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SUMMARY OF SIGNIFICANT FINDINGS AND FINANCIAL TRENDS IDENTIFIED IN LOCAL GOVERNMENT AUDIT REPORTS FOR THE 2020-21 FISCAL YEAR

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

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SUMMARY OF SIGNIFICANT FINDINGS AND FINANCIAL TRENDS IDENTIFIED IN LOCAL GOVERNMENT AUDIT REPORTS FOR THE 2020-21 FISCAL YEAR

SUMMARY

This report provides a summary of significant findings identified in local governmental entity[1] audit reports for the 2020-21 fiscal year prepared by independent certified public accountants and filed with us. This report also summarizes the financial trends we identified in those reports and the unaudited annual financial reports filed with and provided to us by the Department of Financial Services (DFS).

Significant Findings

We reviewed the 1,560 local governmental entity 2020-21 fiscal year financial audit reports filed with us for 1,856 entities[2] (356 county agencies, 339 municipalities, and 1,161 special districts) as of July 31, 2022, and noted that:

- The audit reports for 28 (2 percent) of the entities contained one or more modified opinions, which is the same percentage of entity audit reports reviewed for the 2019-20 fiscal year with modified opinions.
- While the audit reports for 1,484 entities contained no findings, the audit reports for 372 entities contained 664 findings, 18 percent fewer than the 806 findings included in the 2019-20 fiscal year audit reports reviewed.[3] The 664 findings included 220 findings (33 percent) similarly reported in the 2019-20 and 2018-19 fiscal year audit reports, a 2 percent decrease when compared to 286 findings (35 percent) reported in the 2019-20 audit reports that had been similarly reported in the 2018-19 and 2017-18 fiscal year audit reports. Many of the findings (44 percent) did not include one or more of the elements required by *Government Auditing Standards* (*GAS*)[4] and the Rules of the Auditor General.[5]
- The audit reports for 119 (6 percent), 88 (5 percent), and 32 (2 percent) of the entities disclosed findings classified as financial statement material weaknesses, significant deficiencies, and noncompliance required to be reported in accordance with *GAS*,[6] respectively. For the 2019-20 fiscal year, the percentages of audit reports reviewed with those type findings were 7 percent, 6 percent, and 4 percent, respectively.
- The respective auditors considered 169 (25 percent) of the 664 findings reported to be material weaknesses in internal control over financial reporting, 131 findings (20 percent) to be significant deficiencies, and 49 (7 percent) to be noncompliance required by *GAS* to be reported. For the 2019-20 fiscal year, those type findings represented 25 percent, 20 percent, and 13 percent,

[1] The local governmental entities include counties and certain municipalities and special districts.

[2] The 1,560 audit reports received through July 31, 2022, included 60 county audit reports that each included separate audits of each county agency. We reviewed the findings separately reported for the county agencies in the county audit reports received and, therefore, reviewed audit reports related to a total of 1,856 local governmental entities.

[3] For the 2019-20 fiscal year, we reviewed audit reports for 1,852 local governmental entities. A total of 806 findings were reported for 405 of those entities.

[4] *Government Auditing Standards 2018 Revision,* paragraphs 6.17 through 6.30.

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

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

respectively, of the total findings reported. The material weaknesses and significant deficiencies reported for the 2020-21 and 2019-20 fiscal years primarily related to inadequate separation of duties, accounting records, and financial reporting. The noncompliance findings mainly addressed budget overexpenditures and noncompliance with bond covenants and established policies and procedures.

- 18 audit reports contained a total of 20 findings citing Federal awards program noncompliance, control deficiencies, or both; whereas, for the 2019-20 fiscal year, 14 entity audit reports had a total of 17 such findings.
- 4 audit reports contained a total of 5 findings citing State financial assistance project noncompliance, control deficiencies, or both; whereas, for the 2019-20 fiscal year, 8 entity audit reports had a total of 13 such findings.

Financial Trends

To identify financial trends, we reviewed 1,699 audit reports for the 2020-21 fiscal year, including the 1,560 local governmental entity 2020-21 fiscal year audit reports filed with us through July 2022, and audit reports we received from 139 other local governmental entities during the period August through October 2022. We also reviewed 135 selected local governmental entity unaudited annual financial reports filed with the DFS and provided to us.

Our reviews of the 1,699 audit reports included a determination of whether the financial statement auditor reported that the entity met one or more of the conditions described in State law[7] that could cause the entity to be in a state of financial emergency. We also compiled and reviewed reported financial data, for example, fund equity, cash, and investment balances, as applicable, for the 1,560 audit reports filed with us through July 31, 2022, and the 135 annual financial reports. Our reviews disclosed that:

- The audit reports for 3 local governmental entities (Leon County Educational Facilities Authority, SWI Community Development District, and Trailer Estates Fire Control District) included a going concern statement by the respective auditors that questioned the ability of the local governmental entity to continue operations on an ongoing basis. Three reports, including Leon County Educational Facilities Authority and SWI Community Development District, reviewed for the 2019-20 fiscal year contained this statement.
- The audit reports for 27 special districts, or 2 percent, of the 1,699 entities reported that the entity met at least one condition described in State law that could cause the entity to be in a state of financial emergency. When compared to our review results for the previous 4 fiscal years, this is the fewest number of entities reported as meeting at least one of the conditions.
- The audit reports for 30 (8 municipalities and 22 special districts), or 2 percent, of the 1,699 entities reported that the entity was experiencing deteriorating financial conditions. The number of reported entities experiencing deteriorating financial conditions decreased from 53 entities during the 2016-17 fiscal year to 30 entities during the 2020-21 fiscal year.
- Taxable property values and taxes levied for counties and municipalities have increased over the 9-year period 2012 through 2021, with the exception of the decrease in taxes levied for municipalities in 2020. County and municipality taxable property values increased by $984 billion (77 percent) and $538 billion (80 percent), respectively, over the 9-year period 2012 through 2021. For that same period, taxes levied increased by $5 billion (80 percent) for counties and by $2.8 billion (86 percent) for municipalities.

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

- Certain financial trends for numerous entities were identified that may be indicative of deteriorating financial conditions, including high levels of ad valorem millage rates for lesser-populated counties, insufficient levels of assigned and unassigned fund equity, declining excess revenues over expenditures in governmental funds or decreasing operating incomes (or increasing operating losses) in proprietary funds, and low or declining levels of cash and investments as compared to current liabilities.

BACKGROUND

One of the local government financial reporting system goals set forth in State law[8] is the timely, accurate, uniform, and cost-effective accumulation of financial and other information that can be used by the Legislature and other appropriate officials to improve the financial condition of local governments. State law[9] requires local governmental entity financial audits be performed by independent certified public accountants (CPAs). The independent auditors are to notify local governmental entities of:[10]

- Deteriorating financial conditions that may cause a condition specified in State law[11] to occur if actions are not taken to address such conditions.
- A fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements for which sufficient resources of the local governmental entity, as reported on the fund financial statements, are not available to cover the deficit.

Rules of the Auditor General[12] require the independent auditor to assess the local governmental entity's financial condition and include management letter recommendations addressing any deteriorating financial conditions disclosed by the audit. Rules of the Auditor General[13] also require the local governmental entity's independent auditor to apply appropriate procedures and to state in the management letter whether or not the local governmental entity met one or more of the conditions specified in State law. When one or more of the conditions has occurred, or will occur if action is not taken to assist the entity, the local governmental entity is to notify the Governor and the Legislative Auditing Committee.[14]

State law[15] requires us to review, in consultation with the Florida Board of Accountancy, all local governmental entity audit reports filed with us. Pursuant to State law,[16] if an entity is reported as meeting one or more of the specified conditions, we are required to notify the Governor and the Legislative Auditing Committee. The Governor is responsible for determining whether the local governmental entity needs State assistance to resolve the condition(s) and, if so, the entity is considered to be in a state of financial emergency.

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

We are also required to notify the Legislative Auditing Committee of local governmental entity audit reports that indicate the local government failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.[17] In addition, we are to annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee a summary of significant findings and financial trends identified in local governmental entity audit reports and other financial information, such as information contained in the annual financial reports for entities not required to obtain an audit.[18]

SIGNIFICANT FINDINGS

Modified Audit Opinions

Audit findings of the greatest significance include those that report noncompliance and control deficiencies that have a material impact on the fair presentation of the financial statements and may result in a modification of the independent auditor's opinion on the financial statements. Modified opinions include:

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

We reviewed 2020-21 fiscal year audit reports for 1,856 local governmental entities[19] (356 county agencies, 339 municipalities, and 1,161 special districts) and noted that the audit reports for 28 (2 percent) of the entities contained one or more modified opinions. Table 1 lists the 28 entities whose 2020-21 fiscal year audit reports included modified opinions.

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

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

[19] The 1,560 audit reports received through July 31, 2022, included 60 county audit reports that each included separate audits of each county agency. We reviewed the findings separately reported for each of the county agencies in the county audit reports received and, therefore, reviewed audit reports related to a total of 1,856 local governmental entities.

Table 1
Entities with Modified Audit Report Opinions
For the 2020-21 Fiscal Year

	Municipality	Adverse	Qualified	Disclaimer
1	Alford, Town of [a]		✓	
2	Astatula, Town of [a]		✓	
3	Carrabelle, City of [a]		✓	
4	Chattahoochee, City of [a]		✓	
5	Chiefland, City of [a]		✓	
6	Cross City, Town of [a]		✓	
7	Inglis, Town of [a]		✓	
8	Lake Helen, City of [a]		✓	
9	Malabar, Town of [a]		✓	
10	Monticello, City of [a]		✓	
11	Sopchoppy City of		✓	
12	Springfield, City of [c]			✓
	Special District			
1	Arborwood Community Development District [a b]	✓	✓	
2	Avalon Beach/Mulat Fire Protection District [a]		✓	
3	Big Bend Water Authority [a]		✓	
4	Buckeye Park Community Development District [a c]		✓	✓
5	CFM Community Development District	✓	✓	
6	Clearwater Cay Community Development District [c]			✓
7	Gramercy Farms Community Development District [a b]	✓	✓	
8	Magnolia Creek Community Development District [a b]	✓	✓	
9	Meadow Pointe IV Community Development District [a b]	✓	✓	
10	Montecito Community Development District [a b]	✓	✓	
11	Naturewalk Community Development District [a b]	✓	✓	
12	Riverwood Estates Community Development District [a b]	✓	✓	
13	South Bay Community Development District		✓	
14	Sterling Hill Community Development District	✓	✓	
15	Treeline Preserve Community Development District [b]	✓	✓	
16	Waterford Estates Community Development District [a b]	✓	✓	
28	**Total Number of Audit Reports with Modified Opinions**	**11**	**26**	**3**

[a] Entity is 1 of 21 entities that also had a qualified audit report opinion for the 2019-20 fiscal year.
[b] Entity is 1 of 9 entities that also had an adverse audit report opinion for the 2019-20 fiscal year.
[c] Entity is 1 of 3 entities that also had a disclaimer audit report opinion for the 2019-20 fiscal year.

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

Specifically, the audit reports for the 28 entities included:

- Qualified opinions for 26 entities (11 municipalities and 15 special districts). The respective CPAs issued qualified opinions because the entities, for example, failed to implement certain Governmental Accounting Standards Board (GASB) statements,[20] did not acquire an actuarial valuation to determine the total Other Postemployment Benefits (OPEB) liability amount, or excluded component units from the financial statements. The percentage of 2020-21 fiscal year

[20] GASB Statement No. 67, *Financial Reporting for Pension Plans*; 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

audit reports reviewed with qualified opinions (1 percent), represents a 1 percent decrease from the 2 percent of 2019-20 fiscal year audit reports with qualified opinions.

- Adverse opinions for 11 special districts. The adverse opinions resulted from the exclusion of component units from the financial statements. The percentage of 2020-21 fiscal year audit reports reviewed with adverse opinions (1 percent) is the same percentage of 2019-20 fiscal year audit reports reviewed with adverse opinions.
- Disclaimers of opinion for 3 entities (City of Springfield, Buckeye Park Community Development District, and Clearwater Cay Community Development District). The disclaimers of opinion were because financial statements excluded financial data for legally separate component units; reconciliations of pooled cash contained unreconciled differences and did not evidence that all bank activity had been recorded; and lack of support for the capital assets value. In contrast, five 2019-20 fiscal year audit reports filed with us (Alachua County Board of County Commissioners, City of Springfield, Buckeye Park Community Development District, Clearwater Cay Community Development District, and Town of Eatonville Community Redevelopment Agency) included disclaimers of opinion.

Twenty-four (86 percent) of the 28 local governmental entities with modified opinions also had one or more modified opinions for the 2019-20 fiscal year.

Classification of Audit Findings

Auditing standards require auditors to report material weaknesses in internal control and significant control deficiencies that are disclosed during the course of a financial statement audit. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Auditors must also report noncompliance required to be reported by *Government Auditing Standards* (*GAS*) that has a material effect on a financial statement audit. The classification of an audit finding is dependent upon its potential impact on the specific entity under audit. Therefore, the classification of an audit finding could vary from entity to entity.

For the 2020-21 fiscal year, the financial audit reports we reviewed for the 1,856 local governmental entities included 1,484 entity reports that contained no findings, while the reports for the remaining 372 local governments (20 percent) included a total of 664 findings addressing deficiencies in internal control; instances of noncompliance with applicable laws, rules, or regulations; and other findings, which is comparable to the 22 percent of the audit reports we reviewed for the 2019-20 fiscal year[21] that included audit findings.

[21] For the 2019-20 fiscal year, we reviewed audit reports for 1,852 local governmental entities. A total of 806 findings were reported for 405 of those entities.

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

One or more findings were considered by the respective auditors to be financial statement material weaknesses in 119 (6 percent) of the 2020-21 fiscal year local governmental entity audit reports we reviewed, which is 1 percent less than the 7 percent of audit reports reviewed that reported material weaknesses for the 2019-20 fiscal year.[22] In total, the 2020-21 fiscal year audit reports we reviewed included 169 findings (35 findings for 25 county agencies, 81 findings for 54 municipalities, and 53 findings for 40 special districts) considered by the respective auditors to be material weaknesses in internal control over financial reporting. This represents 25 percent of the total findings in the reports reviewed the same percentage of material weakness findings in reports reviewed for the 2019-20 fiscal year. The financial statement material weaknesses reported for the 2020-21 and 2019-20 fiscal years primarily related to inadequate separation of duties, accounting records, financial reporting, revenues and collections, and cash controls.

Additionally, the 2020-21 fiscal year audit reports for 32 local governmental entities included a total of 49 findings (2 findings for 2 county agencies, 14 findings for 12 municipalities, and 33 findings for 18 special districts), or 7 percent of the total findings, considered by the respective auditors to be noncompliance findings required to be reported by *GAS*, including 3 noncompliance findings reported in separate reports and also classified as material weaknesses. In contrast, for the 2019-20 fiscal year, 78 local governmental entities had a total of 104 noncompliance findings required to be reported by *GAS*, including 6 noncompliance findings reported in separate reports and also classified as material weaknesses. The noncompliance findings for the 2020-21 and 2019-20 fiscal years mainly addressed budget overexpenditures and noncompliance with bond covenants.

The 49 findings considered by the respective auditors to be noncompliance findings did not include any noncompliance findings also classified as significant deficiencies. In contrast, for the 2019-20 fiscal year, 3 of the 104 noncompliance findings were also classified as significant deficiencies.

Financial Statement Significant Deficiencies

One or more findings were considered by the respective auditors to be financial statement significant deficiencies in 88 (5 percent) of the 2020-21 fiscal year local governmental entity audit reports we reviewed, a 1 percent decrease from the percentage of reports reviewed that reported significant deficiencies for the 2019-20 fiscal year. Also, the 2020-21 fiscal year audit reports included a total of 131 findings (20 percent) considered by the respective auditors to be financial statement significant deficiencies, which is the same percentage of findings reported as significant deficiencies for the 2019-20 fiscal year. The financial statement significant deficiencies reviewed for the 2020-21 and 2019-20 fiscal years primarily related to inadequate separation of duties, accounting records, financial reporting, and cash controls.

[22] For the 2019-20 fiscal year, 124 (7 percent) of the 1,852 audit reports we reviewed reported material weaknesses.

Audit Findings by Category

We reviewed 2020-21 fiscal year audit reports for 1,856 local governmental entities compared to 1,852 entities for which we reviewed 2019-20 fiscal year audit reports. The number of findings decreased by 18 percent (from 806 findings for the 2019-20 fiscal year to 664 findings for the 2020-21 fiscal year). The change in the number and percentage of findings is further discussed under the subheading **Repeated Findings from Previous Fiscal Years**.

As part of our review, we identified categories of findings and grouped, by those categories, the audit findings included for county agencies (356), municipalities (339), and special districts (1,161) in the 2020-21 fiscal year audit reports. A summary of the number of findings, by finding category and by type of local governmental entity, along with comparative prior fiscal year information, is included as ***EXHIBIT A*** to this report.

Separation of Duties. In audit reports for 7 county agencies (2 percent), 24 municipalities (7 percent), and 19 special districts (2 percent), the respective auditors noted findings regarding an inadequate separation of duties or responsibilities. These 50 entities represent 3 percent of the entities included in the reports reviewed, a 1 percent decrease from the percentage of entities with similar findings the prior fiscal year. Inadequate separation of duties or responsibilities increases the possibility that errors or fraud may occur without timely detection and diminishes the local governmental entity's ability to properly safeguard assets. For many instances, local governmental entity personnel contended that, due to the small number of staff, it was not economically feasible to further separate duties or responsibilities. However, the auditors frequently recommended that the entity reassign duties and responsibilities or establish compensating controls.

Budget Administration. In audit reports for 8 county agencies (2 percent), 22 municipalities (6 percent), and 56 special districts (5 percent), the respective auditors noted findings regarding inadequate budgetary controls and noncompliance with legal requirements for adopting and amending the budget. These 86 entities represent 5 percent of the entities included in the reports we reviewed, a 1 percent increase from the percentage of entities with similar findings the prior fiscal year. The findings addressed problems relating to the entity's failure to properly adopt a budget, inadequate budgetary policies, failure to budget for all funds or projects, and overexpended budgets. Budget administration problems may affect an entity's ability to demonstrate to the citizenry the proper use of public resources and could result in inefficient or inappropriate use of resources, resulting in deteriorating financial conditions.

Accounting Records. In audit reports for 19 county agencies (5 percent), 55 municipalities (16 percent), and 24 special districts (2 percent), the respective auditors noted findings regarding inadequate accounting or other records, lack of subsidiary records or failure to timely reconcile subsidiary records to general ledger control accounts, and improper recording of accounting transactions. These 98 entities represent 5 percent of the entities included in the reports reviewed, a 1 percent decrease from the percentage of entities with similar findings the prior fiscal year. Accounting record deficiencies may reduce an entity's ability to effectively monitor use of public resources and increase the risk of inappropriate or inefficient use of resources. Improperly recorded transactions also could affect the reliability of the entity's reporting of financial position and results of operations.

Financial Reporting. In audit reports for 6 county agencies (2 percent), 34 municipalities (10 percent), and 32 special districts (3 percent), the respective auditors noted findings relating to deficiencies in reporting financial data either externally or within the local governmental entity. These 72 entities represent 4 percent of the entities included in the reports reviewed, a 1 percent decrease from the percentage of entities with similar findings the prior fiscal year. Financial reporting problems may affect an entity's ability to demonstrate compliance with legal, contractual, and financial reporting requirements and to provide assurance to interested parties (including its governing body) that the entity has a sound financial condition and is using public resources in an efficient and appropriate manner.

Cash. In audit reports for 5 county agencies (1 percent), 19 municipalities (6 percent), and 13 special districts (1 percent), the respective auditors noted findings regarding inadequate controls or noncompliance with legal requirements pertaining to cash on hand or held by banks. These 37 entities represent 2 percent of the entities included in the reports reviewed, a 1 percent decrease from the percentage of entities with similar findings the prior fiscal year. The findings addressed inadequate or untimely bank reconciliations, inaccurate recording of cash transactions, and other cash accountability issues, including noncompliance with applicable legal requirements. Noncompliance with legal requirements for cash and cash accountability deficiencies increase the risk of unauthorized disbursements and cash losses and thwart the prompt detection of such disbursements and losses.

Capital Assets. In the audit reports for 10 county agencies (3 percent), 13 municipalities (4 percent), and 7 special districts (1 percent), the respective auditors noted findings regarding noncompliance with legal requirements for acquiring or disposing capital assets or the improper use of, and lack of accountability for, capital assets. These 30 entities represent 2 percent of the entities included in the reports reviewed, the same percentage of entities with similar findings the prior fiscal year. The findings addressed inadequate or lack of capital asset records, failure to timely reconcile subsidiary capital asset records to general ledger control accounts, failure to perform an annual inventory and compare the inventory to capital asset records, improper capital asset acquisitions, and unauthorized capital asset disposals. Noncompliance with legal requirements for capital assets and capital asset accountability deficiencies may affect an entity's ability to demonstrate that it has efficiently and appropriately acquired, disposed of, and safeguarded capital assets and increase the risk that such assets could be misappropriated without prompt detection and resolution.

Debt Administration. In the audit reports for 4 municipalities (1 percent) and 26 special districts (2 percent), the respective auditors noted findings that cited the entities' failure to make debt principal and interest payments when due, noncompliance with debt reserve requirements, or other noncompliance with bond covenants or other debt agreements. These 30 entities represent 2 percent of the entities included in the reports reviewed, the same percentage of entities with similar findings the prior fiscal year. Debt administration deficiencies may affect an entity's ability to obtain and repay debt and could contribute to deteriorating financial conditions.

Revenues and Collections. In the audit reports for 13 county agencies (4 percent), 29 municipalities (9 percent), and 9 special districts (1 percent), the respective auditors noted findings that disclosed inadequate controls or noncompliance with legal requirements pertaining to revenues and accounts receivable. These 51 entities represent 3 percent of the entities included in the reports reviewed, the same percentage of entities with similar findings the prior fiscal year. The findings addressed improper recording of revenue or accounts receivable transactions, improper documentation supporting receipts, lack of an adequate fee structure, untimely deposits, and deposits not made intact. Revenue and accounts receivable deficiencies may affect an entity's ability to ensure that collections are safeguarded against loss from unauthorized use or disposition. Failure to assess and collect all revenues to which the entity is entitled could contribute to deteriorating financial conditions.

Payroll and Personnel Administration. In the audit reports for 4 county agencies (1 percent), 18 municipalities (5 percent), and 4 special districts (less than1 percent), the respective auditors noted findings that identified inadequate controls or noncompliance with legal requirements pertaining to payroll and personnel administration. These 26 entities represent 1 percent of the entities included in the reports reviewed, a 1 percent decrease from the percentage of entities with similar findings the prior fiscal year. The findings addressed improper authorization and payment of salaries and benefits to employees, improper recording of payroll or personnel transactions, failure to properly classify or account for personnel matters. Deficiencies in payroll and personnel administration increase the risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

Expenditures and Expenses. In the audit reports for 5 county agencies (1 percent), 6 municipalities (2 percent), and 12 special districts (1 percent), the respective auditors noted findings regarding deficiencies in expending public funds. These 23 entities represent 1 percent of the entities included in the reports reviewed, a 1 percent decrease from the percentage of entities with similar findings the prior fiscal year. The findings addressed expenditures or expenses that were not properly documented, approved, or recorded; not executed efficiently; or not made in accordance with laws, rules, ordinances, or other guidelines. Expenditure and expense deficiencies increase the risk of improper payments and the inappropriate or inefficient use of public resources.

Other Findings. Auditors also noted a total of 111 other findings in audit reports for 103 local governmental entities (18 county agencies, 48 municipalities and 37 special districts). These 103 entities represent 6 percent of the entities included in the reports reviewed, which is a 1 percent decrease from the percentage of entities with similar other findings reported for the prior fiscal year. These other findings included, for example, findings regarding deteriorating financial condition, deficit fund balance/net assets, failure to follow established policies and procedures, and information technology control deficiencies.

Federal Awards Program and State Financial Assistance Project Findings

Federal Uniform Guidance[23] establishes uniform Federal awards program audit requirements and State law[24] establishes State financial assistance project audit requirements. In any fiscal year a local governmental entity expends award amounts that meet the audit threshold requirements, the entity must have the applicable Federal or State Single Audit. In the audit reports, auditors are required to opine on major Federal program and major State project compliance requirements, as applicable, and the auditors can classify audit findings as material weaknesses, significant deficiencies, or noncompliance that has a direct and material effect on major program or project compliance.

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

[24] Section 215.97, Florida Statutes.

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

The audit reports for 18 local governmental entities included a total of 20 findings addressing Federal awards program noncompliance, control deficiencies, or both. The findings cited noncompliance with the Federal awards program[25] compliance requirements of Matching, Level of Effort, Earmarking; Eligibility; Procurement and Suspension and Debarment; Reporting; and Subrecipient Monitoring. For example:

- 7 local governmental entities were cited for a total of 7 findings addressing major Federal awards program control deficiencies considered by the respective auditors to be material weaknesses in internal controls over major Federal program compliance. In contrast, for the 2019-20 fiscal year, 2 entities were cited with a total of 2 findings considered to be material weaknesses in internal controls over major Federal program compliance.
- 9 local governmental entities were cited a total of 10 findings considered by the respective auditors to be significant deficiencies, and 2 of those findings were considered to be Federal awards program noncompliance required to be reported. For the 2019-20 fiscal year, the respective auditors for 11 entities considered a total of 12 findings addressing Federal awards programs to be significant deficiencies and 1 of those findings was considered to be Federal awards program noncompliance required to be reported.
- 2 local governmental entities audit reports had a total of 2 findings that identified Federal awards program questioned costs totaling $80,187 ($77,707 overstatement in calculating nursing contract labor and $2,480 for benefit assistance provided to participants and not reported to the grantor in accordance with the applicable program guidelines). In contrast, for the 2019-20 fiscal year, 4 audit reports had a total of 4 findings that identified Federal awards program questioned costs totaling $367,485.
- For the 2020-21 fiscal year, 2 local governmental entities were cited for major Federal awards program noncompliance that resulted in a qualified opinion for the Federal awards program. In contrast, for the 2019-20 fiscal year, no local governmental entities were cited for major Federal awards program noncompliance that resulted in a qualified opinion for the Federal awards program.

In addition, the audit reports for 4 local governmental entities included a total of 5 findings citing State financial assistance project noncompliance, control deficiencies, or both. These findings addressed noncompliance with the State financial assistance project[26] compliance requirements of Eligibility;

[25] The Federal awards programs included the Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs; Highway Planning and Construction Cluster; Low-Income Home Energy Assistance; Community Development Block Grants/Entitlement Grants; Coronavirus Relief Fund; Disaster Grants - Public Assistance (Presidentially Declared Disasters); Hazard Mitigation Grant; Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution; America's Marine Highway Grants; Emergency Rental Assistance Program; Emergency Watershed Protection Program; and Equitable Sharing.

[26] The State financial assistance projects included County Incentive Grant Program (CIGP), Domestic Violence Services, Hurricane Housing Recovery, and Statewide Water Quality Restoration Projects.

Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; and Reporting. Specifically:

- 2 local government entities were cited for a total of 3 findings addressing State financial assistance project control deficiencies considered by the respective auditors to be material weaknesses. Whereas, for the 2019-20 fiscal year, a total of 3 findings addressing State financial assistance project control deficiencies considered by the respective auditors to be material weaknesses were cited for 2 entities that received a qualified opinion on State financial assistance project compliance.
- A total of 2 findings addressing State financial assistance control deficiencies at 2 local governmental entities were considered by the respective auditors to be significant deficiencies. In contrast, for the 2019-20 fiscal year, a total of 7 findings addressing State financial assistance control deficiencies at 5 local governmental entities were considered by the respective auditors to be significant deficiencies, including 1 significant deficiency that was also reported as a noncompliance finding.
- No questioned costs were identified in the 5 State financial assistance project findings. In contrast, for the 2019-20 fiscal year, 2 local governmental entities audit reports had a total of 4 findings that identified State financial assistance project questioned costs totaling $1,305,344.

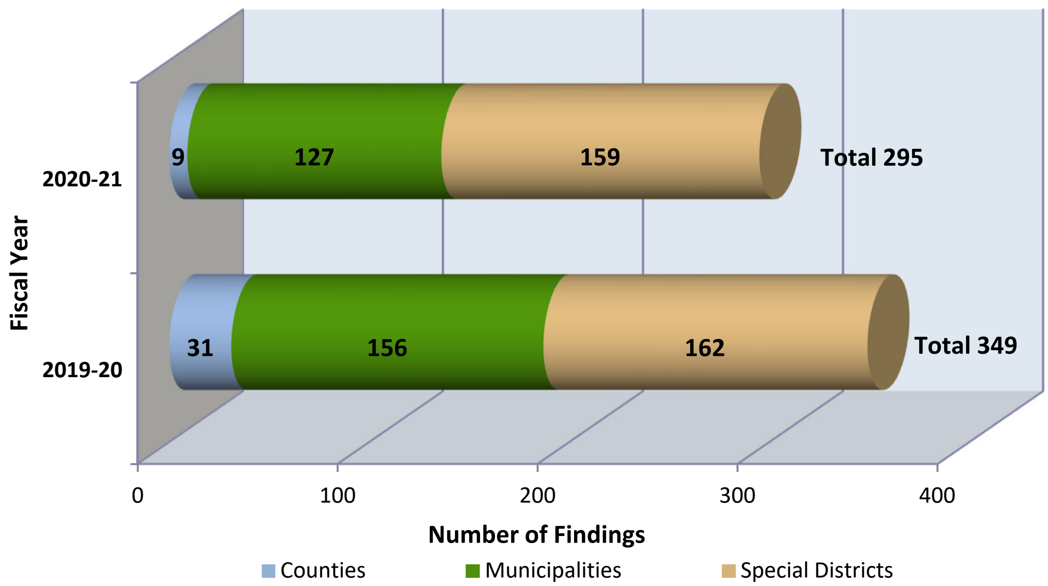
Detail of Audit Findings

GAS[27] and Rules of the Auditor General[28] prescribe the required elements of audit report findings. Of the 664 findings included in the audit reports we reviewed, 295 findings (44 percent) did not include one or more of the required elements, which is comparable to the percentage of findings cited in the prior fiscal year (43 percent) that lacked one or more of the required elements. Chart 1 illustrates, by entity type, the total number of insufficiently detailed audit findings reported for the 2019-20 and 2020-21 fiscal years.

[27] *Government Auditing Standards 2018 Revision*, paragraphs 6.17 through 6.30.

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

Chart 1
Insufficiently Detailed Audit Findings
By Entity Type



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

Most of the insufficiently detailed audit findings excluded one or more of the following required elements:

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

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

Repeated Findings from Previous Fiscal Years

Of the 664 findings included in 2020-21 fiscal year audit reports we reviewed, 220 findings (33 percent) for 143 local governmental entities (15 county agencies, 63 municipalities, and 65 special districts) were also included in the entities' 2019-20 and 2018-19 fiscal year audit reports. This is a decrease from the 286 findings (35 percent) reported in the 2019-20 audit reports and also included in the audit reports for the previous 2 fiscal years (2018-19 and 2017-18).

FINANCIAL TRENDS

Going Concern

The 2020-21 fiscal year audit reports for 3 entities (Leon County Educational Facilities Authority, SWI Community Development District, and Trailer Estates Fire Control District) included statements by the respective auditors questioning the ability of the entities to continue operations on an ongoing basis (i.e., going concern). For the 2019-20 fiscal year, audit reports for 2 of these 3 entities (Leon County Educational Facilities Authority and SWI Community Development District) also contained a going concern statement.

Potential Financial Emergencies

State law[29] requires local governmental entities to be subject to review and oversight by the Governor if, due to lack of funds, one or more of the following conditions occur:

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

Our review of the 1,699 local governmental entity 2020-21 fiscal year audit reports filed with us through October 2022 disclosed that 2 percent (27 special districts) were reported as meeting one or more of these conditions. As shown in Table 2, when compared to our review results for the previous 4 fiscal years, this is the fewest number of entities reported as meeting at least one of the conditions.

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

Table 2
Local Governmental Entities Meeting Specified Conditions
For the 2016-17 Through 2020-21 Fiscal Years

Number of Local Governmental Entities:	Fiscal Year 2016-17	2017-18	2018-19	2019-20	2020-21
Meeting one or more of the financial emergency conditions.	**45**	**38**	**37**	**34**	**27**
Cited for failure:					
Within the same fiscal year in which due, to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.	42	37	35	33	26
To pay uncontested claims from creditors within 90 days after the claim is presented, due to lack of funds.	5	3	4	2	2
To transfer at the appropriate time, due to lack of funds, taxes withheld on the income of employees or employer and employee contributions for Federal social security or any pension, retirement, or benefit plan of an employee.	2	1	1	-	-
For one pay period to pay, due to lack of funds, wages and salaries owed to employees or retirement benefits owed to former employees.	-	1	1	-	-

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

If a local governmental entity is reported as meeting one or more of the specified conditions, Rules of the Auditor General[30] require the independent auditor to specify whether the condition was a result of deteriorating financial conditions. For 21 of the 27 entities reported as meeting one or more of the specified conditions at the 2020-21 fiscal year end, the auditor indicated that the condition resulted from deteriorating financial conditions.

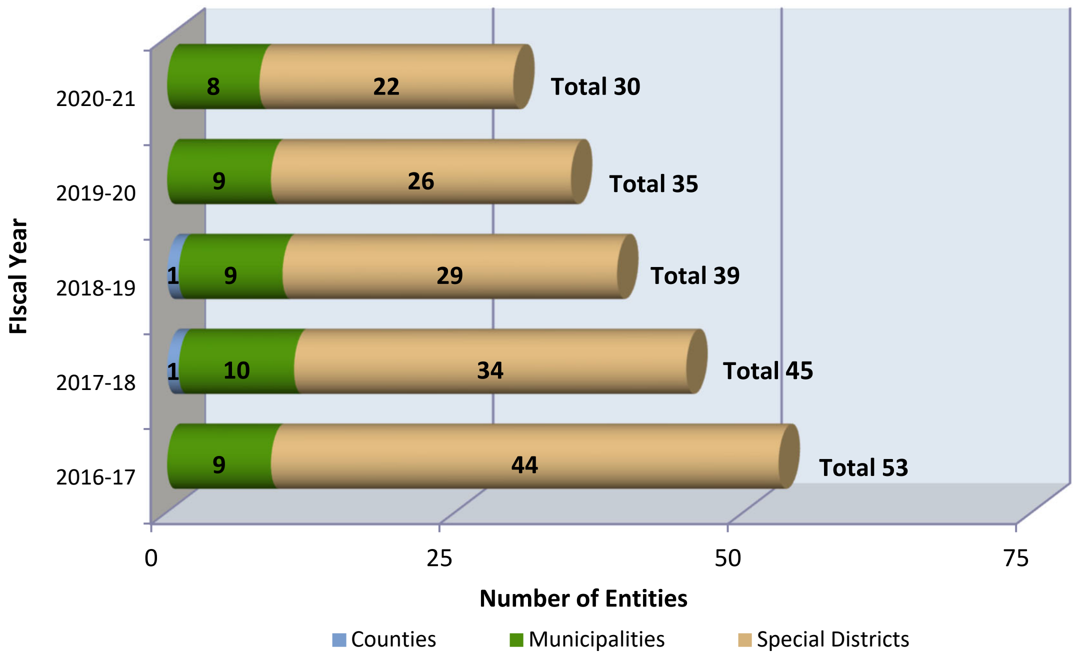
Deteriorating Financial Conditions

As discussed in the ***BACKGROUND*** section of this report, Rules of the Auditor General[31] require the independent auditor to assess the local governmental entity's financial condition and include management letter recommendations addressing any deteriorating financial conditions disclosed by the audit. For example, a municipality's failure to implement cost reductions or revenue enhancements to replenish fund equities and cash reserves may result in a future financial emergency condition.

The respective auditors reported a total of 30 (2 percent) of the entities (8 municipalities and 22 special districts) as experiencing deteriorating financial conditions at the 2020-21 fiscal year end. As illustrated by Chart 2, the total number of local governmental entities reported as experiencing deteriorating financial conditions has steadily decreased from the 2016-17 through the 2020-21 fiscal years.

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

Chart 2
Entities Reported as Experiencing Deteriorating Financial Conditions
For the 2016-17 Through 2020-21 Fiscal Years



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

Millage Rates, Taxable Property Values, and Taxes Levied

As similarly noted for previous calendar years, on average, less-populated counties had 2021 calendar year millage rates that were higher than those of more-populated counties. In contrast, more-populated municipalities had higher 2021 calendar year millage rates than less-populated municipalities. Table 3 shows, for various population ranges, the average 2021 calendar year millage rates for counties and municipalities.

Table 3
Populations and Average Tax Rates
2021 Calendar Year

Counties		Municipalities	
Population Range	Average 2021 Millage Rate	Population Range	Average 2021 Millage Rate
< 25,000	8.8889	< 1,000	3.8310
25,000 – 74,999	8.4979	1,000 – 2,999	4.6416
75,000 – 224,999	5.7190	3,000 – 9,999	4.9417
225,000 – 674,999	5.7844	10,000 – 24,999	5.0003
675,000 +	5.1274	25,000 – 99,999	5.0742
		100,000 +	6.0977

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

State law[32] limits the ad valorem tax against real property and tangible personal property to 10 mills, except for voted levies. As such, entities with millage rates at or near the statutory maximum may be unable to raise additional funds when needed. For the 2021 calendar year, the average ad valorem millage rate was 6.7999 for counties and 4.8255 for municipalities. Six counties and five municipalities established millage rates of 9.5 mills or greater for the 2021 calendar year, which is comparable to the five counties and six municipalities with millage rates 9.5 mills or greater for the 2020 calendar year. Since the 2012 calendar year, the average millage rate has increased 1 percent for counties and 5 percent for municipalities. A summary of average millage rates, the total taxable property values, and the total taxes levied by counties and municipalities for the 2012 through 2021 calendar years are shown in Table 4.

Table 4
Average Millage Rates, Taxable Property Values, and Taxes Levied

For the 2012 Through 2021 Calendar Years

Counties				Municipalities			
Year	Average Millage Rate	Taxable Property Values [a]	Taxes Levied [a]	Year	Average Millage Rate	Taxable Property Values [a]	Taxes Levied [a]
2021	6.7999	$2,255,726,706,461	$11,197,473,389	2021	4.8255	$1,208,953,209,416	$5,957,136,993
2020	6.7609	$2,120,877,139,351	$10,549,832,666	2020	4.9041	$1,137,042,056,958	$5,603,409,448
2019	6.8681	$1,987,278,938,783	$9,917,389,803	2019	4.8753	$1,129,393,866,217	$5,638,247,030
2018	6.9030	$1,854,829,137,409	$9,233,456,980	2018	4.8008	$1,050,755,587,014	$5,221,748,841
2017	6.8307	$1,728,520,004,718	$8,595,251,079	2017	4.8309	$943,943,173,396	$4,590,545,207
2016	6.8891	$1,602,542,614,950	$7,966,906,576	2016	4.7507	$871,471,006,769	$4,196,026,730
2015	6.8486	$1,487,885,231,904	$7,453,181,645	2015	4.6916	$804,031,000,849	$3,871,759,664
2014	6.9770	$1,388,695,741,063	$6,945,148,414	2014	4.6902	$740,439,219,686	$3,571,448,351
2013	6.8729	$1,309,341,657,281	$6,531,531,203	2013	4.6539	$695,446,435,099	$3,330,952,225
2012	6.7232	$1,271,895,259,474	$6,226,308,983	2012	4.5917	$670,658,127,577	$3,204,792,618

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

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

Table 4 also shows that the counties' average millage rates slightly increased for the 2021 calendar years. After annually increasing from the 2012 through 2014 calendar years, average county millage rates stabilized within a narrow range for the 2015 through 2021 calendar years. In contrast, the municipalities' average millage rates slightly decreased for the 2021 calendar year. This is after the municipalities' average millage rates increased each year from the 2012 through 2017 calendar years and stabilized within a narrow range for the 2018 through 2021 calendar years.

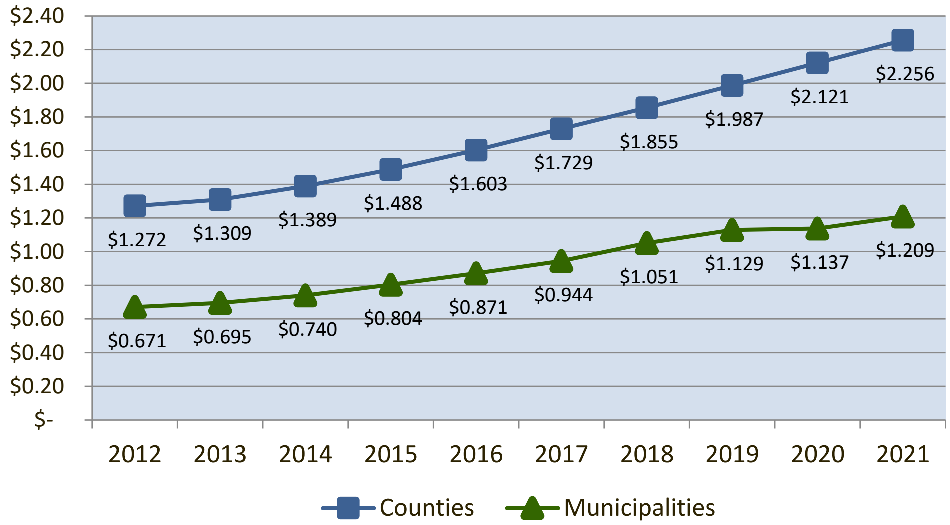
As depicted in Charts 3 and 4, there was a significant overall increase in the taxable property values and taxes levied over the 9-year period 2012 through 2021. A comparison of the 2020 and 2021 calendar year data for counties shows an increase in taxable property values of $134.8 billion (6.4 percent) and taxes levied of $647.6 million (6.1 percent). Similarly, the 2020 and 2021 calendar year data for

[32] Sections 200.071 and 200.081, Florida Statutes.

municipalities shows an increase in taxable property values of $72 billion (6.3 percent) and taxes levied of $354 million (6.3 percent).

Chart 3
Taxable Property Values

For the 2012 Through 2021 Calendar Years [a]
(In Trillions)

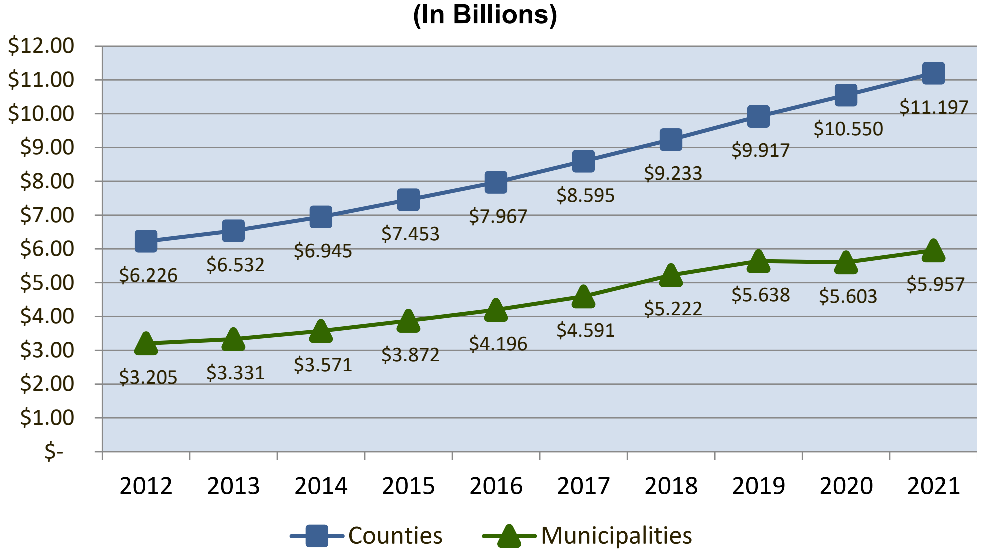


[a] Values depicted may not agree to those in our prior reports due to information updates in the Property Valuations and Tax Data by the Florida Department of Revenue.

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

Chart 4
Taxes Levied

For the 2012 Through 2021 Calendar Years [a]
(In Billions)



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

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

Pension Plans

We noted that 497 of the 1,560 local governmental entity 2020-21 fiscal year audit reports filed with us as of July 31, 2022, reported the existence of one or more employee defined benefit pension plans. These 497 audit reports related to 60 counties, 263 municipalities, and 174 special districts. The reported employee defined benefit pension plans include plans for general employees, firefighters, police officers, or some combination thereof (mixed).

Of the 497 local governmental entities reporting employee defined benefit pension plans, 334 local governmental entities (60 counties, 133 municipalities, and 141 special districts) participated in the Florida Retirement System (FRS). In addition, 217 of the 497 local governmental entities reported a total of 404 local pension plans (i.e., plans not part of the FRS), including 359 municipal plans (111 for general employees, 93 for firefighters, 114 for police officers, and 41 mixed pension plans), 42 special district plans (23 for general employees and 19 for firefighters), and 3 county firefighter plans.

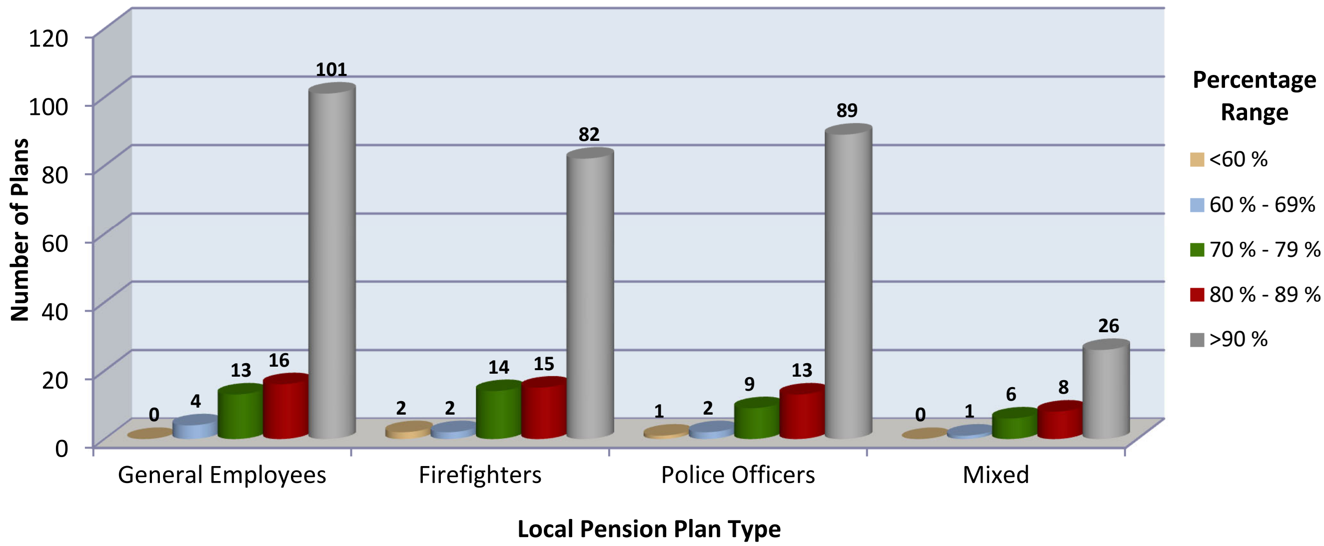
Historically, defined benefit pension plans that provide specified pension benefits to retirees have been prevalent in the public sector. The Government Finance Officers Association (GFOA),[33] in its best practice publication, *Sustainable Funding Practices of Defined Benefit Pension Plans*, indicates that a fundamental financial objective of a public employee defined benefit pension plan is to fund the long-term cost of benefits promised to plan participants. It is widely acknowledged that the appropriate way to attain reasonable assurance regarding the sustainability of pension benefits is for a government to accumulate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefiting employees (i.e., long-term funding). Long-term funding is accomplished by employer and employee contributions and investment earnings. Currently, there is no GFOA guidance regarding what percentages of Plan Fiduciary Net Position as a Percentage of Total Pension Liability may be considered as indicators of potential default; however, a higher percentage indicates a better-funded plan than a lower percentage.

Chart 5 illustrates, for the 404 local pension plans that reported Plan Fiduciary Net Position as a Percentage of Total Pension Liability for the 2020-21 fiscal year as required by GASB Statement Nos. 67 and 68, the number of plans for various ranges of reported percentages by local pension plan type (i.e., general employees, firefighters, police officers, and mixed). For comparative purposes, as of June 30, 2021, the FRS reported 96.40 percent as the Plan Fiduciary Net Position as a Percentage of Total Pension Liability.

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

Chart 5
Local Pension Plans Reported Plan Fiduciary Net Position
As a Percentage of Total Pension Liability

For the 2020-21 Fiscal Year



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

Other Financial Trends

Our examination of financial and other information obtained for the counties, municipalities, and special districts evaluated for the 2010-11 through 2020-21 fiscal years disclosed certain significant financial trends. including trends relating to financial equity and results of operations. These financial trends were compiled based on our review of audit reports and annual financial reports and do not represent individual financial condition assessments of particular entities. Such assessments are the responsibility of local governmental entities and their independent auditors and require information that can only be obtained through examination of entity records and inquiry of entity management.

Fund Equity and Results of Operations

GASB Statement No. 54, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Table 5 presents a summary of our analysis disclosing that 170 entities reported net deficit total assigned and unassigned[34] or unrestricted fund equities at the 2020-21 fiscal year end, which represents a 38 percent increase in the number of entities that reported deficits at the 2015-16 fiscal year end, and a 33 percent increase over the number of entities that reported deficits at the 2010-11 fiscal year end. Although local governments are not statutorily required to maintain a specified level of assigned and

[34] For comparison purposes, the assigned and unassigned fund balance classifications pursuant to GASB Statement No. 54 are similar to unreserved fund balance used in reports prior to the 2010-11 fiscal year.

unassigned or unrestricted fund equity, the ability of these entities to maintain adequate service levels and fund capital acquisitions may be diminished if sufficient fund equity is not maintained.

Table 5
Summary of Analysis of Fund Equities and Results of Operations

For the 2010-11, 2015-16, and 2020-21 Fiscal Years

	Counties			Municipalities			Special Districts			Totals		
	Fiscal Year			Fiscal Year			Fiscal Year			Fiscal Year		
	2010-11	2015-16	2020-21	2010-11	2015-16	2020-21	2010-11	2015-16	2020-21	2010-11	2015-16	2020-21
Total Number of Reports Reviewed [a]	66	61	60	377	379	345	925	1,017	1,290	1,368	1,457	1,695
Number of reports that:												
Reported net deficit total assigned and unassigned or unrestricted fund equity.	1	-	-	7	10	2	120	113	168[b]	128	123	170
Reported no assigned and unassigned or unrestricted fund equity.	-	-	-	1	2	-	74	86	209[c]	75	88	209
Experienced either excess expenditures over revenues in governmental operations or operating losses in proprietary operations.	55	47	35	279	250	170[d]	490	512	600[d]	824	809	805
Experienced net losses when both governmental and proprietary funds were taken into account.	48	36	15	206	151	95[e]	484	501	584[e]	738	688	694
Experienced net losses and reported net deficit assigned and unassigned or unrestricted fund equity.	1	-	-	7	9	-	99	87	124[f]	107	96	124

[a] Totals include both audit reports and annual financial reports reviewed. For the 2020-21 fiscal year, 1,560 audit reports and 135 annual financial reports were reviewed.

[b] Totals include annual financial reports for 26 special districts.

[c] Total includes annual financial reports for 44 special districts.

[d] Totals include annual financial reports for 3 municipalities and 61 special districts.

[e] Totals include annual financial reports for 3 municipalities and 57 special districts.

[f] Total includes annual financial reports for 17 special districts.

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

Many entities transfer governmental fund resources to support proprietary fund operations. However, for the 2010-11, 2015-16, and 2020-21 fiscal years, the percentage of all entities reviewed with net losses (combining both governmental and proprietary funds) were 54 percent (738 of 1,368 reports), 47 percent (688 of 1,457 reports), and 41 percent (694 of 1,695 reports), respectively. From the 2015-16 fiscal year to the 2020-21 fiscal year, the percentage of counties that experienced net losses decreased from 59 to 25 percent, the percentage of municipalities that experienced net losses decreased from 40 to 28 percent, and the percentage of special districts that experienced net losses decreased from 49 to 45 percent. Additionally, of the 694 entities that experienced net losses for 2020-21 fiscal year operations, 124 entities (7 percent of the 1,695 reports reviewed) also reported net deficit total assigned and unassigned or unrestricted fund equities at the 2020-21 fiscal year end.

Continued net losses and net deficit total assigned and unassigned or unrestricted fund equities may leave entities with insufficient funds to sustain current levels of services without borrowing funds from external sources. Additionally, those entities have less resources available for emergencies and unforeseen situations.

Other Financial Trends

A total of 96 audited special districts reported cash and investments in amounts that were not sufficient to cover current liabilities at the 2020-21 fiscal year end, which is comparable to the 93 entities at the 2015-16 fiscal year end, but 32 fewer than the 125 entities that similarly reported cash and investments at the 2010-11 fiscal year end. In addition, our examination of annual financial reports disclosed that 6 special districts reported cash and investments in amounts not sufficient to cover current liabilities at the 2020-21 fiscal year end. Declining levels of cash and investments when compared to current liabilities may indicate that the special district has overextended itself or may be having difficulty raising the cash necessary to meet current needs.

Long-term debt reported for governmental activities totaled $26.1 billion at the 2020-21 fiscal year end, an increase of $1.1 billion, compared to $25 billion at the 2015-16 fiscal year end for the reports we reviewed for those fiscal years. While local governments are statutorily authorized to enter into long-term debt arrangements, for example, to fund construction projects or repay or refinance older debt that has not been paid off, it is important to consider current revenue streams and other available resources to ensure debt service requirements are met and to reduce debt as appropriate.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

Although all local governmental entities are required to file annual financial reports with the DFS,[35] all references to annual financial reports in this report pertain to those for entities without audited financial statements. As a result, the financial trends based on annual financial reports included in this report are based on unverified amounts.

The scope of this project included a review of the independent auditor 2020-21 fiscal year financial statement audit reports filed with us by July 31, 2022, for 60 counties (which included 356 individual county agency reports), 339 municipalities, and 1,161 special districts. The scope also included 6 municipality and 129 special district annual financial reports (filed with the DFS and provided to us) of entities that were not required to provide for an audit. In addition, the scope included a review of audit reports received for 1,699 entities (61 counties, 371 municipalities, and 1,267 special districts) through October 31, 2022, to identify entities that were reported as having met a condition specified in State law,[36] or having deteriorating financial conditions.

Our methodology included a review of applicable audit reports and annual financial reports and a compilation of significant findings and financial trends. We included 1,856 entities (356 county agencies, 339 municipalities, and 1,161 special districts) in our analysis of significant findings. We included 1,560 entities (60 counties, 339 municipalities, and 1,161 special districts) in our analysis of significant financial trends (except for the analysis of fund equities and results of operations, as depicted in Table 5, where we also included annual financial reports for 6 municipalities and 129 special districts).

We planned and performed this review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for the summaries of significant findings and financial trends included in this report.

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

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

AUTHORITY

Pursuant to Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present the summary of significant findings and financial trends identified in local governmental entity audit reports prepared by independent certified public accountants or, for entities not required to provide for an audit, financial trend information obtained from local governmental entity annual financial reports, for the 2019-20 fiscal year.

Sherrill F. Norman

Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

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

FOR THE 2019-20 AND 2020-21 FISCAL YEARS

Finding Category	Number of	County Agencies Fiscal Year 2019-20	County Agencies Fiscal Year 2020-21	Municipalities Fiscal Year 2019-20	Municipalities Fiscal Year 2020-21	Special Districts Fiscal Year 2019-20	Special Districts Fiscal Year 2020-21	Totals Fiscal Year 2019-20	Totals Fiscal Year 2020-21
Separation of Duties – Inadequate separation of duties.	Findings	17	7	28	24	23	19	68	50
	Entities	15	7	28	24	23	19	66	50
Budget Administration – Inadequate budgetary controls or noncompliance with legal requirements relating to budgets.	Findings	9	8	20	25	47	59	76	92
	Entities	9	8	20	22	46	56	75	86
Accounting Records – Inadequate accounting or other records, lack of subsidiary records or failure to timely reconcile subsidiary records to general ledger control accounts, or improper recording of transactions (excludes capital assets).	Findings	27	20	82	70	34	28	143	118
	Entities	24	19	64	55	31	24	119	98
Financial Reporting – Reporting of financial data externally or within the local governmental entity.	Findings	10	6	47	36	41	32	98	74
	Entities	9	6	43	34	39	32	91	72
Cash – Inadequate controls or noncompliance with legal requirements pertaining to cash on hand or held by banks.	Findings	5	5	36	20	10	13	51	38
	Entities	5	5	33	19	10	13	48	37
Capital Assets – Noncompliance with legal requirements pertaining to acquisitions or disposals of capital assets or the improper use of, and lack of accountability for, capital assets.	Findings	8	15	20	13	9	8	37	36
	Entities	8	10	19	13	7	7	34	30
Debt Administration – Noncompliance with bond covenants or loan agreements and failure to make debt service payments.	Findings	-	-	9	4	41	33	50	37
	Entities	-	-	9	4	31	26	40	30
Revenues and Collections – Inadequate controls or noncompliance with legal requirements pertaining to revenues and accounts receivable.	Findings	10	13	36	31	9	9	55	53
	Entities	10	13	32	29	9	9	51	51
Payroll and Personnel Administration – Inadequate controls or noncompliance with legal requirements pertaining to payroll and personnel administration.	Findings	9	4	25	21	10	6	44	31
	Entities	8	4	21	18	8	4	37	26
Expenditures and Expenses – Expenditures or expenses not properly documented, approved, or recorded; not executed efficiently; or not made in accordance with laws, rules, ordinances, or other guidelines.	Findings	7	5	8	7	17	12	32	24
	Entities	6	5	6	6	16	12	28	23
Other Findings	Findings	28	21	77	52	47	38	152	111
	Entities	22	18	66	48	46	37	134	103
Total Number of Findings		**130**	**104**	**388**	**303**	**288**	**257**	**806**	**664**

Note: Some entities had more than one finding in each category. In total, findings were included in audit reports for 58 county agencies, 139 municipalities, and 175 special districts.

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