



Wakulla County Board of County Commissioners

Internal Audit Report

Restricted Funds Audit

February 2026

Executive Summary

The Internal Audit Department conducted a compliance and operational audit of several restricted and committed revenue funds managed by Wakulla County. This report assesses the appropriateness of fund usage, the sufficiency of internal controls, and alignment with statutory, constitutional, and county policy requirements. There is an emphasis on sound stewardship to protect public resources.

Key Findings

1. Building Permit Fees (Fund 010):

- Internal transfers based on a 2019 cost allocation plan may include indirect costs not permitted under FS 553.80.
- Statutory language (FS 553.80) limits use strictly to direct and reasonable indirect costs for code enforcement.
- A \$250,000 carryforward transfer is nearing the statutory four-year limit without expenditure.

2. Fuel Tax Revenues (Fund 160 & 160-2CT):

- Cost allocation charges and some payroll expenses exceeded available unrestricted revenue that would be needed for those expenses.
- Multiple types of fuel taxes with distinct restrictions were co-mingled, increasing noncompliance risk.

3. Tourist Development Tax (TDT, Fund 188):

- Some expenditures do not align with statutory mandates to promote tourism.
- Goal 3 of the County's TDT plan, which focuses on local education, is inconsistent with FS 125.0104 and should be revised.
- Cost allocation and personnel funding require clearer ties to tourism promotion.

4. Infrastructure ("One-Cent") Surtax (Fund 317):

- Fund usage complies with FS 212.055 and associated ordinances.
- Fund splits (e.g., 45% for roads) are flexible and may be reallocated as needed.

5. The County's Cost Allocation Plan is out of date and may contain some unallowable costs per federal regulations. Financial statements may need additional details on the allocation of indirect costs.

Recommendations

- Reevaluate and document allowable indirect costs across all restricted funds.
- Establish separate accounting codes for each fuel tax type and TDT purpose.
- Seek clarification through Attorney General opinions where needed.
- Align TDT funding with statute by amending the ordinance to remove noncompliant goals.
- Improve internal controls and transparency for fund balance tracking, payroll allocations, and department billings.
- Reevaluate current cost allocation plan to ensure compliance with federal regulations and accounting standards.

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Introduction

The Internal Audit Department (IA) completed an audit of the restricted revenue funds that Wakulla County (County) receives. To complete this audit, accounting records, Florida Statute (FS), Florida Attorney General (AttGen) Opinions, and Florida Auditor General (AudGen) Reports were all reviewed. County ordinance, committees created for restricted revenue funds, and department managers were consulted.

This audit will examine several restricted revenue funds and one committed fund. Restricted funds are constrained to specific purposes by higher levels of government, in this case through Florida constitutional provisions and FS legislation. Some of these same funds are also addressed in the County's Budget and Financial Policies, Administrative Regulation 3.03 (AR: 3.03). One of the funds discussed has restrictions in place by the Board of County Commissioners (BOCC), known as committed funds. Committed funds are to be used for a specific purpose as expressed at the highest level of decision-making authority by the BOCC, in this case an ordinance.

Concepts Statement No. 1 of the Governmental Accounting Standards Board (GASB) placed accountability as the cornerstone of government accounting. GASB explains that stewardship of public funds is key to this accountability. Proper use of restricted funds is essential for achieving accountability, the core purpose of this audit. As defined in FS 11.45 this operational audit is to determine if adequate internal controls are in place to prevent noncompliance with the allowable use of public funds and remain in compliance with relevant statutes.

The accounting software, MIP, uses different codes to keep track of this restricted revenue. For the purpose of this audit some fund, department, and object codes will be discussed. These codes help account for the different sources and uses. The table below lists the account codes from MIP, along with the type of code and title, that will be discussed throughout this report.

MIP Code	Category	MIP Title
001	Fund Code	General Fund
010	Fund Code	Building Department
160	Fund Code	Road Department
160-2CT	Fund Code	2 Cent Capital Equipment
188	Fund Code	Tourist Development
317-FACI	Fund Code	Public Facility Infrastructure
317-PARK	Fund Code	Parks & Recreation Infrastructure
317-ROAD	Fund Code	Road Infrastructure
317-SAFE	Fund Code	Public Safety Infrastructure
440	Fund Code	Solid Waste
7000	Department Code	Road Department
7000-01	Department Code	2 Cent Local Option Gas Tax
7000-02	Department Code	9 Cent Local Option Gas Tax-Roads
7000-03	Department Code	10/5 Cent Fuel Charge
7000-05	Department Code	Bridges

7000-15	Department Code	Street Lights
7000-16	Department Code	Landscape Activities
312410	Object Code	Local Option Fuel Tax - 4 Cents
312411	Object Code	Local Option Fuel Tax - 2 Cents
312420	Object Code	Local Option Fuel Tax - 7th Cent
312491	Object Code	St - 5th & 6th Cent Gas Tax (20%)
312492	Object Code	St - 5th & 6th Cent Gas Tax (80%)
322000	Object Code	Building Permits
331901	Object Code	National Forest Settlement-Title I-85%
335494	Object Code	Traffic Signal Maintenance Compensation
312300	Object Code	9th Cent Gas Tax
335493	Object Code	St - Motor Fuel Use Tax
344200	Object Code	10/5 Cent Local Fee
312100	Object Code	Local Tourist Development Tax
312601	Object Code	1 Cent - Road Infrastructure
312602	Object Code	1 Cent - Public Facilities Infrastructure
312603	Object Code	1 Cent - Public Safety Infrastructure
312604	Object Code	1 Cent - Parks & Rec Infrastructure

There was a 2019 cost allocation plan, completed by an outside consultant that calculated departments proportional share of general government overhead costs (see Appendix A for a detailed breakdown of the cost allocation plan for fund 010, 160, and 188). The plan indicates it is principally used for claiming indirect costs associated with Federal programs, charging enterprise funds for services provided by the general fund, determining the full cost of departments providing user fees related services to the public, and for management information related to how the agency carries out its programs. Federal regulations specify actual cost for workers' compensation, materials, and supplies are to be used. The plan is not currently being used for any federal programs by the County, this is noted for reference purposes only and the County is aware of the restrictions.

The Government Finance Officers Association (GFOA) Best Practices recommends if a cost allocation plan is to be used, it should be evaluated annually. The plan is six years old at the time of this audit. There have been significant changes within the County since 2019, such as a new fund being added for the golf course and an increase in employees. This plan is not addressed in the financial statements. GASB 34 requires certain presentation and disclosure of the use of indirect costs. The plan will be discussed in greater detail in the observations section as it relates to each fund.

Observations

Building Permit Revenue

Building Permit Fees are a type of regulatory fee. Under Florida's Constitution, the County can impose regulatory fees pursuant to their police powers. These fees cannot exceed the cost of the regulatory activity and are required to be applied solely to pay the cost of the regulatory activity. Building code enforcement is covered under FS 553.

According to FS 553.80(7)(a) the cost of enforcement “includes the direct costs and reasonable indirect costs associated with review of building plans, building inspections, reinspections, and building permit processing; building code enforcement; and fire inspections associated with new construction...may also include training costs associated with the enforcement of the Florida Building Code and enforcement action pertaining to unlicensed contractor activity to the extent not funded by other user fees.” Excess funds can be designated to construct a building to be used for the code enforcement staff. However, those funds cannot be carried forward for more than four consecutive years.

The statute specifically identifies costs that the building permit fees may not cover. These costs include planning and zoning or other general government activities; inspections of public buildings for a reduced fee or no fee; public information requests, community functions, boards, and any program not directly related to enforcement of the Florida Building Code; and the enforcement and implementation of any other local ordinance, excluding validly adopted local amendments to the Florida Building Code and excluding any local ordinance directly related to enforcing the Florida Building Code as defined in the statute, outlined in the paragraph above.

During the period from October 2023 through September 2024 (FY2324), the County received \$842,297.75 in building permit fees (010.322000). This was the majority of the revenue for the building department with the total of other revenue of \$41,675. There was a total of \$760,928.48 in expenditures charged to Fund 010 in the same period. This included a transfer out of \$89,430 to the County’s general fund (001) based on the cost allocation plan.

Building permit fees strictly cover enforcement and inspection. They are not considered a user fee or an enterprise fund. Though some of the costs may be allowable under the statute such as, costs that are related to the building that houses the department’s staff. Others, which are tied to salary, benefits, and operational cost of the administration staff and commissioners would not be indirectly tied to the enforcement of the building code. These would fall under general government. 553.80(7)(a)2, specifically states building permit fees may not fund “any program not directly related to enforcement of the Florida Building Code.” While indirect costs are allowed, they must directly relate to enforcing the building code. The statute was updated in 2025 to specify these fees cannot be used for planning and zoning or other general government activities “not related to obtaining a building permit.”

In 2010 the AttGen addressed this issue in an informal opinion. The AttGen cited specific parts of the statute, adding emphasis with italics. Per the Florida Bar and the Bluebook, italic is to be used for emphasis and should be done so sparingly. Therefore, the italicized words should be paid close attention to as they convey a specific point. There is a link to the full letter in the reference section at the end of this report, several passages of the letter with specific significance are as follows:

You indicate that there are county services provided to the building department which represent that department's proportionate share of the cost for administrative salaries and expenses, fire protection, legal counsel, management and budgeting services, and other governmental services and facilities.[1] It is assumed that administrative salaries and expenses refer to those for the county in general and do not represent the administration of the building department. It would appear that you are questioning whether the building department may be assessed a

proportionate share of the overall cost of running the county (for services it may receive) which may be paid with fees collected by that department.

Section 553.80, Florida Statutes, requires local governments to regulate building construction by enforcement of the Florida Building Code.[2] Local governments may adopt a fee schedule in accordance with section 125.56, Florida Statutes, for counties, and section 166.222, Florida Statutes, for municipalities.[3] These fees "shall be used *solely* for carrying out the local government's responsibilities in enforcing the Florida Building Code." [4] (e.s.) The statute states:

"As used in this subsection, the phrase 'enforcing the Florida Building Code' includes the *direct costs and reasonable indirect costs associated with review of building plans, building inspections, reinspections, and building permit processing*; building code enforcement; and fire inspections associated with new construction. The phrase may also include training costs associated with the enforcement of the Florida Building Code and enforcement action pertaining to unlicensed contractor activity to the extent not funded by other user fees.[5] (e.s.)"

It further provides:

"The following activities may not be funded with fees adopted for enforcing the Florida Building Code:

1. Planning and zoning or *other general governmental activities*....

Thus, it is clear that the purpose of creating section 553.80(7), Florida Statutes, was to restrict the use of building code fee revenues by local governments and to avoid the use of such fees to subsidize non-enforcement costs. When the manner in which something is to be done is prescribed, it operates as a prohibition against its being done in any other way.[10]

[1] You indicate that the county's most recent cost allocation study identifies \$115,017 in "general fund costs that are allocated to the building department" from the following non-building cost centers: building use allocation; annual audit expenses, property insurance, fringe benefits, other insurance (comprehensive general liability, vehicle, and inland marine), finance, facilities management, legal, management and budget, administration, commissioners, and nondepartmental. [2] Section 553.80(1), Fla. Stat. [3] Section 125.56(2), Fla. Stat., authorizes the board of county commissioners of each county to provide a schedule of reasonable inspection fees "in order to defer the costs of inspection and enforcement of the provisions of this act, and of the Florida Building Code and the Florida Fire Prevention Code." [4] Section 553.80(7), Fla. Stat. [5] Section 553.80(7)(a), Fla. Stat. [10] *See Alsop v. Pierce*, 19 So. 2d 799, 805-806 (Fla. 1944); *Dobbs v. Sea Isle Hotel*, 56 So. 2d 341, 342 (Fla. 1952); *Thayer v. State*, 335 So. 2d 815, 817 (Fla. 1976).

Based on this AttGen opinion and the wording of the statute, it does not appear that all of the cost allocation assigned to the Building Department would be allowable under the statute. Amounts paid from building permit fees would need to be directly tied to building code enforcement, even if some of those costs were indirect. Indirect cost in this situation would be overhead directly related to the enforcement of the code, such as the building to house the employees of the building department that enforce the code. However, salaries for general government administration and commissioners would not be allowable. In addition to this, those salaries would be unallowable based on Federal Code of Regulation 2 CFR 200.444 which states:

For states, local governments, and Indian Tribes, the general costs of government are unallowable except as provided in § 200.475. Unallowable costs include: (1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a local government or the chief executive of an Indian Tribe; (2) Salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, or school board, whether incurred for purposes of legislation or executive direction;

Under the County Charter, this would include the County Administration and the Commissioners. At the time the plan was written salary and fringe benefits of the County Administrator comprised approximately 25% of the salary and benefits amount allocated from county administration. All of the salary and benefits from the commissioner amount used was directly tied to the elected commissioners. The company that completed the plan only requested a revenue and expense report

from the County to gather this information for the cost allocation. The revenue and expense report lacks sufficient detail to remove unallowable costs.

The language cited by the AttGen in the above letter was added in 2005 with Senate Bill 442. This bill was a result of the Government Efficiency Appropriations Committee which discussed in their Senate Staff Analysis and Economic Impact Statement a study by the Florida Home Builders Association. This 2004 study assessed the compliance with the fee provision of FS 553.80 and specifically cited their concern about “some local governments, after subsidizing non-enforcement costs, are accumulating fund balances that could be considered unreasonable amounts.” Both documents are linked in the reference section.

This would also go against AR: 3.03, which states, “building permit fees and related departmental service charges generated by the Building Department will be limited to the Building Dept. Fund.”

There was a transfer out from fund 010 to a fund set up for the future construction for a building to house the building department. \$250,000 was transferred on 10/1/2021 and another \$250,000 was transferred on 4/1/2023. FS 553.80(7)(a)2 allows for excess funds to be carried forward for this purpose however it limits the carry forward to no more than 4 consecutive years. The first transfer is coming up on the maximum time allowed.

This transfer was done in part to stay compliant with the requirement that fund balance for the building department stay within the average of four years of operating expenses. It does not appear this was achieved in FY2223 since the \$250,000 transfer would not be part of operating expenses. When the \$250,000 is excluded from operating costs in FY2223 the four-year average is \$673,827 and there was a fund balance of \$735,965 according to MIP balance sheet statements. The amount is lower, \$575,873, if the cost allocation amount is removed. The table below shows the breakdown of the calculation.

FY	Operating Costs		4 Year Average		Fund Balance
	With Cost Allocation	Without Cost Allocation	With Cost Allocation	Without Cost Allocation	
23-24	760,928.00	671,498.00	686,253.25	596,823.25	481,318.07
22-23	806,482.00	717,052.00	673,827.00	575,873.25	735,965.96
21-22	615,925.00	526,495.00			
20-21	561,678.00	472,248.00			
19-20	711,223.00	587,698.00			

Fuel Revenue

In FY2324, the County received \$2,558,066.16 from four fuel taxes. These taxes are the First Local Option Fuel Tax, the Ninth-Cent Fuel Tax, the County Fuel Tax, and the State Constitutional Gas Tax. These taxes were recorded in the Road Department Fund (160) and the Road Department Capital Expenditures Fund (160-2CT). The use of these taxes is restricted for various purposes by FS as discussed below. Additionally, AR: 3.03 states, “the use of Gas taxes will be limited to the Road Department Fund (generally known as the Transportation Trust Fund) and transportation capital projects.”

The First Local Option Fuel Tax is authorized by FS 206.41(1)(e), 206.87(1)(c), and 336.025. The County received \$984,756.92 from this tax during FY2324, \$328,252.31 of which went to Fund 160-2CT. Pursuant to Section 336.025(7), Florida Statutes, this tax must be used for the following transportation expenditures:

- Public transportation operations and maintenance.
- Roadway and right-of-way maintenance and equipment and structures used primarily for the storage and maintenance of such equipment.
- Roadway and right-of-way drainage.
- Street lighting installation, operation, maintenance, and repair.
- Traffic signs, traffic engineering, signalization, and pavement markings, installation, operation, maintenance, and repair.
- Bridge maintenance and operation.
- Debt service and current expenditures for transportation capital projects in the foregoing program areas, including construction or reconstruction of roads and sidewalks.

The Ninth-Cent Fuel Tax is authorized by FS 206.41(1)(d) and 206.87(1)(b). The County received \$164,612.37 from this tax during FY2324. Pursuant to FS 336.021(1)(a), this tax must be used for transportation expenditures as defined above for the First Local Option Fuel Tax. This tax has a designated department code, 7000-02, which allows expenses to be tied to this revenue. This is broken down into more detail on page 11. Because the other fuel revenue sources are commingled it is difficult to analyze which revenue is matched to which expense.

The County Fuel Tax is authorized by FS 206.41(1)(b). The County received \$382,346.40 from this tax during FY2324. Pursuant to FS 206.60, this tax must be used solely for the acquisition of right-of-ways; the construction, reconstruction, operation, maintenance, and repair of transportation facilities, roads, bridges, bicycle paths, and pedestrian pathways therein; or the reduction of bonded indebtedness incurred for roads and bridges or other transportation purposes.

The Constitutional Fuel Tax is authorized by Article XII, Section (9)(c), of the Florida Constitution and FS 206.41(1)(a). The County received \$880,997.32 from this tax during FY2324. Pursuant to FS 206.47(7), this tax must be used to meet the debt service requirements, if any, of certain debt assumed or refunded by the State Board of Administration payable from the Constitutional Fuel Tax.

The remaining tax must be used for the acquisition, construction, and maintenance of roads, and may include the construction and installation of traffic signals, sidewalks, bicycle paths, and landscaping. This tax may also be used as matching funds for any Federal, State, or private grant specifically related to these purposes.

The County also received \$55,387.55 in State Revenue Sharing Fuel Tax Refunds and Credits. FS 206.625 states those portions of the County Fuel Tax imposed by FS 206.41(1)(b) which result from the collection of such tax paid by a county on motor fuel for use in a motor vehicle operated by it shall be returned for the construction, reconstruction, and maintenance of roads and streets within the respective county.

A \$39,058 reimbursement for traffic signal maintenance was received from the State. The County fiscal year and the reimbursement period do not line up so it is not expected the actual costs would match up perfectly. However, this amount was about \$500 different than the expenditures directly tied to traffic signal maintenance and operations in Fund 160. Therefore, it is assumed that other expenditures in Fund 160 are not part of traffic signal maintenance and operations so the First Local Option Fuel Tax and the Ninth-Cent Fuel Tax that may be used for traffic signs, traffic engineering, signalization, and pavement markings, installation, operation, maintenance, and repair, were not used towards this cost.

Similarly, there is a reimbursement of \$11,226.19 for right-of-way maintenance. This reimbursement is paid to the County for maintaining State owned right-of-ways. The County acts as a subcontractor for the contractor hired by the State.

There is no debt tied to Fund 160 so the First Local Option Fuel Tax, the County Fuel Tax, the Ninth-Cent Fuel Tax, and the Constitutional Fuel Tax would not be used for debt services.

Several of the fuel tax revenues allow for maintenance, both routine and periodic. FS 334.03 defines routine maintenance as minor repairs. The term includes: pavement patching; shoulder repair; cleaning and repair of drainage ditches, traffic signs, and structures; mowing; bridge inspection and maintenance; pavement striping; litter cleanup; and other similar activities. Periodic maintenance is defined as activities that are large in scope and require a major work effort to restore deteriorated components, including, but not limited to, the repair of large bridge structures, major repairs to bridges and bridge systems, and the mineral sealing of lengthy sections of roadway.

The Florida Department of Transportation Maintenance Cost Handbook defines bridge operations as, "all costs of bridge operation, including salaries of bridge tenders, supplies and all utility bills for service to the bridge control house, fender system, bridge tender's house (except personal telephone), costs of utilities for fixed bridges, such as clearance lights and aerial warning lights, costs of maintenance and repairs to bridge tenders residence, costs of any equipment, such as pickup trucks used by the bridge tender. Does not include maintenance and repair of bridges."

The Road and Bridge Department employees perform services for other County departments. However, instead of receiving revenue from other departments, Road and Bridge has been charged \$220,186 annually for expenses from the general fund based on the cost allocation plan. The

majority of revenue to the Road and Bridge Department is restricted by statute and the cost allocation may not be allowable under those restrictions. There appears to be \$100,791.40 in revenue that does not have statutory or County ordinance restrictions. This revenue is from the National Forest Settlement- Title I, restitution payments, and the sale of surplus property and scrap metal.

All salaries, wages, and employee benefits were paid out of Fund 160 and Department code 7000, which is the general Road Department code. This includes the office manager that is shared between the Road and Bridge Department and the Revenue Collections Department plus holiday and paid time off for all employees in the department. All of the other employees tied to Revenue Collections are paid from the general fund. Paid time off would not be tied to any specific maintenance costs. It would be indirect operating costs. Not all fuel tax specifies operating costs may be covered and do not make reference to indirect costs. These amounts total approximately \$187,000. Between this and the \$220,186 transfer to the general fund, the revenue without any restrictions would not cover these costs.

In FY2324 the Road and Bridge Department had 3,853 hours of labor spent doing jobs for other departments. Additional costs were expended on equipment, material, and contractor costs that totaled nearly \$66,000. If the Road and Bridge Department had been compensated for the labor costs and expenditures, plus the time of the office manager allocated between Revenue Collections and Road and Bridge the \$187,000 would be covered. During the process of getting the golf course ready nearly \$75,000 was incurred by the Road and Bridge Department, yet the golf course was not billed. Significant work was also completed for waste water treatment, parks/facilities, and recreation.

Some of the fuel funds allow for public transportation operations and maintenance to be covered from the fuel tax. Public transportation system has a broad definition within the statutes as “a combination of real and personal property, structures, improvements, buildings, equipment, plants, vehicle parking or other facilities, and rights-of-way, or any combination thereof, used or useful for the purposes of public transportation.” However, this definition is found under the regional transportation authorities’ section of FS 163 and 343. These same sections define public transportation as “transportation of goods and passengers for hire, as a charter service, or without charge, by means, without limitation, of a street railway, elevated railway or fixed guideway, commuter railroad, subway, motor vehicle, motor bus, and any bus, truck, or other means of conveyance operating as a common carrier or otherwise.” Transportation facility is defined as “the property or property rights, both real and personal, of a type used for the establishment of public transportation systems which have heretofore been, or may hereafter be, established by public bodies for the transportation of people and property from place to place.”

The County does not operate a public transit system. It is questionable based on the statute definitions what operating costs are allowable. Indirect cost is not mentioned. Without a clear explanation at the State level, it is not possible to reach a conclusive opinion on the allowability of these expenses.

As discussed in the Fund 010 section, per the AG when a statute specifies what is allowed, it is

implied all other uses are unallowable. If the strictest interpretation is used, the cost allocation would not be an allowable use for the fuel tax revenue. Unrestricted revenue is insufficient to cover the cost allocation transfer or the indirect operating costs. The issue of indirect costs being paid from fuel tax revenue was addressed by the AudGen in report 2005-087, which is linked in the reference section.

Report 2005-087 found that 10 of the 20 counties audited were using some sort of cost allocation for indirect costs for the transportation department. The AudGen's finding was "the use of fuel taxes for indirect costs is questionable under current law. Because there are legitimate indirect costs that may be associated with transportation functions specified in the various statutes that specify the authorized uses of fuel taxes, the Legislature should clarify the appropriateness of using fuel taxes for such costs." This same AudGen report also pointed to the need to have separate accounting for the different fuel tax sources. This issue is discussed further below.

As mentioned above, the Ninth-Cent Fuel Tax has a specific department code, 7000-02, that it is tied to. Charges under this department code include- stock tires, uniforms and mats for the shop, candy for story walk, flagger certification, specific vehicle maintenance, and GPS monthly fees. These would not be allowable under the restrictions. Further, the revenue incoming under 7000-02 is significantly less than the expenditures charged to it. This has been the case for multiple years. Below is the breakdown of the revenue versus the expenditure for the past five years.

Year	Revenue	Expenditure
FY 19-20	144,221.60	389,497.09
FY 20-21	151,419.60	275,190.90
FY 21-22	147,963.68	285,862.02
FY 22-23	172,440.68	330,877.56
FY 23-24	164,612.37	405,264.45
FY 24-25 (as of June 2025)	102,592.54	238,714.07

It should be noted that since the Ninth-Cent Fuel Tax and the First Local Option Fuel Tax have the same spending restrictions, funds from the First Local Option Fuel Tax could be used to cover expenditures under the Ninth-Cent Fuel Tax. However, only the Ninth-Cent Fuel Tax has a specific department code to differentiate it and unallowable expenditures are included under it.

The County is responsible for implementing sufficient controls to ensure that fuel tax revenues are used solely for approved purposes. As previously mentioned, certain authorized uses may apply to all or only some types of fuel taxes. However, uses permitted for one type of fuel tax may not be allowed for others. Therefore, the County should maintain separate accounting records for fuel taxes with differing authorized uses to verify that the funds were spent appropriately. This audit found that the County did not separately account for the expenditures of fuel taxes with different authorized uses accounted for in Fund 160. Though the Ninth-Cent Fuel Tax did have a separate department code that distinguished it during the fiscal year, this did not transfer to any fund balance left at the end of the year. This same issue was a finding of the AudGen in an operational audit on another county, report 2014-068. A link to this report is provided in the reference section.

In addition, there are expenditures in Fund 160 that would not be allowable expenditures of every

type of fuel tax. For example, the County paid from the 160 for the repair and maintenance of traffic signals. While these expenditures would be an authorized use of some types of fuel taxes, it would not be an authorized use of the County Fuel Tax noted above. In the absence of separate accountability for each type of fuel tax, there is an increased risk that fuel taxes may be used for unauthorized purposes.

Similar to the regulatory fee described under the building permits section, the County is authorized under the Florida Constitution to impose proprietary fees under Home Rule Authority. Proprietary fees have the guiding legal principle that the fee is reasonable in relation to the government-provided privilege or service as explained in the Local Government Financial Information Handbook published by Florida's Office of Economic and Demographic Research. Based on this authority the County has imposed a franchise fee related to solid waste. Per Sec. 27.069 of Wakulla County Ordinances: "Any service agreement may require payment of a franchise fee as set by the board to compensate the County for the cost of solid waste management and administration, supervision and inspection rendered for the effective performance of regulated contractors, and shall include such other terms and provisions as the board may deem necessary or advisable."

There was a \$100,000 transfer in FY2324 from Fund 440 for solid waste to Fund 160. The funding source to Fund 440 is the franchise fee from Waste Pro, the solid waste contractor, and non-ad valorem solid waste tax assessments. There is no documentation for the calculation of the transfer.

The franchise fees have been imposed by ordinance for the purpose of solid waste management as required by statute. Therefore, these funds are considered committed. This means the funds must be used as authorized by the BOCC. The Road and Bridge Department has done work related to solid waste, but without documentation supporting the calculation of \$100,000, it is impossible to ascertain if the full \$100,000 was used as authorized. Conversely, more than \$100,000 may have been due.

The table on the following page shows the amounts received from each revenue type and the uses available for each. The uses are based on the above analysis on what types of activities apply to the County based on what is present in the county.

Funds from the First Local Option Fuel Tax that were allocated to fund 160-2CT in FY2324 all appear to have been spent on equipment for roadway and right of way maintenance. This is an allowable use as shown on the table below.

Popular Title Used by Wakulla County	Legal Title	Statutory References	Amount Received FY2324	Authorized Uses/Restriction
Local Option Fuel Tax - 4 cents	1 to 6 Cents Local Option Fuel Tax	FS 206.41(1)(e) FS 206.87(1)(c) FS 336.025	\$656,504	County governments may use the tax proceeds for transportation expenditures as defined in s. 336.025(7), F.S. Transportation expenditures are defined to include those expenditures by the local 1) Public transportation operations and maintenance. 2) Roadway and right-of-way maintenance and equipment and structures used primarily for the storage and maintenance of such equipment. 3) Roadway and right-of-way drainage. 4) Street lighting installation, operation, maintenance, and repair. 5) Traffic signs, traffic engineering, signalization, and pavement markings installation, operation, maintenance, and repair. 6) Bridge maintenance and operation. 7) Debt service and current expenditures for transportation capital projects in the foregoing program areas, including construction or reconstruction of roads and sidewalks. Counties are also authorized to expend the revenues received in conjunction with the state or federal government for joint transportation projects.
Local Option Fuel Tax - 2 cents	1 to 6 Cents Local Option Fuel Tax		\$328,252	
9th Cent Gas Tax	Ninth-Cent Fuel Tax	FS 206.41(1)(d) FS 206.87(1)(b) FS 336.021 FS 336.025	\$164,612	
Local Option Fuel Tax - 7th cent	County Fuel Tax (1 Cent)	FS 206.41(1) FS 206.60	\$382,346	The tax revenues are to be used solely for the 8) acquisition of rights-of-way; 9) the construction, reconstruction, operation, maintenance, and repair of transportation facilities, roads, bridges, bicycle paths, and pedestrian pathways; or 10) the reduction of bonded indebtedness incurred for road and bridge or other transportation purposes.
St - 5th & 6th Cent Gas Tax	Constitutional Fuel Tax (2 Cents)	Article XII, Section (9)(c), of the Florida Constitution FS 206.41(1)(a) FS 206.45 FS 206.47 FS 336.023 FS 336.024	\$880,997	First for 11) debt service requirements, if any, of the Article IX, Section 16, State Constitution of 1885, debt assumed or refunded by the SBA payable from the tax. The remaining monies, or surplus fuel tax funds, are used for the 12) acquisition, construction, and maintenance of roads. The term maintenance means periodic and routine maintenance, as defined in s. 334.03, F.S., and may include the construction and installation of traffic signals, sidewalks, bicycle paths, and landscaping. The funds may be used as matching funds for any federal, state, or private grant specifically related to these purposes. Periodic maintenance is defined as those activities that are large in scope and require a major work effort to restore deteriorated components of the transportation system to a safe and serviceable condition. Such efforts may include, but not be limited to, the repair of large bridge structures, major repairs to bridges and bridge systems, and the mineral sealing of lengthy sections of roadway. Routine maintenance is defined as minor repairs and associated tasks necessary to maintain a safe and efficient transportation system and includes pavement patching; shoulder repair; cleaning and repair of drainage ditches, traffic signs, and structures; mowing; bridge inspection and maintenance; pavement striping; litter cleanup; and other similar activities.
St - Motor Fuel Use Tax	Fuel Tax Refunds and Credits	FS 206.41(4)(d)-(e) FS 206.625	\$55,387	The refunds to the counties are used for the 13) construction, 14) reconstruction, and 15) maintenance of roads and streets within the respective jurisdiction.
10/5 Cent Local Fee		FS 206.874(4)		

Tourist Development Revenue

Counties are authorized to impose a tourist development tax (TDT) as outline in FS 125.0104. This tax is collected on short term rentals, hotels, and other similar accommodations. The County has authorized a total of 4% on these transient rentals as outlined in Section 29.045 of the County ordinances. The first 3% can be used according to FS 125.0104(5). The remaining 1%, or one quarter of the TDT can only be used to promote and advertise tourism in the state of Florida, nationally, and internationally for an activity, service, venue, or event. The event must have as one of its main purposes the attraction of tourists as evidenced by the promotion of the activity, service, venue, or event to tourists.

In FY2324 the County received \$343,585.11 in TDT funds. This means that \$85,896.28 (25%) could only be used to promote and advertise tourism. There was \$127,851.18 spent under the expense code for “Advertising/Promotional Activities” so this requirement appears to have been met. Below are the allowable uses that currently apply to this county. Per the statute, any use not expressly authorized is expressly prohibited. There could be additional uses in the future, for example if the County owns and operates a convention center, auditorium, sports franchise, aquariums, museums, or zoological park. A link to the statute can be found on the reference page.

Allowable TDT Uses:

- To promote and advertise tourism in this state and nationally and internationally; however, if tax revenues are expended for an activity, service, venue, or event, the activity, service, venue, or event must have as one of its main purposes the attraction of tourists as evidenced by the promotion of the activity, service, venue, or event to tourists;
- To fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus as county agencies or by contract with the chambers of commerce or similar associations in the county, which may include any indirect administrative costs for services performed by the county on behalf of the promotion agency;
- To finance beach park facilities, or beach, channel, estuary, or lagoon improvement, maintenance, renourishment, restoration, and erosion control, including construction of beach groins and shoreline protection, enhancement, cleanup, or restoration of inland lakes and rivers to which there is public access as those uses relate to the physical preservation of the beach, shoreline, channel, estuary, lagoon, or inland lake or river. However, any funds identified by a county as the local matching source for beach renourishment, restoration, or erosion control projects included in the long-range budget plan of the state’s Beach Management Plan, pursuant to s. 161.091, or funds contractually obligated by a county in the financial plan for a federally authorized shore protection project may not be used or loaned for any other purpose. In counties of fewer than 100,000 population, up to 10 percent of the revenues from the tourist development tax may be used for beach park facilities; or
- A county of less than 950,000 population imposing a tourist development tax may only be used by that county for the following purposes in addition to those purposes allowed pursuant to paragraph (a): to acquire, construct, extend, enlarge, remodel, repair, improve, maintain, operate, or promote one or more zoological parks, fishing piers or nature centers

which are publicly owned and operated or owned and operated by not-for-profit organizations and open to the public.

- A fiscally constrained coastal county, may use up to 10 percent of the TDT revenue to reimburse expenses incurred in providing public safety services, including emergency medical services as defined in s. 401.107(3), and law enforcement services, which are needed to address impacts related to increased tourism and visitors to an area. However, if taxes collected pursuant to this section are used to reimburse emergency medical services or public safety services for tourism or special events, the governing board of a county or municipality may not use such taxes to supplant the normal operating expenses of an emergency medical services department, a fire department, a sheriff's office, or a police department. The board of county commissioners must by majority vote approve reimbursement made pursuant to this paragraph upon receipt of a recommendation from the tourist development council.

In 2023 the AudGen completed an audit of TDT on another county (a link to 2023-112 is provided in the reference section). In their audit report they stated,

the Attorney General opined that the purpose and intent of Section 125.0104, Florida Statutes, is 'to provide for the advancement, generation, growth and promotion of tourism, the enhancement of the tourist industry, and the attraction of conventioners and tourists from within and without the state to a particular area or county of the state.' These Attorney General opinions provide that an expenditure of TDT collections must be based on a determination that the related activity directly and primarily promotes tourism. Such determinations must follow appropriate legislative findings and due consideration of the specific needs and conditions of the particular locality and must show a distinct and direct relationship between the expenditure of TDT collections and the promotion of tourism.

AR 3:03 states, "Tourist Development tax proceeds will be limited to the Tourist Development Fund as appropriated in accordance with the taxing level contained in the Tourist Development Tax Ordinance." When the County passed the resolution to collected TDT, a plan was made on how the funds would be spent. Per FS the plan is part of the requirement to collect TDT. The plan is outlined below.

GOAL 1.	Promote Wakulla tourism through partnerships, events, and advertising, focusing primarily on nature- and heritage-based tourism. (Examples include expanding advertising and marketing opportunities through national, state, regional, and local partnerships; advertising local events and festivals; actively pursuing advertising opportunities in varied media venues; continually increase knowledge of tourism marketing trends.)	75%
GOAL 2.	Create promotional programs and materials that will create awareness and attract targeted markets to visit Wakulla County. (Examples include continual review/update of tourism publications for distribution; continual update and expansion of website and social media efforts; working with stakeholders to define and attract targeted markets.)	20%
GOAL 3.	Educate the citizens of Wakulla County on the potential financial impact to our local economy of nature- and heritage-based tourism.	3%
GOAL 4.	Develop short-term and long-range strategic plan for tourist development.	2%

The third goal would not be allowed based on the interpretations of statute by the AttGen and AudGen. AttGen opinions repeatedly state all funds must be spent to promote and advertise

tourism. The statute defines “promotion” as marketing or advertising designed to increase tourist-related business activities. “Tourist” means a person who participates in trade or recreation activities outside the county of his or her permanent residence or who rents or leases transient accommodations. Educating residents on the economic benefits of tourism is not directly marketing or advertising to tourists. In the AudGen’s report, it was specified presentations to citizens at outreach and educational events did not meet the statutory purpose of the TDT.

Similarly, the cost allocation plan that has been mentioned in other sections of this report may need to be reviewed to confirm these are allowable expenditures. One part of the statute mentions indirect administrative costs for a tourist information center, which the visitors center would be considered. This may allow for the cost allocation plan to be used in this situation.

One of the recommendations the AudGen provided in their report was for the county to request the AttGen to opine on actual or proposed uses of TDT. Indirect administrative costs incurred for services performed by the county on behalf of a promotion agency was reviewed as part of their audit. Because of their concern about the indirect costs, the cost allocation plan-based transfer from TDT funds to the general fund is something that should be considered as a potential issue.

The County employed a Public Relations Specialist in FY2324 but the role is currently vacant. All of the wages and benefits of this employee were charged to TDT. However, the job description is for tourism development support and public information office support. Since not all of the responsibilities involve the promotion of tourism, not all of these wages should be charged to TDT. This should be evaluated for compliance when the role is filled. Conversely, the role of Public Relations Officer has no allocation to TDT funds but part of this role is to promote tourism.

After review, some of the expenditures charged to TDT did not meet the statutory requirements for TDT uses. One example of this is Story Walk candy and decorations. The described purpose of the event is to promote the library and literacy to the community. Parade supplies is another item charged to TDT. There are many parades held in Wakulla and there were multiple expenditures for parade candy and supplies. Some of the parades promote the purpose as fundraising and would not appear to have tourism as one of their main purposes. The expenditures do not indicate which specific parade the purchase is for but just state parade so it is difficult to determine if a parade meets the purpose.

FS 125.0104(4)(e) outlines the requirements of a tourist development council (TDC) that must be established by ordinance in counties that impose a TDT. The TDC is to continuously review expenditures of revenues of TDT and shall receive, at least quarterly, expenditure reports from the county. Expenditures which the TDC believes to be unauthorized must be reported to the BOCC and the Florida Department of Revenue (DOR). The BOCC and DOR shall review the findings of the TDC and take appropriate administrative or judicial action to ensure compliance with this section. Minutes for the TDC show they are meeting regularly. Filling all TDT board positions has been difficult due to strict statutory requirements of the members and the limited number of people available to fill the required roles.

Additionally, the TDC that was created wrote by-laws. In these by-laws it states that TDT revenue

and the revenue carried forward from year-to-year be placed in an interest-bearing trust fund and that it not be co-mingled with the general revenue of the County. Because TDT has its own fund code and is reported on the financial statements separately from the general fund, part of this requirement set forth is being met. However, there has been no interest income generated to Fund 188.

1 Cent Sales Tax (Infrastructure) Revenue

Per FS 212.055(2)(a)(1) counties are allowed to levy .5 to a 1 percent sales surtax for infrastructure through a voter approved referendum. Voters approved the tax currently in effect during the 2016 election. A copy of the referendum is below.

WAKULLA COUNTY ORDINANCE No. 2016-14

**EXTENSION OF EXISTING ONE CENT LOCAL
GOVERNMENT INFRASTRUCTURE SALES SURTAX**

Shall Wakulla County fund road paving and transportation improvements, a new regional recreational park and improvements to existing parks and recreational facilities, fire trucks, ambulances, and other public safety vehicles and facilities, public facilities, and other public purposes authorized by law by continuing to levy a one cent sales surtax from January 1, 2018 to December 31, 2037 with the surtax maintained in a dedicated fund and spending monitored by a citizen's oversight committee?

☐ For the One Cent Sales Tax

☐ Against the One Cent Sales Tax

Statute allows for the following uses that apply to this county, a link to the full text of the statute can be found in the reference section:

- Finance, plan, and construct infrastructure
- Acquire any interest in land for public recreation, conservation, or protection of natural resources
- Provide loans, grants, or rebates to residential or commercial property owners who make energy efficiency improvements to their property
- To finance the closure of county-owned solid waste landfills that have been closed or are required to be closed by order of the Department of Environmental Protection. Operational expenses of infrastructure for a county that has a population of fewer than 75,000 and that is required to close a landfill may use the proceeds or interest for long-term maintenance costs associated with landfill closure.
- Charter counties may, in addition, use the proceeds or interest to retire or service indebtedness incurred for bonds issued before July 1, 1987, for infrastructure purposes, and for bonds subsequently issued to refund such bonds. Any use of the proceeds or interest for purposes of retiring or servicing indebtedness incurred for refunding bonds before July 1, 1999, is ratified.

FS defines infrastructure broadly for this statute. It is defined as, “any fixed capital expenditure or fixed capital outlay associated with the construction, reconstruction, or improvement of public facilities that have a life expectancy of 5 or more years, any related land acquisition, land improvement, design, and engineering costs, and all other professional and related costs required to bring the public facilities into service.” In this statute the term public facilities “includes facilities that are necessary to carry out governmental purposes.” Also included are the following:

- Any vehicle and the equipment necessary to outfit the vehicle for its official use or equipment that has a life expectancy of at least 5 years.
- Any expenditure for the construction, lease, or maintenance of, or provision of utilities or security for, facilities, as defined in s. 29.008.
- Any fixed capital expenditure or fixed capital outlay associated with the improvement of private facilities that have a life expectancy of 5 or more years and that the owner agrees to make available for use on a temporary basis as needed by a local government as a public emergency shelter or a staging area for emergency response equipment under specific conditions outlined in the statute.
- Any land acquisition expenditure for a residential housing project in which at least 30 percent of the units meet affordable housing requirements and other specific conditions outlined in the statute.
- Instructional technology used solely in a school district’s classrooms.
- Energy efficiency improvement outlined in the statute.
- Up to 15 percent of the surtax proceeds can be deposited into a trust fund within the county’s accounts created for the purpose of funding economic development projects having a general public purpose of improving local economies.
- Proceeds can be pledged for the purpose of servicing new bond indebtedness incurred pursuant to law.

The voter approved referendum and the statute allow for a wide variety of uses. Ordinance 2016-14, referenced in the referendum, requires a citizen oversight committee. This committee is to advise and make recommendations to the BOCC on how to use the tax. They also review the expenditures charged to the tax. The committee meets twice annually.

Proceeds of the tax is split between fund 317-FACI (23%), 317-Park (10%), 317-ROAD (45%), and 317-SAFE (22%). Nothing in statute, ordinance, or voter referendum requires they be split in this manner so it can be redistributed as needed for infrastructure needs by the County as allowed by law. A review of the expenditures since the surtax took effect in 2018 shows funds have been spent as allowed by FS 212.055(2).

Recommendations

- The use of the cost allocation plan needs to be reevaluated when used in restricted funds. Based on statute language some individual indirect costs may be allowed but in general they are not. Each allowable cost should be identified by expense code in the transfer, rather than a broad interfund transfer. The description of the transfer in MIP should indicate that it is for indirect costs based on a cost allocation plan for full transparency.
- GFOA's Best Practices related to cost allocation plans and indirect costs should be reviewed. It is recommended that the GFOA Best Practices or similar guidelines be implemented. Specific issues to address include it being updated regularly and not being consistently applied. When it is updated, more details need to be used to ensure only allowable costs are used when calculating the allocations, removing costs that should not be included per 2 CFR 200 if it is used for any federal grant reimbursement in the future.

GFOA Best Practices states that cost allocation plans should be fair, rational, and applied consistently. Since the cost allocation plan is outdated and the Golf Course did not exist at the time of the last plan, the Golf Course Fund is not part of the allocation calculation.

- Review GASB 34 and ensure compliance with indirect cost presentation and disclosure requirements. Specially review paragraphs 42, 115, 357 – 360, and illustration B-2.
- As the AudGen recommended in their report, it is being recommended in this report that a request is made to the AttGen or legislature for clear definitions related to these restricted funds if they are going to be used for indirect and operating costs. Indirect administrative costs for TDT and reasonable indirect costs for the enforcement of the Florida Building Code, as well as allowable operating costs for the different fuel taxes being clearly defined would make ensuring proper use easier. Specific details on desired uses should be provided to protect the County from encountering issues down the road. The specific line items and how each is defined in the cost allocation plan should be shared and a request of what is and is not allowable indirect costs for these restricted revenue sources be asked. If it is believed that any indirect costs are allowed from fuel tax revenue, this should be included in the clarification request and what specific fuel taxes can be used for indirect costs. The goals of the TDT spending should also be shared and a request made for a definitive answer on what is allowable if the plan is not modified to remove the third goal.
- The \$250,000 transfer from fund 010 in 2021 needs to be reviewed. It needs to be used or returned to fund 010. These types of transfers should not be used as part of the four-year average operating budget calculation when determining the maximum fund balance allowed since the transfer would not be part of operating costs. FS 553.80 specifically states, the term operating budget does not include reserve amounts
- Currently there are not sufficient internal controls to ensure compliance for how these restricted public funds may be spent. Additional internal controls need to be established by management. Staff submitting and reviewing disbursement requests need clarification on allowable uses of each fund. Allowable uses should be documented for reference in a manual or guide. Staff will need support from the County Administration in the proper use of funds.

- Implement the use of different fund codes or department codes for fuel tax revenue and TDT to keep the allowable uses easily identifiable. This would show the revenue and expenditures for each restriction and the amount of fund balance available to each source at year end. Payroll could still use the general Road Department Fund 160 and department code as to not make payroll and time approval more difficult. At set intervals documentation could be sent to the Clerk's Finance Department so that transfers between funds could occur. If department codes are used rather than fund codes, it is recommended that the First Local Option Fuel Tax be added to department 7000-02 since they have the same restrictions.

Additionally, when the software transitioned to MIP from Fundware, the fund balance from Fundware were recorded under department code 0000 which is titled General Fund Revenue. These amounts have not changed since they were first recorded into MIP with the exception of a few that had journal entries under the description "Clean Up Fund Balances" in 2013. All new revenue and expenses and the resulting fund balances have a department code tied to their specific department because the fund balance changes annually based on the difference between revenue and expenses each fiscal year. It is recommended that the fund balance amounts be cleaned up to either have all fund balance moved to 0000, begin utilizing the department codes to track the restricted funds, or a mixture of both.

For these restricted funds, if department codes are going to be used as the way to keep the different restrictions separated rather than adding additional fund codes, balance sheets need to be ran with department codes so the fund balance for those restricted funds can be properly tracked.

- The billing of departments for their use of Road and Bridge Department employees and equipment should be implemented. Also, tracking what projects employees in the department are working on to ensure all allowable costs are assigned to the proper fuel revenue source. The Road and Bridge Department is already using the PubWorks software to track these costs so it just needs to be applied to the financial records.
- Determine the proper allocation of the office manager role between Road and Bridge and Revenue Collections. Wages and benefits for this role should be allocated between Fund 160 and the general fund similar to fire rescue employees.
- Allocating interest to Fund 188 or opening a separate bank account is needed to follow the by-laws as written. Alternatively, since all TDT funds are not being used, a request for the by-laws to be revisited by the TDC could be requested.
- One quarter of the TDT funds must be spent to promote and advertise tourism in the State of Florida, nationally, and internationally for an activity, service, venue, or event that has as one of its main purposes the attraction of tourists as evidenced by the promotion of the activity, service, venue, or event to tourists. It is recommended that a new department code be added and when DOR sends the monthly payment, the portions should be divided based on these restrictions. If the revenue and expenditures are tracked with the specific purpose it will be easier to demonstrate they have been spent as allowed. If all funds are not expected to be used each year for this purpose, a second TDT fund code may be needed so the fund balance can be properly tracked each year.

- Both the Public Relations Specialist and Public Relations Officers position should be evaluated for the time allocated to tourism promotion. Documentation should be completed and periodically reevaluated to properly allocate how much of their time can be charged to TDT.
- Each parade and other event TDT funds are spent on needs to have the purpose reviewed to determine if tourism promotion is one of the main reasons for the event. The expenditure should indicate how an event has tourism as one of its main purposes with documentation from the event descriptions. Since purchases of candy and supplies for events such as Story Walk and parades was an issue for multiple funds, the County should consider purchasing these supplies in bulk from the general fund and supplying them to the departments that participate. Bulk ordering should save money.
- Most of the charges from the TDT that are allocated to “GOAL 3. Educate the citizens of Wakulla County on the potential financial impact to our local economy of nature- and heritage-based tourism” are simply a percentage of a larger charge. For example, the parade candy, office supplies, promotional products had 3% allocated to Goal 3. There did not appear to be any specific education on the economic impact directly tied to it. Since this goal does not fit with the statutory use of TDT, it is recommended that the ordinance be modified to remove this goal and move the 3% to an allowable use.
- Below are MIP object codes that may need to be updated based on changes made to Florida’s Uniform Accounting System in fiscal year 2020-2021. It is recommended that these changes be reviewed and any modification made that are needed to ensure the County is compliant with FS 218.33.

MIP Code	UAS Code	UAS Title	Note
312420	335.440	STATE REVENUE SHARING – COUNTY FUEL TAX (1¢ FUEL TAX)	New Revenue Account Code – Created FY 2020-2021
312491	335.430	STATE REVENUE SHARING – CONSTITUTIONAL FUEL TAX (2¢ FUEL TAX)	New Revenue Account Code – Created FY 2020-2021
312492	335.430	STATE REVENUE SHARING – CONSTITUTIONAL FUEL TAX (2¢ FUEL TAX)	New Revenue Account Code – Created FY 2020-2021
335494	335.480	STATE REVENUE SHARING – OTHER TRANSPORTATION	New Revenue Account Code – Created FY 2020-2021
335493	335.450	STATE REVENUE SHARING – FUEL TAX REFUNDS AND CREDITS	New Revenue Account Code – Created FY 2020-2021
344200	344.900	SERVICE CHARGE – OTHER TRANSPORTATION CHARGES	344.200 is SERVICE CHARGE – WATER PORTS AND TERMINALS
312100	312.130	TOURIST DEVELOPMENT TAXES	New Revenue Account Code – Created FY 2020-2021
312601	312.630	LOCAL GOVERNMENT INFRASTRUCTURE SURTAX	New Revenue Account Code – Created FY 2020-2021
312602	312.630	LOCAL GOVERNMENT INFRASTRUCTURE SURTAX	New Revenue Account Code – Created FY 2020-2021
312603	312.630	LOCAL GOVERNMENT INFRASTRUCTURE SURTAX	New Revenue Account Code – Created FY 2020-2021
312604	312.630	LOCAL GOVERNMENT INFRASTRUCTURE SURTAX	New Revenue Account Code – Created FY 2020-2024



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To: Katrina Cromwell, Internal Auditor
From: Brandy King, Finance Director
CC: Greg James, Clerk of Courts & Comptroller
Re: Restricted Funds Audit

Date: June 5, 2026

In response to the Restricted Funds Audit dated February 2026, Finance agrees with the observations of the Internal Auditor and will implement the recommendations applicable to Finance.

1. Beginning with fiscal year 2026-2027, Finance will change the description of the transfers to indicate when they are for indirect costs based on the cost allocation plan.
2. Finance will participate with BOCC staff in the establishment of additional internal controls and development of a reference manual or guide for proper use of restricted funds. Finance already produces a Revenue Monitoring Report that contains various information on restricted funds that can be modified to become the basis of the reference manual or guide.
3. There are several instances throughout the Recommendations for Finance to develop new general ledger segment codes to isolate restricted funds as well as generate balance sheet reports in a specific manner to properly identify the fund balances of restricted funds. Finance will participate in discussions with BOCC staff to identify new general ledger segment codes that need to be created and provide training to BOCC staff on generating balance sheet reports in a manner that identifies the fund balances of restricted funds.
4. Finance has a methodology for allocating interest earnings and Fund 188 will be included in that process.
5. Finance will update general ledger segment codes based on the changes made to Florida's Uniform Accounting System in fiscal year 2020-2021. This will be performed simultaneously with the beginning of fiscal year 2026-2027 in order to maintain consistency of the current fiscal year revenue monitoring.

Thank you for bringing these issues to my attention.

Respectfully,

Brandy King



Restricted Funds Audit - Management Response

TO: Katrina Cromwell, Internal Audit Director

FROM: David Edwards, County Administrator

CC: Greg James, Brandy King, Kelly Graves

DATE: September 23, 2026

SUBJECT: Restricted Funds Audit Report

On behalf of the Wakulla County Board of County Commissioners (BOCC), please accept this as the formal written response to the Internal Auditor's Restricted Funds Audit Report (IA Report). I concur with the overall objective of the IA Report and with many of its findings and recommendations. County staff are responsible for ensuring that restricted revenues are administered in accordance with applicable statutory requirements, Board policies, and other funding restrictions.

Many of the Report's key findings and recommendations are related to the outdated 2019 cost allocation plan. I concur with the IA Report's key finding regarding the need for an updated indirect cost study and I'm pleased to report that the County completed an updated Full Cost Allocation Plan (FCAP), which was accepted by the Board on June 15, 2026.

The 2027 FCAP, produced by Maximus US Services, Inc. (Attachment #1), addresses many of the concerns listed in the IA Report regarding allowable or "reasonable" indirect costs recoverable by the General Fund from various restricted funds. The document provides comprehensive schedules of allowable indirect costs, highlights excluded cost centers, and offers detailed insight into the methodologies used to arrive at the recommended allocations. I agree with the IA Report's recommendation to repeat the cost allocation study on a more regular basis and have directed staff to maintain a 2-year cycle for completing an updated FCAP.

Regarding the key findings and recommendations related to specific restricted funds highlighted in the IA Report, management's response is as follows:

Building Permit Fees (Fund 010)

As noted, the updated 2027 FCAP provides defensible recommendations regarding reasonable indirect cost recovery from this fund. The recommended cost recovery for FY 2026-27 based on FY 2024-25 financials is \$202,022. However, because anticipated revenues will not support the full allocation, the FY 2026-27 budgeted transfer is limited to 50% of the FCAP recommendation, or \$101,011. The County will continue to evaluate the transfer in light of statutory requirements.

Of greater concern is the legislature's adoption in 2026 of SB 1614, amending section 553.80 F.S. The amendment appears to eliminate the statutory authority for future use of excess building permit fees "to pay for the construction of a building or structure that houses a local government's building code enforcement agency". The County is evaluating the effect of this amendment on amounts previously transferred to Fund 010-CONST and will take appropriate action once the treatment of previously accumulated funds is clarified.

Fuel Revenue (Funds 160 & 160-2CT)

Here again, the updated 2027 FCAP addresses and substantially mitigates the concerns identified in the IA Report regarding the outdated cost allocation plan and provides a more current basis for evaluating reasonable indirect cost allocations. Similarly to Building Permit Fees, Fuel Revenue will not be sufficient to fund the full indirect cost recovery to the General Fund. The FY26-27 budgeted transfer from the Road Fund to the General Fund is \$271,778, which represents just 33% of the 2027 FCAP recommendation of \$823,570.

The IA Report highlights work performed by Road and Bridge Department employees for other County departments and recommends that these departments should be billed for this work. While I agree that significant, identifiable projects performed for other County departments should be appropriately charged to the benefiting department or capital project, I do not believe that a comprehensive internal invoicing process for routine or incidental interdepartmental assistance would be cost-effective. Existing project-tracking tools will continue to be used to identify significant project costs and determine when an interdepartmental charge is appropriate.

Another recommendation offered in the IA report is to review the job duties of the Road and Bridge Office Manager to determine if that position's personnel costs should be solely paid from the Road Fund. Upon review, it has been determined that both the Office Manager and the Division Director devote significant time and effort to activities outside of Road and Bridge operations. These activities include management of the County fuel depot and fleet maintenance operations, management of the Solid Waste

services contract and oversight of landfill operations, management of the Sewer System operations contract, and billing and customer service for Sewer System customers. Therefore, I have implemented the recommendation and, beginning in FY 26-27, both of these positions' personnel costs are being split 50%-50% between the Road Fund and the General Fund, consolidated Public Works Administration Department. This allocation will be reviewed periodically based on actual time and effort.

Lastly, the IA Report discusses the authorized uses of the various Fuel Taxes which fund Road and Bridge operations and recommends maintaining separate accounting funds for those taxes with differing authorized uses. The recommendation also calls for providing guidelines to staff on appropriate expenditures under each restricted fund. However, in the statutory references provided, there is significant overlap in the described allowable uses, nearly to the point of being indistinguishable. In fact, the IA Report discusses the impossibility of reaching a conclusive opinion on the allowability of certain expenses and cites an Auditor General report questioning the clarity of current law. Given the lack of certainty, it isn't clear how this recommendation could be implemented with any degree of accuracy.

Tourist Development Revenue (Fund 188)

Finance has implemented the recommendation and has begun allocating interest earned from Tourist Development Tax (TDT) to the Tourism fund. Additionally, I have appointed a new Tourist Development Coordinator, who will also act as a Community Engagement Coordinator for other General Fund departments. Beginning in FY 26-27, the personnel costs for this position will be split 75%-25% between the Tourism fund and the General Fund, County Administration departments respectively. This allocation will be reviewed periodically based on actual time and effort.

As to the recommendations regarding the TDT Ordinance and the adopted Goals to be achieved through the expenditure of TDT funds, staff has presented options to the Tourist Development Council (TDC), which then made recommendations regarding revisions to the ordinance. These proposed revisions are currently under legal review and will be presented to the BOCC for adoption.

Another recommendation is for the various TDT fund expenditures to be reviewed for a determination of tourism-related purpose. I recognize the need for clear documentation supporting the tourism-related purpose of expenditures and will direct staff to provide clarifying information as needed. Also, as noted in the Report, oversight of TDT spending is one of the primary responsibilities of the TDC which has been fulfilling this duty faithfully. Should the TDC report any expenditure which it finds to be unauthorized, my staff will review and take appropriate administrative action as required by statute.

Infrastructure Surtax (Fund 317)

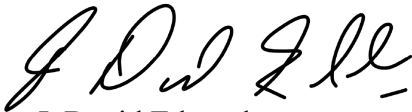
I accept and agree with the IA Report's conclusion that expenditures from the One Cent Sales Tax funds have complied with applicable statutory requirements. The County will continue to monitor expenditures for compliance and will, in consultation with the One Cent Sales Tax Committee, evaluate the distribution among infrastructure categories based on identified infrastructure needs.

General Recommendations

The final recommendation regarding the implementation of several updated revenue object codes has been accepted and are reflected in the FY 26-27 Final Adopted Budget.

In conclusion, the County appreciates the IA review and the recommendations provided to strengthen the administration and accountability of restricted revenues. Management has already implemented several of the recommendations and will continue to work with Finance and the affected departments, as well as the appropriate advisory bodies, to address the remaining recommendations. Where statutory requirements are unclear, the County will seek appropriate legal or regulatory clarification.

Signed,

A handwritten signature in black ink, appearing to read "J. David Edwards". The signature is fluid and cursive, with a horizontal line at the end.

J. David Edwards
County Administrator

Appendix A

2019 Cost Allocation Plan

	Building Department	Road Department	Tourist Development	Description from Plan Document
Building Depreciation	3,469.00	-	-	Building depreciation is an allowable cost which is claimed to recover the cost of buildings, improvements and facilities provided by the County to meet the office space requirements of County departments. A depreciation charge has been computed on the following buildings: Commission Complex - The Commission Complex is located at 3093 Crawfordville Highway. The depreciation expense is \$23,017. This has been allocated based on occupied square footage. Courthouse - The Courthouse is located at 3056 Crawfordville Highway. The depreciation expense is \$90,053. This has been allocated based on occupied square footage.
Annual Audit	1,372.00	4,030.00	579.00	The County employs an outside firm to perform its certified annual financial audit. The service was provided for fiscal year ending September 30, 2019 at a cost to the County of \$74,500. The scope includes an audit of all transactions recorded in the County's accounting system. The audit is performed for two reasons: to certify proper accounting of incoming funds to County officials and to certify proper charges against appropriations by the governing body, conforming to generally accepted accounting principles. Audit costs associated with the B.O.C.C have been allocated on departmental expenditures. Constitutional audit costs have been directly assigned. Solid Waste and Water and Sewer costs have been directly assigned.
Property Insurance	624.00	4,069.00	1,168.00	This cost center was set up to allocate only property insurance. Expenditures for premiums were extracted from the General Administration account number 001-0202-GA. Property insurance has been allocated to the Courthouse and Commission Complex based on the statement of values and further allocated based on occupied square footage. Other insurance premiums have been allocated departmentally on building and contents values.

Fringe Benefit	5,289.00	38,441.00	264.00	The County's General Fund contains a cost center that pays for a variety of expenses unrelated to a specific cost center. However, the following expense was found to be allocable. Flex Spending - Supplemental benefits total \$59,768 and have been allocated departmentally on the number of employees covered. Workers' Compensation - The cost of insurance has been allocated departmentally on salaries and wages. Other workers' compensation costs have been directly assigned based on the premium.
Insurance	7,881.00	46,879.00	806.00	The County's General Fund contains a cost center that pays for a variety of insurance expenses unrelated to a specific cost center. However, the following insurance expenses was found to be allocable. Comprehensive general liability insurance has been allocated on the number of employees per department. Costs associated with vehicle insurance has been allocated on the number of vehicles per department. Inland marine insurance has been allocated on the equipment insured values per department. Accidental Death and Dismemberment insurance has been directly assigned.
Clerk Finance	17,511.00	52,602.00	6,861.00	The Finance department is under the auspices of the Clerk of the Court. However, the responsibilities of this department are directed towards the Board of County Commissioners and its operations. A salary and wage analysis was prepared to functionalize the department into three functions. The general accounting function is responsible for the accounting of all funds received by the Board of County Commissioners and the maintenance of all financial records. Expenses related to accounting have been allocated departmentally on expenditures. The Clerk's Minutes person records the minutes of the Board of County Commissioner's meetings. Costs associated with this activity have been directly assigned to the County Commissioner's cost center. The payroll function has been allocated based on the number of employees per department. Other accounting charges have been directly assigned.
Facilities Management	3,022.00	-	-	The Facility Management Division is responsible for the maintenance and operations of several County facilities. General maintenance is provided by one individual and repairs HV AC systems, sanitary and plumbing systems, lighting, roofing, flooring and ground maintenance. Costs associated with building maintenance at the Commission Complex is allocated based on occupied square footage. Other maintenance costs have been allocated on the percentage of support time.

County Attorney	2,646.00	9,260.00	1,690.00	The County Attorney is responsible for providing legal advice to the Board of Commissioners and to all County departments. Responsibilities include preparing ordinances; representing the government in local, state and Federal courts; reviewing contracts; and advising and consulting on administrative matters. Expenditures associated with Legal Counsel have been allocated based on the number of employees per department. Costs associated with litigation and special projects have been directly assigned.
Administrator	37,100.00	129,851.00	6,183.00	The County Manager is the Chief Administrative Officer of the County. The Manager's office develops strategies and plans for delivering County services. During the year, the Manager maintains budget and management control over the departments under the Board and coordinates with elected officials and other agencies in an effort to deliver services as efficiently and effectively as possible. Costs associated with departmental administration have been allocated departmentally on the number of full-time employees. <i>Uses salaries, benefits, and other operating costs.</i>
Commissioners	9,167.00	32,084.00	1,528.00	The Board of County Commissioners are elected officials whose overall purview is to maintain fiscal integrity combined with providing necessary County services. In this capacity the Board meets on a regular basis to set County policy through the adoption of ordinances and resolutions and make necessary decisions on County wide matters. Costs associated with general administration have been allocated departmentally on the number of employees. <i>Uses salaries, benefits, and other operating costs.</i>
Non-departmental	1,349.00	2,970.00	27.00	The County's General Fund contains a cost center that pays for a variety of expenses unrelated to a specific cost center. However, the following utility expenses was found to be allocable. Utility expenses associated with the Courthouse have been allocated based on occupied square footage per department. Costs associated with professional services, dues, utilities and contracted services for information technology have been directly assigned. Costs associated with TMH employee assistance are allocated on the number of employees per department.
	89,430.00	320,186.00	19,106.00	

Reference page

[AR 3.03 Budget and Financial Policy](#)

[Florida Bar Typography Reference](#)

[Bluebook Guide from Georgetown University Law Center](#)

[AG Opinion: Building inspection fees, cost allocation plan](#)

[2 CFR 200.444](#)

[GFOA Indirect Cost Allocation Best Practices](#)

[GFOA Measuring the Full Cost of Government Service Best Practices](#)

[Senate Bill No. 442 - 2005](#)

[SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT- Building Safety](#)

[Florida Auditor General Report on County Transportation Trust Funds](#)

[Florida Auditor General County Operational Report](#)

[AG Opinion: County local option fuel tax funding transit operations](#)

[FDOT Maintenance Cost Handbook](#)

[Local Government Financial Information Handbook - 2023](#)

[Tourist Development Tax Statute](#)

[Florida Auditor General Report on TDT](#)

[Infrastructure Surtax Statute](#)

[GASB 34](#)