



AUDIT REPORT



DATE September 25, 2020

NO. 2020-003

COMMUNITY REDEVELOPMENT AGENCIES

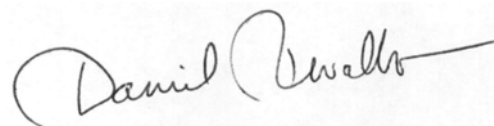
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed an audit of the Community Redevelopment Agencies. The purpose of this audit was to verify that adequate controls exist and are operating effectively.

The report details the current control environment and includes our comments and recommendations. Management response has been included and immediately follows the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal line extending to the right.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

The Internal Audit Division has completed an audit of the Charlotte County Community Redevelopment Areas.

Procedures performed during the audit determined the following:

1. Internal controls for calculating **Tax Increment Financing (TIF)** are adequate.
2. CRA funding and disbursement records are accurate.
3. CRAs annual budgets (adopted and planned) are posted to the CRA web page.
4. An annual audit in the creating entity's audit including a finding on the agency's compliance is performed.

The following is a summary of our audit recommendations:

1. **We recommend** filing the CRA Reports by March 31st of the applicable year.
2. **We recommend** the County include the report of the independent auditor with the audit report, and publish within 45 days to the website, if not ready to file with the CRA Report.
3. **We recommend** the County guide the Charlotte Harbor Advisory Committee to structure their motions to recommend what action for the CRA to take.

BACKGROUND

Florida Statutes Chapter 163, Part III, created the Community Redevelopment Act of 1969. **Community Redevelopment Agencies (CRAs)** are used as a method to “redevelop” an area that has experienced substandard structures, has a shortage of affordable housing, or inadequate infrastructure. In accordance with the Redevelopment Act, Charlotte County government established CRAs in areas where “slum” and “blight” exist. The goal of the CRAs is to encourage the local initiative to revitalize older downtowns and declining neighborhoods.

The **Board of County Commissioners (BOCC)** is the governing body of the County's CRAs. They have appointed Advisory Committees to make recommendations on the use of tax increment revenues and legislative items.

Charlotte County has three (3) CRAs, each with a separate **Tax Increment Financing (TIF)** provision. As required by the statute, the Charlotte County Board of County Commissioners serves as the Community Redevelopment Agency. However, each CRA has an Advisory Committee along with a Chair, who administers the plan. The City of Punta Gorda also has a CRA staffed by three (3) Council Members, the Mayor and two (2) at large CRA members. The City Manager is the Executive Director. For the purposes of this audit, we only reviewed Charlotte County contributions to the Punta Gorda CRA and uses of those funds, as disclosed in public documents.

TIF is an economic program offered by the County or City to encourage development and redevelopment thereby eliminating blight. It is based on the premise that redevelopment will result in an increase in the value of real property and other economic activity that will generate new tax revenue in the TIF. The new or increased local tax revenues resulting from TIF redevelopment projects are “tax increments.” The TIF

funds are available to finance eligible project costs such as the construction of public infrastructure, site clearance, and related project costs.

The last taxable valuation before the establishment of a TIF is the base year. Increases in taxable values, both from new construction and from general price appreciation, are taxable increments. Taxes collected by taxing authorities attributable to the increments are reinvested in the TIF. Generally, 95% of the increments collected by taxing authorities are refunded to the TIFs. TIFs are accounted for in separate County trust and agency funds. The County’s three (3) CRAs include: 1) Charlotte Harbor CRA, 2) Murdock Village CRA, and 3) Parkside CRA.

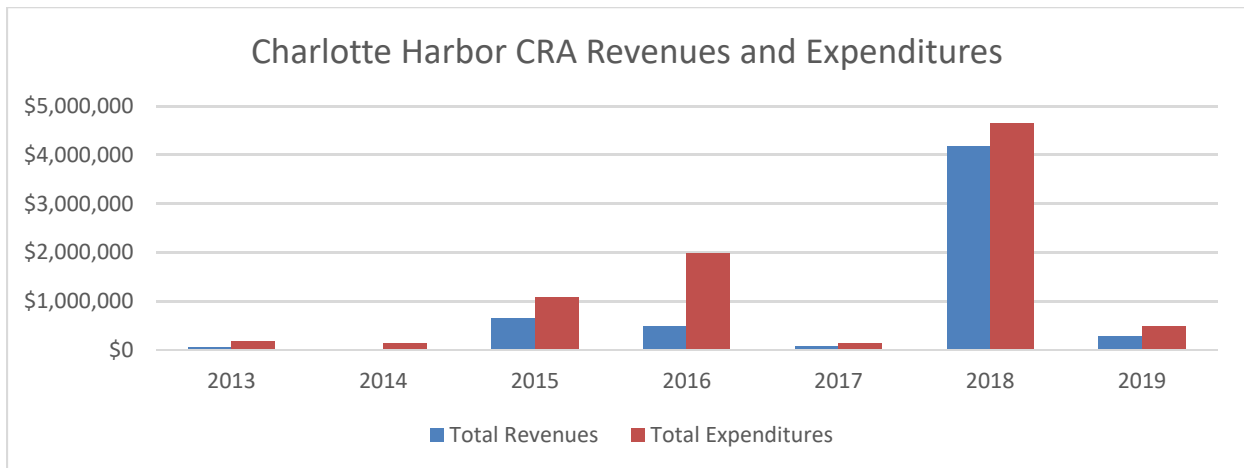
ANNUAL REPORTING REQUIREMENTS

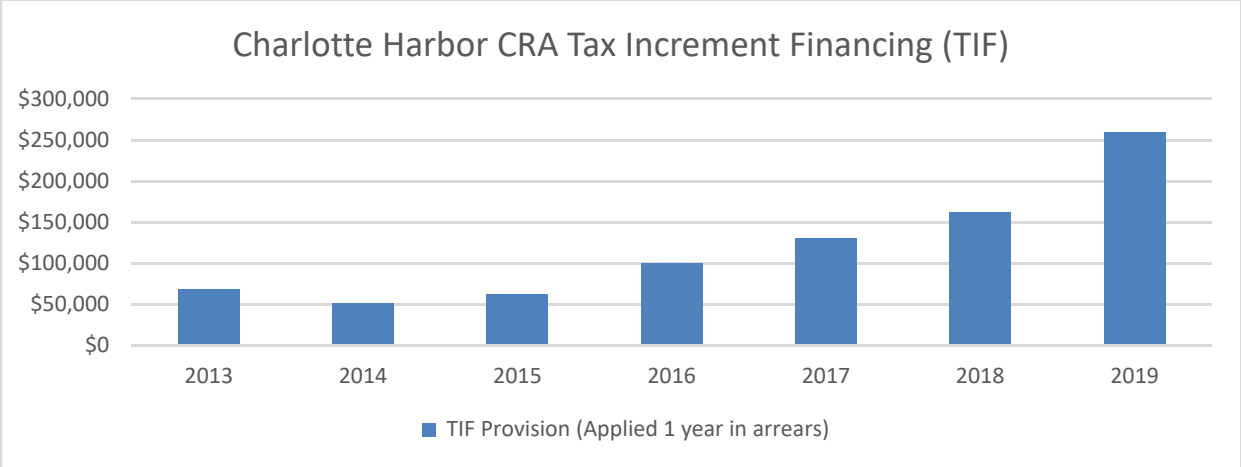
The website REDEVELOPMENT.NET, run by the Florida Redevelopment Association, states, “Community Redevelopment Agencies in Florida are required by state law to prepare five annual reports:

- 1) Annual Audit (can be independent of the creating entity or included in the creating entity’s audit)
- 2) Annual Fees and Updates to the Office of Special District Accountability at the Florida Department of Economic Opportunity
- 3) Comprehensive Annual Financial Report
- 4) Annual March 31 Report to the public (posted online)
- 5) Annual Budget (proposed and adopted) and Board, contact information updated and posted each September online on CRA pages”

Charlotte Harbor CRA

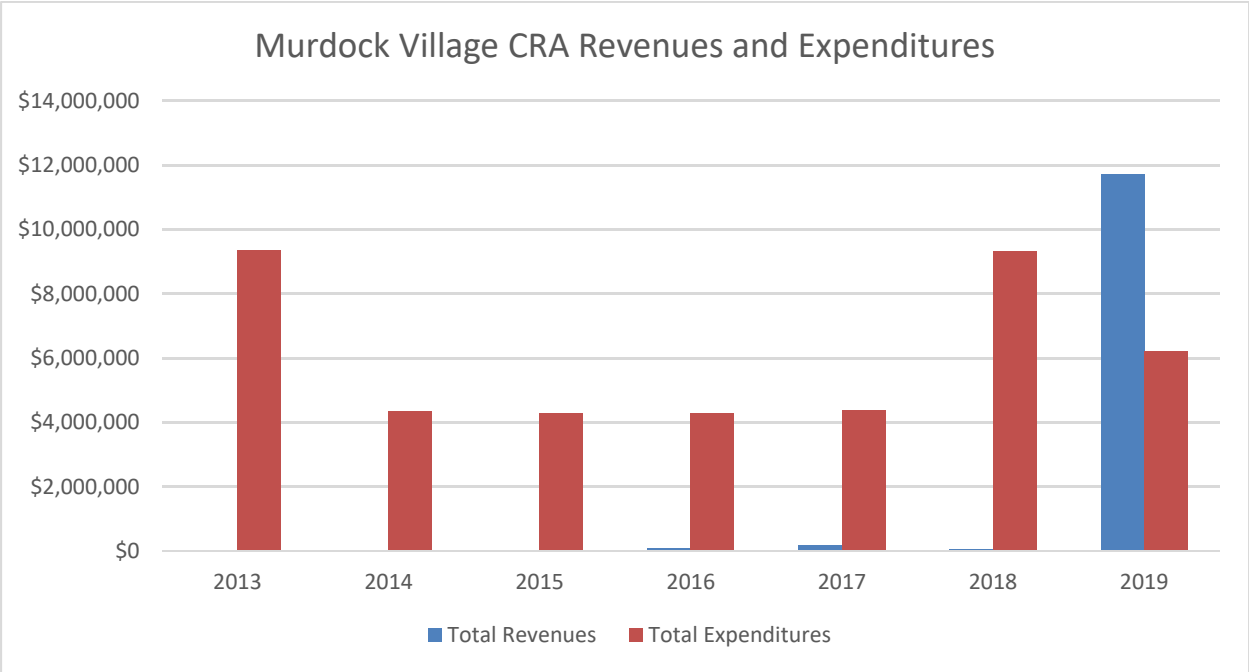
The Charlotte Harbor CRA was established on November 3, 1992, via Resolution #92-251. Two (2) documents govern the redevelopment activities: 1) The Charlotte County 2050 Comprehensive Plan and 2) The Charlotte County Land Development Code (LDC). Revenues and expenditures presented below are from **the Comprehensive Annual Financial Report** ending September 30th (fiscal year) for each year noted. Charlotte Harbor CRA Tax Increment Financing follows for each **year ending September 30th (fiscal year)** noted as well.





Murdock Village CRA

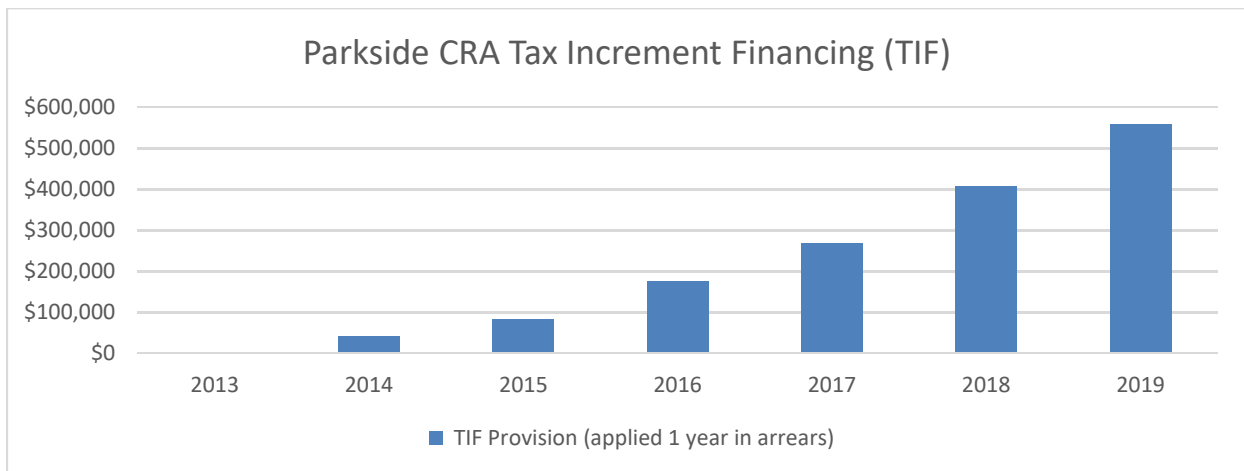
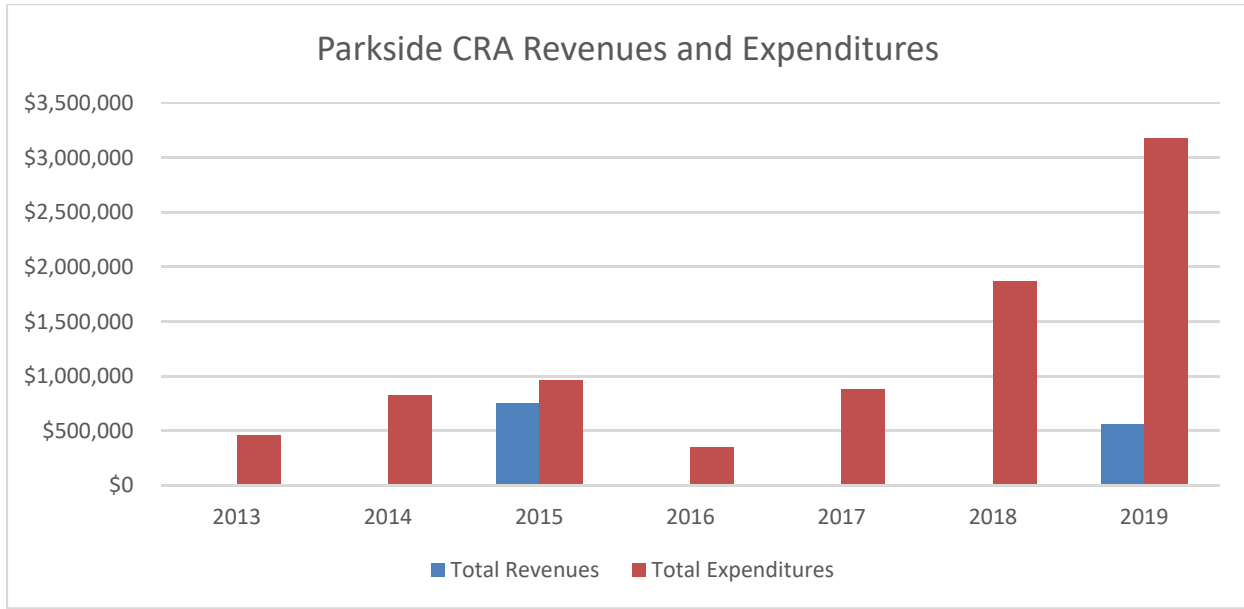
The Murdock Village Community Redevelopment Plan was adopted by Resolution 2003-081 dated May 27, 2003. Revenues and expenditures are from the CAFR for each fiscal year noted.



There was no Murdock Village CRA Tax Increment Financing, as there were no new or increased local tax revenues for each fiscal year shown. **The 2019 \$11,600,000 in revenue was money from a property sale that went into an escrow account which will be paid back to the developer over time via infrastructure improvements.**

Parkside CRA

The Board of County Commissioners unanimously approved the Parkside area as a Community Redevelopment Area (CRA) on September 21, 2010. Revenues and expenditures presented below are from the CAFR ending September 30th (fiscal year) for each year noted. Parkside CRA Tax Increment Financing follows for each fiscal year noted as well.



AUDIT OBJECTIVES

1. Determine that internal controls for calculating TIF are adequate.
2. Determine the maintenance of accurate CRA funding and disbursement records funded by the County's Tax Increment Financing.
3. Determine that identified locations comply with applicable Florida Statutes and Charlotte County Codes.
4. Determine that the audited locations had submitted timely Audited Financial Statements for the identified Trust Funds.

SCOPE AND METHODOLOGY

The scope of this audit included review of activities and supporting documentation associated with the three (3) CRAs for fiscal years ended September 30, 2015, 2016, 2017, 2018 and 2019.

COMMENTS AND RECOMMENDATIONS

1. **Opportunities exist to comply with the March 31st CRA Annual Filing Requirement.**

Economic Development's filing of CRA Reports did not comply with the March 31, 2020 filing deadline for annual reporting requirements stated in Florida Statute 163.371(2). Specifically;

April 28, 2020, Economic Development filed the FY18-19 Charlotte Harbor CRA, Murdock Village CRA and the Parkside CRA Annual Reports with the Board of County Commissioners on the Commission Agenda. The FY17-18 versions of these reports were filed with the Board of County Commissioners on April 9, 2019.

Further, Statutes only require including the most recent complete audit report, and publishing the audit report on the agency's website if it is not available by March 31.

Florida Statute 163.371 Reporting requirements states:

- (2) "Beginning March 31, 2020, and not later than March 31 of each year thereafter, a community redevelopment agency shall file an annual report with the county or municipality that created the agency and publish the report on the agency's website. The report must include the following information;
 - a. The most recent complete audit report of the redevelopment trust fund as required in (Florida Statute) 163.387(8) (financial audit requirements). If the audit report for the previous year is not available by March 31, a community redevelopment agency shall publish the audit report on its website within 45 days after completion."

We recommend filing CRA Annual Reports by March 31st of the applicable year.

2. Opportunities exist to ensure compliance with the CRA Audit Report requirements.

CRA's are not compliant with Audit Report requirements in Florida Statute 163.387(8), because the report of the independent auditor is not included with the CRA Annual Report.

In reference to the thresholds stated in Florida Statute 163.387 (8) (a) below, 2019 expenditures and expenses per the trust fund statement are \$501,142 – Charlotte Harbor CRA, \$6,214,684 - Murdock Village CRA, and \$3,180,540 – Parkside CRA.

Florida Statutes 163.387(8) states:

- (a) "Each community redevelopment agency with revenues or a total of expenditures and expenses in excess of \$100,000, as reported in the trust fund financial statements, shall provide for a financial audit each year by an independent certified public accountant or firm. Each financial audit conducted pursuant to this subsection must be conducted in accordance with rules for audits of local governments adopted by the Auditor General.
- (b) The audit report must:
 - ...
 - 3. Include a finding by the auditor as to whether the community redevelopment agency is in compliance with subsections (6) and (7).
- (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. 281.32, regardless of whether the agency reports separately under that section."

We recommend the County include the report of the independent auditor, and publish within 45 day to the website, if not ready to file with the CRA Report.

3. Charlotte Harbor CRA Advisory Committee Old Business / New Business Recommendations do not consistently advise the Charlotte Harbor CRA, sometimes attempting to take action on their own.

The Charlotte Harbor CRA Advisory Committee old business and new business motions approve to take action on items, rather than recommend the Charlotte Harbor CRA take action on items. For example, the Charlotte Harbor CRA Advisory Committee minutes of:

- 1) July 11, 2019 state under VI. Old Business, “A Motion was presented by Ms. Quilty, seconded by Ms. Oliver and approved unanimously to get a new estimate to repair the Charlotte Harbor Entry sign with new LED lights.”
- 2) April 1, 2019 state under VI. Old Business b., “A Motion was presented by Mr. Herston, seconded by Mr. Wooden to deny the recommendation to the Board of Commissioners to change the name of the Harbor Walk to Riverwalk, the motion passes 4-1-1 with Ms. Oliver dissenting and Ms. Freeland Abstaining due to (her) absence at the last meeting.”
- 3) July 9, 2018 state under VII. New Business a., “A Motion was presented by Delmar Wooden, seconded by Diane Quilty and unanimously approved to accept the UPS Parking Lot Plan submittal as submitted.” Also, “A Motion was presented by Garland Wilson, seconded by Diane Quilty and unanimously approved to accept the McDonald’s Plan Review submittal as submitted.”

The webpage charlottecountyfl.gov/boards-committees/ch-craac/Pages/default.aspx states under background, “The Board of County Commissioners (BCC) is the governing body of the Charlotte Harbor CRA and has appointed the Charlotte Harbor CRA Advisory Committee **to make recommendations** on the use of tax increment revenues and legislative items.” (Highlight by auditor)

Furthermore, the Murdock Village CRA Advisory Committee minutes are more in line with this definition. For example, the Murdock Village CRA Advisory Committee minutes of:

- 1) June 22, 2017 state under IV. Old Business, “A Motion was presented by Alice Esposito, seconded by Erik Howard and unanimously approved to recommend that both the Murdock Village CRA Agency and the BCC accept the amended Murdock Village Community Redevelopment Plan as presented.”
- 2) June 5, 2017 state under IV. Old Business, “A motion was presented by Gary Bayne to recommend approval of the Concept Plan as a component of the Community Redevelopment.”
- 3) Also June 5, 2017 state under V. New Business, “A motion was presented by Eric Loche to recommend approval by moving the LOI forward to the 30 day notice provision with a restriction that all drainage outfall shall be directed to the Como Waterway or FDOT Right of Way. Motion was seconded by Kristine Wishard. Passed 5-1 with Mr. Howard opposing.”

We recommend the County guide Advisory Committees to structure their motions to recommend what action for the CRA to take.

ACKNOWLEDGEMENT

We would like to thank the Economic Development Division, the Fiscal Services Division and the Clerk's Comptroller Office for their assistance in completing this audit.

Audit performed by:

Dan Revallo

Internal Audit Director

Charlotte County Clerk of Courts and Comptroller



CHARLOTTE COUNTY
ECONOMIC DEVELOPMENT

Your Business. Cleared for Takeoff.

Memo

To: Dan Revallo,
Internal Audit Director, Charlotte County Clerk of Courts and Comptroller

From: Dave Gammon, Director of Economic Development 

CC: Joshua D. Hudson, Redevelopment Manager

The Economic Development Department has received the draft Audit Report from the Charlotte County Clerk of the Circuit Court, Internal Audit Division. The purpose of the audit was to evaluate the procedures of the Economic Development Office regarding management and coordination of the Community Redevelopment Agencies, their respective Advisory Committees, and required reporting procedures. The Community Redevelopment Agencies evaluated were Charlotte Harbor, Parkside, and Murdock Village.

Throughout the evaluation and reporting process, the Clerk's Office has maintained contact with the Economic Development Office, and any concerns or questions have been communicated thoroughly and clearly. The Comments and Recommendations contained in the draft Audit Report are clearly stated, and the Economic Development Office has no questions or concerns regarding corrections to the stated deficiencies and preventing future occurrences. We agree and will implement these recommendations going forward.

Thank you for your time and consideration during the audit process. If you require any additional information or have any questions, feel free to contact our office any time.

