

CRA LEGAL ISSUES FOR FINANCIAL AUDITS

OCTOBER 18, 2019

Florida Redevelopment Association

Annual Conference

Hilton Downtown Tampa

9:30 a.m. – 11:00 a.m.

W'S OF CRA AUDITING

- **Who** all Community Redevelopment Agencies in Florida
- **What** new audit requirements for auditors and audits
- **When** effective next year, October FY 2020 fiscal year audits
- **Where** Ch. 163 Part III/Ch. 189/Ch. 218, Florida Statutes
and Florida Auditor General Rules
- **Why** Legislative desire for increased accountability of CRAs
- **HoW** “independent”* audits of CRAs commissioned by cities
and counties

*does not require separate audits, can still be a component unit and included in the local government audit.

FIRST HALF: LAWS/LEGISLATION

NOTES REGARDING THIS PRESENTATION

- 1. CH. 163 PART III, FLORIDA STATUTES WAS AMENDED IN CS/HB 9*, 2019 SESSION.**
- 2. SOME OF THE CHANGES IN THAT *ENROLLED BILL APPLY TO CRA AUDITS.**
- 3. WE WILL BE DISCUSSING ONLY THOSE SECTIONS OF CS/HB 9 THAT APPLY TO AUDITS.**
- 4. THEY ARE 163.387 (6), (7) AND (8) (FIRST HALF)**
- 5. THE SUM OF THESE CHANGES HAVE CAUSED CHANGES TO THE FLORIDA AUDITOR GENERAL'S RULES FOR AUDITS BY LOCAL GOVERNMENTS (SECOND HALF).**

FOR FURTHER INFORMATION ON THESE AND OTHER CRA ISSUES, WE RECOMMEND THAT YOU CONTACT THE FLORIDA REDEVELOPMENT ASSOCIATION AT WWW.REDEVELOPMENT.NET

DISCLAIMER: THIS PRESENTATION SUMMARY OF THE LAW OR AUDIT RULES IS NOT TO BE RELIED ON FOR LEGAL PURPOSES – CHECK WITH YOUR LEGAL COUNSEL OR AUDITOR FOR INTERPRETATIONS OR SPECIFIC APPLICATION TO YOUR FACTS.

THE BIG DEAL****

- CS/HB 9 WAS PASSED BY THE 2019 LEGISLATURE AND WAS SIGNED BY THE GOVERNOR (CH 2019-163)
- CHANGED SEVERAL PROVISIONS RELATED TO ACCOUNTING FOR COMMUNITY REDEVELOPMENT AGENCY EXPENDITURES IN CHAPTER 163, PART III, Florida Statutes
- **“THE AUDIT MUST...****s.163.387(8)(b)**
3. Include a finding by the auditor as to whether the community redevelopment agency is in compliance with subsections (6) and (7).”

CHANGES 2019: CS/HB 9
Chapter No. 2019-163
Chapter 163 Part III s. 163.387(6)

~~(6) EFFECTIVE OCTOBER 1, 2019, MONEYS IN THE REDEVELOPMENT TRUST FUND MAY BE EXPENDED FROM TIME TO TIME FOR UNDERTAKINGS OF A COMMUNITY REDEVELOPMENT AGENCY AS DESCRIBED IN THE COMMUNITY REDEVELOPMENT PLAN ONLY PURSUANT TO AN ANNUAL BUDGET ADOPTED BY THE BOARD OF COMMISSIONERS OF THE COMMUNITY REDEVELOPMENT AGENCY AND ONLY FOR THE FOLLOWING PURPOSES SPECIFIED IN PARAGRAPH (C). INCLUDING, BUT NOT LIMITED TO:~~

~~(A) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A COMMUNITY REDEVELOPMENT AGENCY SHALL COMPLY WITH THE REQUIREMENTS OF S. 189.016.~~

~~(B) A COMMUNITY REDEVELOPMENT AGENCY CREATED BY A MUNICIPALITY SHALL SUBMIT ITS ANNUAL BUDGET TO THE BOARD OF COUNTY COMMISSIONERS FOR THE COUNTY IN WHICH THE AGENCY IS LOCATED WITHIN 10 DAYS AFTER THE ADOPTION OF SUCH BUDGET AND SUBMIT AMENDMENTS OF ITS ANNUAL BUDGET TO THE BOARD OF COUNTY COMMISSIONERS WITHIN 10 DAYS AFTER THE ADOPTION DATE OF THE AMENDED BUDGET ADMINISTRATIVE AND OVERHEAD EXPENSES NECESSARY OR INCIDENTAL TO THE IMPLEMENTATION OF A COMMUNITY REDEVELOPMENT PLAN ADOPTED BY THE AGENCY.~~

(c) The annual budget of a community redevelopment agency may provide for payment of the following expenses:

1. Administrative and overhead expenses directly or 324 indirectly necessary to implement a community redevelopment plan 325 adopted by the agency.

2.~~(b)~~ Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.

3.~~(c)~~ The acquisition of real property in the 331 redevelopment area.

4.(d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370.....

Language follows that was not changed in 2019 re: expenditures

CHANGES 2019: CS/HB 9

Chapter No. 2019-163

Chapter 163 Part III s. 163.387(6) CONT'D

Except for new number nine...

Applies to CRAs in Charter Counties

***new type of expenditure**

9. Expenses that are necessary to exercise the powers granted under s. 163.370, as delegated under s. 163.358.

*** THIS IS A GENERAL CATEGORY OF EXPENSES BY CRAS WHO HAVE BEEN DELEGATED POWERS TO THEM BY CHARTER COUNTIES. REFER TO YOUR CRA ATTORNEY FOR SPECIFICS.**

CHANGES 2019: CS/HB 9
Chapter No. 2019-163
Chapter 163 Part III s. 163.387(7)

(7) ON THE LAST DAY OF THE FISCAL YEAR OF THE COMMUNITY REDEVELOPMENT AGENCY, ANY MONEY WHICH REMAINS IN THE TRUST FUND AFTER THE PAYMENT OF EXPENSES PURSUANT TO SUBSECTION (6) FOR SUCH YEAR SHALL BE:

(D) APPROPRIATED TO A SPECIFIC REDEVELOPMENT PROJECT PURSUANT TO AN APPROVED COMMUNITY REDEVELOPMENT PLAN. THE FUNDS APPROPRIATED FOR SUCH PROJECT MAY NOT BE CHANGED UNLESS THE PROJECT IS AMENDED, REDESIGNED, OR DELAYED, IN WHICH CASE THE FUNDS MUST BE REAPPROPRIATED PURSUANT TO THE NEXT ANNUAL BUDGET ADOPTED BY THE BOARD OF COMMISSIONERS OF THE COMMUNITY REDEVELOPMENT AGENCY ~~WHICH PROJECT WILL BE COMPLETED WITHIN 3 YEARS FROM THE DATE OF SUCH APPROPRIATION.~~

CHANGES 2019: CS/HB 9
CHAPTER NO. 2019-163
CHAPTER 163 PART III S. 163.387
NEW SECTION (8)(A)

(8) (A) EACH COMMUNITY REDEVELOPMENT AGENCY WITH REVENUES OR A TOTAL OF EXPENDITURES AND EXPENSES IN EXCESS OF \$100,000, WAS REPORTED ON THE TRUST FUND FINANCIAL STATEMENTS, SHALL PROVIDE FOR A FINANCIAL AUDIT ~~OF THE TRUST FUND~~ EACH FISCAL YEAR ~~AND A REPORT OF SUCH AUDIT TO BE~~ PREPARED BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT OR FIRM. EACH FINANCIAL AUDIT...MUST BE CONDUCTED IN ACCORDANCE WITH RULES FOR AUDITS OF LOCAL GOVERNMENTS ADOPTED BY THE AUDITOR GENERAL.

CHANGES 2019 SESSION: CS/HB 9
CHAPTER NO. 2019-163
CHAPTER 163 PART III S. 163.387
NEW SECTION (8)

(8)(b) The audit report must:

1. Describe the amount and source of deposits into.. the amount and purpose of withdrawals from, the trust fund ...amount of principal and interest paid during such year on any indebtedness ...amount of such indebtedness.

2. Include financial statements identifying the assets, liabilities, income, and operating expenses of the community redevelopment agency as of the end of such fiscal year.

3. Include a finding by the auditor as to whether the community redevelopment agency is in compliance with subsections (6) and (7).

CHANGES 2019: CS/HB 9
Chapter No. 2019-163
Chapter 163 Part III s. 163.387(8)

(8)(c) The audit report for the community redevelopment agency must accompany the annual financial report submitted by the county or municipality that created the agency to the Department of Financial Services as provided in s. [218.32](#), regardless of whether the agency reports separately under that section.

(8)(d) The agency shall provide ~~by registered mail~~ a copy of the audit report to each taxing authority.

SECOND HALF:

**Florida Auditor General Rules & Audit
Standards**

**RULES OF THE FLORIDA AUDITOR GENERAL
CHAPTER 10.550-LOCAL GOVERNMENTAL
ENTITY AUDITS**

EFFECTIVE 9-30-19

****STATUTES REQUIRE THESE AUDITS OF LOCAL GOVTS IN
ACCORDANCE WITH THE RULES OF THE FLORIDA AUDITOR GENERAL
163.387(8)(A)***

- **163.387(8)(a)**: Each community redevelopment agency with revenues or a total of expenditures and expenses in excess of \$100,000 shall provide for a **financial audit each fiscal year** by an independent certified public accountant or firm. Each financial audit must be conducted in accordance with the rules for audits of local governments adopted by the Auditor General.
 - **AG rules** incorporate by reference **GASB Govt. Accounting & Financial Reporting Standards** which specify the minimum requirements for Basic Financial Statements (**10.553**)
 - **AG rules** also include **AT-C 315 AICPA Professional Standards for Compliance Attestation** (currently in the DRAFT rules in a NOTE at the end of 10.556)

AUDIT REQUIRED

- 218.39(3)(a) allows dependent special districts to provide for annual financial audit by being included in the audit of the local government on which it is dependent
 - In order to meet AG requirements, the dependent special district would have to be included in the local government audit as a “MAJOR FUND”
 - There would be additional disclosure requirements in the footnotes

ANNUAL AUDIT & FINANCIAL STATEMENTS

New Auditor General rules (Chapter 10.550)

Require the auditor to...determine whether or not the special district:

- posted tentative and final budgets and budget amendments...189.016(4); 189.016(7)**
- Has its budget included in the general budget of the governing body on which it is dependent....189.016(5)**
- maintained a website or was prominently displayed.....189.069(1)**
- posted required information...189.069(1)**
- provided a link to Department of Financial Services...218.32(1)(g)**
- complied with 163.387(6) and (7)...**

- In compliance attestation engagements, AT-C 315 provides guidance to the auditor
 - Auditor is responsible for obtaining “reasonable assurance” about whether the entity complied with the specified requirements, “in all material respects” (AT-C 315.11)

WHAT IS AT-C 315?

- The auditor obtains a written statement/representation from local government management, in which management asserts that:
 - It is responsible for complying with the statutes
 - It evaluates its compliance with the statutes
 - It has disclosed any non-compliance with the statutes
 - See AT-C 315.06 and 315.17

AT-C 315

- The auditor determines compliance by:
 - Evaluating management's written assertions that they have complied
 - Obtaining "reasonable assurance" that the entity complied "in all material respects"
- The auditor expresses an opinion in a written report, which is part of the financial audit
- See AT-C 315.19 and 315.20
- AG rules indicate that this opinion is to be included in the Management Letter section of the audit

AT-C 315 CONTINUED

WHERE TO FIND THESE DOCUMENTS:

CS/HB 9 (Passed in 2019 Legislative Session)

Chapter No. 2019-163

[Flsenate.gov/Session/Bill/2019/9](https://flsenate.gov/Session/Bill/2019/9)

RULES EFFECTIVE 9-30-19 RE CRAS

[Flauditor.gov/pages/tech_localgovt.html](https://flauditor.gov/pages/tech_localgovt.html)

COMPLIANCE SUPPLEMENT LOCAL GOVT ENTITY AUDITS

[Flauditor.gov/pages/pdf_files/lg_compliance_supplement19.pdf](https://flauditor.gov/pages/pdf_files/lg_compliance_supplement19.pdf)

AT-C SECTION 315

<https://www.aicpa.org/Research/Standards/AuditAttest/Downloadable/Documents/AT-C-00315.pdf>

REVIEW

IS YOUR CRA PREPARED TO:

- 1) ENSURE BOARD/COMMISSION MEMBERS GET 4 HRS ETHICS EACH YEAR? 112.3142(2)(C)**
- 2) FILE DIGITAL MAPS WITH THE GOVERNING BODY/PUBLISH THEM ON CRA WEBSITE? 163.356(3)(D)**
- 3) USE THE SAME PURCHASING PROCESS AS THE COUNTY/CITY THAT CREATED IT? 163.370(5)**
- 4) FILE ANNUAL REPORT W COUNTY/CITY THAT CREATED IT & PUBLISH ON CRA WEBSITE? 163.371(2)**
- 5) SPEND ALL REDEVELOPMENT \$\$ PURSUANT TO AN ANNUAL BUDGET? 163.387(6)**
- 6) COMPLY WITH REVISED “TRUE-UP” OPTIONS? 163.387(7)**
- 7) BE INCLUDED IN THE COUNTY/CITY’S ANNUAL AUDIT AS A MAJOR FUND & PROVIDE REQUIRED AUDIT REPORT CONTENT? 163.387(8)(A) & (B)**

IS YOUR CRA CURRENTLY:

- 1) Posting tentative and final budgets online? 189.016(4)
- 2) Including the annual budget for the CRA in the city or county annual budget? 189.016(5)
- 3) Posting budget amendments online? 189.016(7)
- 4) Maintaining a unique web page/unique link on city/county homepage just for the CRA that lists the many different types of information required by 189.069(1)?
- 5) If your CRA is not included in the financial statements of the county/city on which it is dependent, does it currently have a contract for audit services with a CPA firm? 218.32 and 218.39