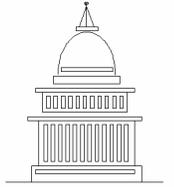




## Local Governmental Auditing and Accounting

# Newsletter



Published by the Office of the Utah State Auditor

February 2000

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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.

## Financial Statements and Budget Reports on the Internet

As mentioned in the prior *Newsletter*, all local government financial statements and budget reports received by the Utah State Auditor's Office are now being posted to our website. Financial statements for years ending December 1997 and after have now been posted as well as all budgets for fiscal years 1998 and after. The 1999 financial reports and 2000 budgets are being posted on a weekly basis as they are received.

We have already received numerous positive comments from users of the financial reports. Hopefully, you will also find this internet resource to be useful.

Due to the volume of reports that we receive, we have noted that there are occasionally problems retrieving the electronic reports. Usually these problems relate to broken hyper-links, missing pages in the scanned documents, or other minor problems. We encourage you to look at your reports and inform us of any problems you discover related to the posted documents.

We also welcome you to submit your reports to us in an electronic portable document format (PDF). Currently, as we receive your report, we scan the document and convert it into a PDF file using Adobe Acrobat software. By creating the PDF file directly from the software you use to produce your financial statement or budget, the resulting electronic file will be much smaller in size (up to 20 times smaller) and the pages will appear cleaner and the images sharper. Obviously, the PDF files that you submit to us must not be different from the printed financial reports that you publish. We will also continue to require that you submit hard copies of the reports to our office.

Again, we encourage you to look at your financial reports and budgets on our website at [www.sao.state.ut.us](http://www.sao.state.ut.us). The reports can be found by clicking on the "Reports" button at the top or bottom of the page. (You can also get there directly using the address [www.lgr.sao.state.ut.us](http://www.lgr.sao.state.ut.us).) Viewing the reports requires an Adobe Acrobat Reader. You can get a free copy of the Adobe Reader at [www.adobe.com](http://www.adobe.com).

If you notice any problems with your reports on our website, have questions about publishing your reports in a PDF format, or would like to send us a copy of your electronic report via email, please call Jon Johnson at 801-538-1384 or email at [jjohnson@sao.state.ut.us](mailto:jjohnson@sao.state.ut.us).

**FUND ACCOUNTING  
IN THE**

**NEW  
REPORTIN**

# G MODEL

In our last edition of the *Newsletter*, we introduced the new reporting requirements for government-wide financial statements. In this article we will highlight changes in fund reporting in the new reporting model under GASB Statement #34.

One of the biggest complaints about the old reporting model was that financial information was too consolidated in the fund types to be useful to users of the financial statements. The new reporting model tries to address that concern.

Financial information will not be consolidated into fund type columns in the new financial statements. Rather, the focus of governmental and proprietary fund types will be on “major funds.” Fund statements will present the financial information of each major fund in a separate column, and nonmajor funds will be aggregated in a single column. This will provide additional information for those individual funds that are considered most significant.

The government’s main operating fund, usually the general fund, will be reported as a major fund. Other individual governmental and enterprise funds will be reported in separate columns as major funds.

A major fund is defined as an individual governmental or enterprise fund whose: a) Total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), *and* b) Total assets, liabilities, revenues, or expenditures / expenses are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government’s officials believe is particularly important to financial statement users (because of public interest or consistency issues) may be reported as a major fund.

In the new reporting model, each fund category (i.e., governmental funds, proprietary funds, and fiduciary funds) will have its own set of financial statements. Governmental fund financial statements will consist of a balance sheet and a statements of revenues, expenditures, and changes in fund balance. The proprietary fund financial statements will include a statement of net assets or balance sheet; a statement of revenues, expenses, and changes in fund net assets

or fund equity; and a statement of cash flows. Required financial statements for fiduciary funds will be the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Included as an insert in this *Newsletter* are examples of the balance sheet and statement of revenues, expenditures, and changes in fund balance for governmental funds. Note that the columns report individual major funds rather than having a column for each fund type (i.e., special revenue funds, capital project funds, and debt service funds).

One of the major changes in fund reporting is the requirement for a reconciliation between the fund financial statements and the government-wide financial statements. This is necessary since the government-wide financial statements and the fund financial statements are presented using a different measurement focus and basis of accounting. We will discuss this in more detail in our next *Newsletter*. We will also highlight some of the other changes in the funds and how they are reported in the fund financial statements in our next edition of the *Newsletter*.

## Implementation Date

Just in case you forgot, the implementation date for the new model is in phases, depending upon the size of the government. The size of the government will be based on the total annual revenues of the primary government’s governmental and enterprise funds in the first fiscal year ending after June 15, 1999. Total revenues do not include “other financing resources” or “extraordinary items.” The three phases are as follows:

- Phase 1. Governments with total revenue of \$100 million or more will be required to implement GASB Statement No. 34 for fiscal years ending after June 15, 2002 (fiscal year ending June 30, 2002 or calendar year 2002). Infrastructure should be retroactively reported for fiscal periods ending after June 15, 2006.
- Phase 2. Governments with total revenue of \$10 million or more will be required to implement GASB Statement No. 34 for fiscal years ending after June 15, 2003 (fiscal year ending June 30, 2003 or calendar year 2003). Infrastructure should be retroactively reported for fiscal periods ending after June 15, 2007.
- Phase 3. Governments with total revenue of less than \$10 million or more will be required to implement GASB Statement No. 34 for fiscal years ending after June 15, 2004 (fiscal year ending June 30, 2004 or calendar year 2004). Infrastructure is not required to be retroactively reported.

# FUND ACCOUNTING

With this issue of the *Newsletter* we will begin a series on fund accounting. This series should be helpful for all sizes of government entities. Our reason for writing this series is to help government accountants and administrators understand the accounting environment and requirements for local governmental units.

It is no news to anyone that usually governments collect financial resources (we can spell that C-A-S-H) from its citizens involuntarily. We are all required to pay income taxes, property taxes, sales taxes, etc., whether we want to or not. As a result governments have, and should have, a very high degree of accountability to its citizens for the proper use of these financial resources. Governments have not always been models of accountability to its citizens for the use of these involuntarily extracted monies. Long ago, part of the problem was accounting itself; so, some governments divided the monies (cash) received into separate cash funds to ensure they were used only for designated and proper purposes. That began the use of various “funds” designated for specific purposes.

So, the word “fund” may have had its origin in segregated cash accounts or funds; but, today in fund accounting the word fund does not mean cash. Fund means a separate accounting entity. Each fund, or accounting entity, is self-balancing and may include such accounts as cash, receivables, liabilities, and fund balance.

Fund balance is also hard to understand in this context. It does not mean the balance of cash in the bank or on hand. Simply, fund balance means assets (e.g., cash, inventory, receivables, investments) minus liabilities (e.g., accounts, notes, bonds payable). A government, especially bigger ones, may and will have a number of funds.

Governmental accounting recognizes four “governmental type” funds used for governmental type activities. They are the general fund, special revenue fund, debt service fund, and the capital projects fund.

There are also two funds for “proprietary or business type” activities. They are the enterprise fund and the internal service fund.

Finally, a single “trust and agency fund type” is used

to account for a government’s fiduciary activities. This fund type is divided into five subfunds, including: nonexpendable trust fund, expendable trust fund, pension trust fund, investment trust fund, and the agency fund.

In our next *Newsletter* we will begin explaining each of these funds.

# CITY OFFICIALS SUED

It was recently reported in a local newspaper that several city council people in one of the cities on the Wasatch Front have been sued by one of the citizens of that community. This suit seeks to have these people removed from office for malfeasance.

Among other things, the suit claims that the city did not follow state-required bidding procedures on city projects and did not balance its budget. The suit also claims that there were violations of the open meetings laws and that council members did not ensure the city adhered to laws and ordinances.

We do not point this out to embarrass this city. However, we fear that there will be many more of these types of suits in the future. We want elected and appointed officials to know that it is imperative that they understand and comply with State laws and regulations and their own government’s regulations. These laws are there, not only to protect the citizens, but also to protect government officials.

Some local governments have received letters from the State Auditor’s Office pointing out noncompliance with State laws relating to budgeting and financial reporting. Again, we are not doing this to cause problems for you, but we are concerned that you be aware when these violations do occur and that you protect yourselves by complying with the law.

Commiss./Bd./Council Mem. \_\_\_\_\_  
Commiss./Bd./Council Mem. \_\_\_\_\_  
Commiss./Bd./Council Mem. \_\_\_\_\_  
Commiss./Bd./Council Mem. \_\_\_\_\_ Financial  
Manager/Officer \_\_\_\_\_ Treasurer  
\_\_\_\_\_ Mayor

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

Return Service Requested



## Announcing... *the Utah State Auditor's Office* ANNUAL SPRING REGIONAL SEMINARS

For all elected and appointed government officials from cities, towns, counties, special districts, and school districts. We will be discussing current financial issues for local governments, providing a legislative update, and holding our annual budget session for new budget officers. The Tax Commission will also be providing an update on property tax issues.

### **Eight locations to choose from:**

Monday, March 27, 9:00 - 12:00 <b>South Ogden</b> - City Council Chambers 560 39th Street	Thursday, March 30, 9:00 - 12:00 <b>Vernal</b> - County Comm. Chambers 147 E. Main	Wednesday, April 5, 9:00 - 12:00 <b>Richfield</b> - County Court House Basement Auditorium
Wednesday, March 29, 9:00 - 12:00 <b>Price</b> - Room 207, Price City Offices 185 East Main Street	Monday, April 3, 9:00 - 12:00 <b>Salt Lake City</b> - State Office Building Auditorium, Capitol Hill	Friday, April 7, 9:00 - 12:00 <b>Logan</b> , Co. Council Exec. Chambers * 120 North 100 West * New Location
	Tuesday, April 4, 9:00 - 12:00 <b>St. George</b> - Washington Co. Comm. Chambers - 197 E. Tabernacle	Monday, April 10, 9:00 - 12:00 <b>Orem</b> , City Council Chambers 56 North State Street

