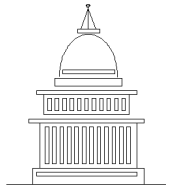




Local Governmental Auditing and Accounting

Newsletter

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Questions or Concerns?

If any entity has questions or concerns regarding budgeting, financial reporting, or compliance with state law or policy, please feel free to call any of the individuals listed above. If we don't have the answer, we can research the question or refer you to the office or individual that can help you! Outside the Salt Lake City area, feel free to use our toll-free telephone number: 1-800-622-1243. You can also e-mail us at the addresses shown above.

NEW CENSUS FORMS FOR CITIES AND TOWNS

In an effort to assist the Utah League of Cities and Towns with its efforts to provide useful and complete revenue and expenditure data, the State Auditor's Office has combined with the League to produce a new "Survey of Local Government Finances" also known as the "Census or UT Form for Utah Municipalities." For several years the League has conducted a budget project and requested all cities and towns to complete a questionnaire or data form. The information was used in the League's efforts to provide information for a variety of uses including lobbying efforts on behalf of the cities and towns it serves.

There were two problems which the budget project encountered. First, the League's budget form was another form to fill out in addition to the many forms already required by various agencies. And second, since it entailed additional effort and it was voluntary, the participation rate was less than adequate to produce the desired results.

Combining the League's budget form and the Survey of Local Government Finances reduces the number of forms cities and towns are requested to complete and ensures a better response to the League's request for valuable information to better serve their constituents. In the process, the two separate UT forms for cities and towns were eliminated. Therefore, now the UT-2 form, "Survey of Local Government Finances for Utah Municipalities," will be completed by both cities and towns.

The new UT forms will be mailed out to all cities and towns during the first week of July. They should be completed and returned to the State Auditor's Office with your annual financial report. A copy should be retained for your records. The State Auditor's Office will forward the information to the Utah League of Cities and Towns which will use the information as well as forwarding it on to the Census Bureau for their purposes.

If you have questions regarding the new form, you are welcome to call Richard Moon at the State Auditor's Office, (801) 538-1334 or (800) 622-1243, or Kerri Nakamura at the League, (801) 328-1601. The League is currently working to put the form on their web site with "pull down arrows" to provide instructions as to what goes into each box. The form will also be on our website.

Both organizations hope that this change will provide better and more meaningful information to users and lessen the work load of those filling out the information requests.

BONDING AND RELATED PROPERTY TAX REVENUES

We have recently received inquiries from local governments regarding the appropriate timing for reporting revenues from property taxes related to general obligation bonds.

State law restricts bond elections to only a few specified dates. This has resulted in some difficult timing issues for local governments as they put together funding for major projects.

One local government with a June 30 fiscal year-end set up its bond payment schedule with a June 30 annual payment date. However, because of the timing issues of bond elections and setting tax rates, the entity decided that for financial statement reporting and budgeting purposes, it would report the property taxes related to debt service to be received the following November as revenue in the period ending June 30.

Our first reaction was: “You can’t do that!!!” However, as we looked at State law and generally accepted accounting principles (GAAP) we found that neither State law nor GAAP prevented the local government from reporting property tax revenues this way.

GASB Statement No. 33 says that an entity should report property tax revenues in the period for which they were assessed. The local government felt that the property taxes were indeed assessed for the bond payment due June 30, even though the taxes would not actually be received until November. Also, State law does not discuss this issue, except in terms of requiring local governments to assess the taxes necessary to fulfill their bond obligations.

The bottom line is that the local government is not in conflict with State law and GAAP allows for reporting the property tax revenue this way. However, the State Auditor’s Office is concerned about this method of reporting property tax revenues several months before they are received. We are particularly concerned with how it will be perceived and understood by taxpayers. It may cause confusion and perhaps even result in potential lawsuits.

Therefore, although we cannot take exception to this method of reporting property tax revenues related to long-term debt, we highly discourage local governments from doing this, and encourage them to schedule bond payments to coincide with the period in which the property tax revenues are received.

SPECIAL DISTRICT NAME CHANGE

Recently the Legislature has passed legislation requiring districts created under *Utah Code* 17A-2 to change their name if the name includes the word “county.” The *Utah Code* citations requiring this change are 17A-1-204 and 17-50-103. This article will try to summarize what this legislation means to special districts:

1. Special service districts created under 17A-2-1300 are exempt from these new laws.
2. Any special district created on or after May 1, 2000, may not use the word “county” in its name.
3. After January 1, 2005, a special district created before May 1, 2000, may not use the word “county” in its name unless the county whose name is used gives written consent.

A special district board may change the name of their special district by:

1. Holding a public hearing on the proposed name change;
2. Adopting a resolution approving the name change; and
3. Giving written notice of the name change to the lieutenant governor, the State Tax Commission, the state auditor, and the clerk, recorder, and assessor of each county in which any part of the special district is located.

The name change becomes effective upon the board’s giving the required notices.

FUND ACCOUNTING

With this issue we continue with the sixth, and final, article in a series on fund accounting. This article will discuss the General Long-Term Debt Account Group. Please note that this is not a fund; but, rather an account group which belongs to the governmental fund-type area. The only other account group belonging to this area is the General Fixed Asset Account Group which was discussed in our last *Newsletter*.

The General Long-Term Debt Account Group (GLTDAG) -

The GLTDAG is not a fund and therefore does not report results of operations. It is only shown in the balance sheet of the financial statements. It accounts for and shows only a listing of certain long-term liabilities of the general government. Additions to and deletions from the GLTDAG are shown in the notes to

the statements. The credits of the GLTDAG are the various amounts owed or liabilities (e.g., bonds payable, compensated absences, capital leases, etc.). The debits of the GLTDAG are called “Amounts to be provided.” These are actually not assets at all, but rather serve only to balance the accounts.

Once GASB Statement No. 34 becomes effective for an entity, the general long-term debt account group will disappear, because all long-term liabilities will be included in the statement of net assets.

SPECIAL PURPOSE GOVERNMENTS - IMPACT OF NEW REPORTING MODEL

The focus of GASB Statement No. 34, or the new reporting model, is on general purpose governments. This includes states, counties, and municipalities. General purpose governments provide a wide variety of services to their constituents, and typically have several governmental funds and often several other funds.

However, within Utah we have several hundred special purpose governments. These are governments that provide essentially one function to its constituents or customers. This includes school districts and most special districts. (We use the term special district to include all governmental entities that are not counties, municipalities, or school districts, but are legally separate from another government and have their own governing body.) Special purpose governments are also distinguished by the types of activities in which they are engaged, i.e., those engaged in governmental activities and those engaged only in business-type activities.

Reporting by Special-purpose Governments Engaged in Governmental Activities

Special-purpose governments that have more than one governmental activity or that have both governmental and business-type activities must provide both government-wide and fund financial statements. This includes school districts and a number of special districts. These entities’ financial statements will look the same as those of general purpose governments.

Special districts which have only a single governmental program (such as cemetery districts, some sewer or water districts, recreation districts, road districts, fire protection districts, etc.) may combine the government-wide statements and the fund financial statements using a columnar format. Or, the entity may present separate government-wide and fund financial statements.

These entities must also have an MD&A (Management’s Discussion and Analysis) and must present budgetary information as required supplementary information (RSI) as required by Statement No. 34. General fixed assets, which have been reported in a separate account group as described in the previous article, must be reported in the statement of net assets of the government-wide statements.

Some single purpose governments have assets, often referred to as infrastructure, that may not have been previously reported in the general fixed assets account group. This may include water and sewer systems of entities reporting as governmental activities. Infrastructure must be reported in the statement of net assets. This would require these entities to identify and place a value on these assets.

However, most special districts reporting as governmental activities in Utah do not have infrastructure. Therefore, implementing the new model should not be too difficult for these entities.

Reporting by Special-purpose Governments Engaged Only in Business-type Activities

Local governments that are engaged only in business type activities (currently reporting as enterprise fund types) should present only the financial statements required for enterprise funds. This includes most water and sewer districts, some recreation districts, and other districts that rely on fees charged for their services. In fact, most special districts report as enterprise funds.

Financial statements for these districts will include: MD&A; a statement of net assets or a balance sheet; a statement of revenues, expenses, and changes in fund net assets; a statement of cash flows; notes to the financial statements; and other required supplementary information (i.e., budget and actual information) where required. Therefore, for most of these entities, the financial statements will have limited changes except for the addition of the MD&A and other RSI.

STAFF CHANGE IN LOCAL GOVERNMENT DIVISION

Jon Johnson has recently been promoted to Director in the audit division of the Utah State Auditor’s Office. Jon will be missed by all those who have worked with him. He will be replaced by Kent Godfrey, who has worked in our audit division and specialized in auditing computer systems. We welcome Kent to the Local Government Division and look forward to working with him. Kent’s primary responsibilities will be to work with school districts and non-profit organizations.

GASB 34 TRAINING PLANNED

The new governmental financial reporting model is one of the most significant changes to occur in the history of governmental accounting. It is essential that local governments and their auditors understand the upcoming changes and be prepared to implement the new model. For this reason, the State Auditor's Office is planning to hold four regional training sessions on GASB No. 34. These full-day (8 hour) seminars are intended for both local governments and their independent auditors. In fact, we recommend that you come together.

Training materials and breaks will be provided. Training sessions will run from 8 a.m. to 5 p.m. at each location. Lunch is on your own. Several lunch choices are convenient to all of the locations. Locations include:

Salt Lake City on Wednesday, June 20, 2001, at the State Office Building Auditorium directly North of the State Capital Building.

Provo on Tuesday, June 26, 2001, in room L700 Utah of the County Administration Building, 100 E. Center Street. Park in the lower level of the parking terrace or on the street.

UTAH STATE AUDITOR'S OFFICE
211 STATE CAPITOL
SALT LAKE CITY, UT 84114

Return Service Requested

St George on Wednesday, July 11, 2001, in the Police Training room in the Police Building directly North of the St George City Offices, 175 E. 200 N.

Logan on Tuesday, July 17, 2001, in room 901 of the Bridgerland Applied Technology Center, 1301 N. 600 W.

Space is limited and seating will be reserved on a first come, first serve basis. The cost is \$40 per person. You must register in advance. No registration will be done on the day of training. We have sent registration forms to all local governments and CPA firms. However, if you need additional copies, registration forms can be obtained by printing one from our web site: www.sao.state.ut.us. Registration should be completed by June 20, 2001. No refunds will be issued after June 13, 2001.

Note: The new reporting requirements of GASB Statement No. 34 have limited impact on most special districts. Therefore, although all local governments are invited to this training, special district personnel may find it of limited value. See the previous article regarding the impact the new model will have on single purpose governments (special districts).