

**CITRUS COUNTY CLERK OF THE CIRCUIT COURT
AND COMPTROLLER**

BOCC SPECIAL ASSESSMENTS

AGREED-UPON PROCEDURES

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EXECUTIVE SUMMARY

We were engaged by the Citrus County Clerk of Courts and Comptroller (the “Clerk”) to perform agreed-upon procedures in connection with the Flying Dutchman Road Assessment, Chassahowitzka Water Assessment, and the Halls River Road Wastewater Assessment (collectively, the “Special Assessments”) of the Citrus County Board of County Commissioners (the “County”) for the two-year period of October 1, 2015 through September 30, 2017.

The purpose of this engagement was to perform various audit tests related to the authorization, calculation, utilization, recording, internal controls, and reconciliation of the County’s Special Assessments. The specific procedures we performed are outlined in Appendix A. Overall, we noted no matters of noncompliance or significant internal control findings related to the Special Assessments, but we did identify three recommendations, described below, for the County and the Clerk to consider. Management’s responses to these recommendations are also listed below.

County Recommendations:

County Recommendation #1 – Staff Training

We recommend that the County ensure that at least two Land Section staff are trained and familiar with special assessments to allow for less disruption if there is employee turnover in the department. In addition, having two employees who can review each other’s work provides better checks and balances and can reduce the risk of errors in the assessment process.

Management Response – Staff Training

Management concurs. Dual control has always been a high priority for the Land Section when processing assessment districts as well as requesting the Department of Management and Budget review all costs prior to notifying benefitting property owners of the final costs, hearing date and time. Over the past five (5) years, the majority of the Land Section Team retired or changed careers, leaving one County employee familiar with the special assessment process. During this time, requests for assessment districts dwindled, with 2014 being the last year new districts were established. In 2017, two (2) small districts were established which allowed the training process to begin. Currently, the Land Section Team consists of four (4) staff members. One member manages the Fire Protection MSBU and Limerock Road Paving Program, another manages the Solid Waste MSBU and our newest member will begin training on the Citrus Springs Waterline Assessment Areas later this year. It is our intention that all team members be cross-trained on the various districts.

County Recommendation #2 – Review of Cost Summaries

We recommend that supporting documentation for final project costs for special assessments be maintained in the Land Section files for each special assessment. We also recommend that the County consider establishing a formal procedure in which all costs, including detailed support in the form of vendor payments details and general ledger reports for special assessments, are reviewed and cost summaries are certified by the County’s Department of Management and Budget and/or the Clerk’s Finance office prior to finalizing the original assessment.

County Recommendations: (Continued)

Management Response – Review of Cost Summaries

Management concurs and has established a procedure to ensure all costs including detailed support is provided to the Land Section prior to finalizing the assessment. The department providing the improvements will provide a cost breakdown and copies of all work orders and associated invoices to Land Section. Management & Budget will compare the invoices to the general ledger report ensuring the improvement expenses coincide with the final assessment. Management & Budget will provide the general ledger report to Land Section for inclusion in their files.

Clerk Recommendation:

Clerk Recommendation #1 – Updated Procedures

We recommend that the Clerk update its written procedures regarding the annual updating and reconciliation of outstanding special assessment fees. These procedures should address internal controls, including a second review by a knowledgeable individual in the Clerk's Finance office.

Management Response – Updated Procedures

Management concurs. The Clerk's office Finance staff are updating written procedures to ensure effective internal controls, clarity and completeness.

BACKGROUND

Pursuant to Chapter 86 of the Citrus County Code, the County established a special assessment program to assist residential property owners in acquiring water and sewer or road improvements for their communities.

Each special assessment begins with the creation of the assessment area which includes property located within the unincorporated area of the County, but can also include property located within a municipality if consent is given by the municipality. Each assessment area includes only the properties specifically benefitted by the proposed improvements. The County is authorized to impose assessments against the property located in the assessment area to fund the project cost of the improvements. The assessment is to be calculated in a manner that apportions the project cost among the parcels of property within the assessment area based upon an objectively determinable assessment unit.

To begin the assessment process, the County must adopt an initial assessment resolution, which describes the property located within the proposed assessment area, describes the proposed improvements, estimates the project cost, and describes the proposed method of allocating the cost among the parcels of property, among other things. Along with this resolution, the County must prepare a preliminary assessment roll that provides a summary description of each parcel of property, the owner of record of each parcel, the number of assessment units attributable to each parcel, and the maximum annual assessment for each assessment unit and parcel.

The County must provide proper notice of a public hearing regarding creation of the assessment area and adoption of final assessment resolution by publication in a newspaper of general circulation within the county. In addition, the County must provide notice of the proposed assessment by first-class mail to the owner of each parcel of property subject to the assessment. Upon holding the public hearing for the special assessment, the County may then adopt the final assessment resolution.

As part of its annual adoption process, the County adopts an annual assessment resolution for each fiscal year in which assessments will be imposed to approve the assessment roll. The final assessment resolution constitutes the annual assessment resolution for the initial fiscal year.

Unless otherwise directed by the County, the collection of the assessments is to be performed pursuant to the Uniform Assessment Collection Act under Florida Statute, Chapter 197.3632, which provides for the County Tax Collector to collect the annual assessment amounts and remit them to the County.

For the 2015-2016 and 2016-2017 fiscal years, the County adopted an annual assessment resolution for thirty-one (31) special assessment areas. The scope of our testing included three special assessment areas, which together included approximately 1,000 property parcels.



REPORT ON APPLYING AGREED-UPON PROCEDURES

Ms. Angela Vick
Clerk of the Circuit Court and Comptroller
Inverness, Florida

We have performed the procedures enumerated in Appendix A, which were agreed to by the Citrus County Clerk of the Circuit Court and Comptroller (the "Clerk"), in connection with the Flying Dutchman Road Assessment, Chassahowitzka Water Assessment, and the Halls River Road Wastewater Assessment (collectively, the "Special Assessments") of the Citrus County Board of County Commissioners (the "County") for the two-year period of October 1, 2015 through September 30, 2017. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix A either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Special Assessments. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Clerk and the County and is not intended to be, and should not be, used by anyone other than those specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
June 26, 2018

**CITRUS COUNTY CLERK OF THE CIRCUIT COURT
AND COMPTROLLER**

APPENDIX A

**CITRUS COUNTY CLERK OF THE CIRCUIT COURT
AND COMPTROLLER**

BOCC SPECIAL ASSESSMENTS

APPENDIX A – SCHEDULE OF PROCEDURES AND RESULTS

Objective 1 – Determine if the Special Assessments were properly imposed.

Procedures

A. Obtain Citrus County Ordinance to support authorization of each special assessment.

Results

We obtained and reviewed the signed resolutions of the County creating each Special Assessment area, imposing assessments against the properties within each Special Assessment area, and approving the assessment rolls. Our review also included obtaining evidence from files maintained by the County’s Land Division Department that proper public advertisement was made of the public hearings for each Special Assessment. Based on our review, it appears that the Special Assessments were properly advertised and adopted. The following table lists the adoption date, final public hearing date, and date recorded for each assessment:

| PROJECT NAME | CREATING RESOLUTION | RESOLUTION ADOPTED DATE | FINAL PUBLIC HEARING DATE | DATE RECORDED BY CLERK |
|--|----------------------------|--------------------------------|----------------------------------|-------------------------------|
| Flying Dutchman Road Assessment | 2014-132 | 8/12/2014 | 8/12/2014 | 8/14/2014 |
| Chassahowitzka Water Assessment | 2007-228 | 10/9/2007 | 7/22/2008 | 7/25/2008 |
| Halls River Road Wastewater Assessment | 2005-313 | 12/20/2005 | 5/13/2008 | 5/20/2008 |

Recommendation

During our review of the County Land Section’s files pertaining to the adoption of each special assessment, we noted that only one employee was currently familiar with the record keeping for each assessment, and a second review by another County employee familiar with the special assessment process does not appear to have been performed. We recommend that the County ensure that at least two Land Section staff are trained and familiar with special assessments to allow for less disruption if there is employee turnover in the department. In addition, having two employees who can review each other’s work provides better checks and balances and can reduce the risk of errors in the assessment process.

- B. Determine compliance with the provisions of Florida Statute, Sections 197.363-197.3635, and F.A.C. Rule Chapter 12d-18.

Results

For the assessment and collection of the Special Assessments, we noted that the County elected to use the uniform method of notice, levy, collection and enforcement of such assessments as authorized by Florida Statute, Sections 197.363-197.3635, and F.A.C. Rule Chapter 12d-18. The uniform method allows for a local government to prepare a non-ad valorem assessment on the tax roll of the property appraiser and then certify it to the tax collector for collection.

We obtained and reviewed the agreement between the County and the Citrus County Property Appraiser (the "Appraiser"), which established the terms and conditions under which the Appraiser would prepare assessment rolls of non-ad valorem assessments levied by the County. We also obtained and reviewed the agreement between the County and the Citrus County Tax Collector (the "Tax Collector"), which established the terms and conditions under which the Tax Collector would collect and enforce the collection of non-ad valorem assessments levied by the County. We noted no matters of noncompliance with the provisions listed above.

- C. Using authorizing ordinance, special assessment fee schedule, listing of applicable properties, and financing terms, test a sample of properties to verify that it was properly assessed.

Results

We obtained and reviewed the adopted assessment rolls for each Special Assessment, which included a listing of the applicable properties included in each Special Assessment area. We then compared the property listings included in the adopted assessment roll to the data files maintained by the County's Land Section for each Special Assessment. Based on our review, it appears that the original assessments were properly assessed.

Additionally, we tested a sample of twenty (20) applicable properties per Special Assessment for which annual installment payments were levied by the Property Appraiser for fiscal years 2016 and 2017. We verified that the special assessment levy was properly assessed based on the annual installment payment calculated on the final cost summaries prepared by the County Land Section. Based on our review, it appears that the annual installment payments were properly assessed.

Objective 2 – Determine if the proration of the improvement expenses to the various properties were properly calculated.

Procedures

- A. Obtain calculation for proration of improvement expenses to the various properties and recalculate allocation ratio.

Results

We obtained the final cost estimate summaries for each Special Assessment and recalculated the Total Assessment per Assessment Unit using the Net Assessable Total and number of Equivalent Residential Units (“ERU”). The number of ERUs and Total Assessment per Assessment Unit were traced to the adopted assessment roll for each Special Assessment.

The following table summarizes these final cost estimate summaries by Special Assessment:

| | FLYING DUTCHMAN ROAD | CHASSAHOWITZKA WATER | HALLS RIVER ROAD WASTEWATER |
|------------------------------------|-------------------------------------|---------------------------------|--|
| Net Assessable Total | \$237,331.90 | \$1,884,960.72 | \$1,630,251.52 |
| # of ERUs | 86.82 | 609.14 | 315.94 |
| Assessment Amount per ERU | \$2,733.61 | \$3,094.46 | \$5,160.00 |
| # of Years for Amortization | 10 | 20 | 10 |
| Annual Installment Payment per ERU | \$371.72 | \$207.85 | \$609.18 |

No exceptions were noted in our recalculation of the Total Assessment per Assessment Unit.

- B. Test a sample of property improvements for each special assessment to determine that the improvement expenses were properly supported.

Results

We noted that the property improvements for the Special Assessments occurred prior to the two-year period of October 1, 2015 through September 30, 2017. We reviewed the Special Assessment files maintained by the County Land Section and noted that detailed support in the form of vendor payments details and general ledger reports, etc., was not maintained in a central file location. This prevented us from easily verifying the final project costs for the Special Assessments.

As an alternative procedure, we obtained a listing of special assessments imposed by the County during the two-year period ended September 30, 2017 and noted that the County had only imposed two assessments since 2014. One of these assessments was a fixed-dollar assessment and the second one was based on actual cost. Accordingly, we selected the assessment that was based on cost, W. Britain Street Waterlines Assessment, because it was applicable to our objective of testing support for property improvements.

Based on our review of the W. Britain Street Waterlines Assessment cost details, we noted that the project costs consisted of \$28,087.05 in vendor payments and \$13,940.18 in internal charges (existing inventory materials, labor costs, equipment usage, etc.) incurred by the County Utilities Department. The total construction cost of the project of \$42,027.23 reflected in the County's work order system was agreed to the cost summary used to calculate the Net Assessable Total. Of the \$28,087.05 of vendor payments, we traced \$24,148.52 (86.0%) to the supporting vendor invoices. While the cost details agreed to the cost summary for the W. Britain Street Waterlines Assessment, we did note an exception in that the County Utilities Department had to make corrections to the work order initially provided to us for review.

Recommendation

We recommend that supporting documentation for final project costs for special assessments be maintained in the Land Section files for each special assessment. We also recommend that the County consider establishing a formal procedure in which all costs, including detailed support in the form of vendor payments details and general ledger reports for special assessments, are reviewed and cost summaries are certified by the County's Department of Management and Budget and/or Clerk's Finance office prior to finalizing the original assessment.

Objective 3 – Determine if the revenues generated from the assessments were properly utilized.

Procedures

- A. Determine the total annual amount collected for each special assessment area and traced to revenue recorded in the County's general ledger.
- B. Verify that the revenues were properly accounted for in separate County funds.

Results

We obtained the amounts collected from the Tax Collector's office for the Special Assessments for the two-year period of October 1, 2015 through September 30, 2017 and reconciled to revenue recorded in the County's general ledger for Funds 732 (Halls River Road Wastewater), 733 (Chassahowitzka Water), and 747 (Flying Dutchman Road), respectively. In so doing, we verified that the special assessment revenues for the two-year period ended September 30, 2017 were properly accounted for in separate County funds.

- C. Test a sample of disbursements for each special assessment to determine that the expenditures were adequately supported by paid vendor documentation and in accordance with the special assessment purpose.

Results

We obtained the Expenditure Detail for the Special Assessments for the two-year period of October 1, 2015 through September 30, 2017 and reviewed the activity. We noted that the disbursement activity consisted of approximately only 3-4 transactions per fiscal year. These disbursements related almost entirely to budgeted transfers to the County for reimbursement of project costs incurred and commission fees paid to the Property Appraiser and Tax Collector for their services in connection with the assessment and collection of the Special Assessments. For the budgeted transfers, we traced the transfer amount to the County's adopted budget book for fiscal years 2016 and 2017. For the commission fees, we tested the reasonableness of the amounts by applying the 2% fee allowed under the County's agreements with the Tax Collector and Property Appraiser to the annual assessments and collections. No exceptions were noted.

Objective 4 – Determine if the pending assessment liens were recorded timely.

Procedures

- A. Obtain payment schedule, including due dates, for special assessments.
- B. Test a sample of assessment liens for each special assessment to determine whether the liens were recorded in a timely manner based on when the special assessment fee was due.

Results

Pursuant to Objective 1 and based on our review of the creating resolutions adopted by the County for each of the three Special Assessments, we noted that the Special Assessment rolls attached to the resolutions were recorded timely (within 2-7 days) with the Clerk's Records Division. For property owners electing to pay the assessment amount in installments, the Clerk maintains a Special Assessments Outstanding Balances Report, which tracks the property parcels, assessment district, assessed amount, and payoff amount. This report allows the public to search for special assessment liens that may exist on a specific property parcel.

For annual installment payments of Special Assessments, we noted that because these amounts are billed and collected through the uniform methodology agreements with the Property Appraiser and Tax Collector, respectively, the installments are attached to the applicable property owner's tax bill and are, therefore, subject to the same lien process that an unpaid tax bill undergoes. As a result, the recording of tax liens, including unpaid annual installments on special assessments, are the responsibility of the Tax Collector's office. For the County, the annual installment portion of the outstanding special assessments are deemed paid at the point in which the assessment files are provided to the Property Appraiser for inclusion on the tax bill.

Objective 5 – Determine if segregation of duties with regard to controls over cash and accounts receivable for special assessments were adequate.

Procedures

- A. Using the narrative of internal controls over special assessment fee collections and receivables, perform walkthrough of accounting processes over cash and accounts receivable for each special assessment.

Results

We obtained an understanding of the special assessment fee collections and receivables processes. As mentioned in the results of Objective 4, the reduction of outstanding special assessment receivables is performed annually at the time the Clerk provides the Property Appraiser with the special assessment file that lists each special assessment fee to include on the applicable property owner's tax bill. While we noted that the special assessment files are currently maintained by an experienced accountant in the Clerk's Finance office, we also noted that the current written procedures maintained by the Clerk's Finance office have not been updated for several years and do not specifically address internal controls over the collections and receivables processes.

Recommendation

We recommend that the Clerk update its written procedures regarding the annual updating and reconciliation of outstanding special assessment fees. These procedures should address internal controls, including a second review by a knowledgeable individual in the Clerk's Finance office.

- B. Test sample of special assessment receipts for each special assessment, noting timely deposit in bank, accurate coding to accounts, and separation of duties between cash handling and accounts receivable postings.

Results

As noted under the uniform methodology for collections, the Tax Collector performs the function of collecting the special assessments. Accordingly, the internal controls for collection of the special assessment fees are the responsibility of the Tax Collector's office and were not included in the scope of our testing. As noted under Objective 3, the Tax Collector remits the special assessment fees to the County for recording in the separate County funds maintained for the purpose of accounting for the special assessment fees. We noted no exceptions in the collection process.

Objective 6 – Determine if special assessments receivable with credit balances were reconciled on a periodic basis to either refund the amounts or post them to the appropriate account.

Procedures

- A. Obtain listing of special assessment accounts receivable with credit balances for a sample of months for each special assessment.
- B. Test a sample of credit balances for each special assessment to ensure proper resolution, either by refund or posting correction.

Results

We obtained a listing of outstanding Special Assessments as of September 30, 2016 and September 30, 2017 and noted that there were no accounts with credit balances. We did note that an amendment was made to the Flying Dutchman Road Assessment with Resolution 2015-194 dated November 17, 2015, which lowered the Total Assessment per Unit from \$4,086.12 to \$2,733.61, a difference of \$1,352.51. This amendment was due to a revision of the cost summary at the completion of the project. We obtained the County's file used to calculate the refunds and principal reductions due to the applicable property owners to verify that the proper credit was applied and, if applicable, the proper refund was issued. We noted that the County applied the \$1,352.51 credit timely on November 24, 2015 and for eight property owners, paid refunds timely on December 7, 2015. No exceptions were noted.