide technical advice upon request of the  
9 Department of Financial Services Comptroller, Executive Office  
10 ~~of the Governor,~~ and state awarding agencies relating to  
11 financial reporting and audit responsibilities contained in  
12 this section.

13 (e) Be provided one copy of each financial reporting  
14 package prepared in accordance with the requirements of this  
15 section.

16 (f) Perform ongoing reviews of a sample of financial  
17 reporting packages filed pursuant to the requirements of this  
18 section to determine compliance with the reporting  
19 requirements of this section and applicable ~~rules of the~~  
20 ~~Executive Office of the Governor,~~ rules of the Department of  
21 Financial Services Comptroller, and rules of the Auditor  
22 General.

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

26 Section 42. This act shall take effect upon becoming a  
27 law.

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