

OMAC MuniNews

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News & Views About the Ohio Municipal Finance Industry

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This newsletter is available on our website: www.ohiomac.com

New financial reporting rule will ensure better management information

By Auditor of State Jim Petro

All parties in the municipal bond market need good data to make the best possible decisions.

Starting in 2003, state and local governments must significantly change their financial reporting after passage of the most comprehensive governmental accounting rule ever developed. The rule applies to governments reporting using Generally Accepted Accounting Principles, such as cities, school districts, counties and states.

The Governmental Accounting Standards Board, a national standard-setting body, adopted the new reporting standard in 1999 in an attempt to provide broader and more understandable information to anyone with an interest in public finance. The most significant changes will include:

- Disclosure about the full cost of providing services to citizens.
- Disclosure about a government's infrastructure assets, including roads and bridges.
- A narrative analysis from management of the government's financial performance.

Some of the biggest beneficiaries of these changes will be the various groups served by the Ohio Municipal Advisory Council, Inc. – issuers, underwriters, municipal bond attorneys, investors and ultimately the taxpayer.

Until now, governments split up their financial reporting on a “fund” basis, such as the general fund, special revenue funds, etc. that each may pay for several different programs.

The new standard reduces the emphasis on funds and relates how a county is doing as a whole. It presents the information by program, such as the cost of general government, public safety, public works, engineering services, health and sanitation, community development, etc. It will identify the cost of providing those specific programs and the level to which these programs support themselves through grants, fees, etc.

This information will better reveal to government managers the extent they subsidize these programs through general revenues, and exactly where their allocations are going. It gives people a much better idea of what the programs are costing.

Achieving this level of accountability will not happen overnight, and fortunately GASB is phasing in the reporting requirement depending on a government's total revenue of its governmental and enterprise funds for its first fiscal year ending after June 15, 1999.

Governments with total annual revenues of \$100 million or more will apply the new reporting standard for fiscal years beginning after June 15, 2001. They also have an additional four years to comply with retroactive infrastructure reporting requirements.

Those governments with revenues between \$10 million and \$100 million will apply the standard for years beginning after June 15, 2002, and they also have an additional four years to make retroactive infrastructure reports.

Finally, governments with less than \$10 million in revenue must implement for fiscal years beginning

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More On ofin Website...

This is the fifth article in a series explaining the information available in the ofin section of OMAC's website. In this article I will be describing what data can be found in the Public Utility Earnings, the Debt Comparison by Year and the General Fund menu selections.

Public Utility Earnings - When you select this menu option a drop down box will appear. You can then use the drop down box to see available fund types and select the one you wish to view. The next screen will show a summary of revenues and expenses and fund balances. It will also show any debt service fund balance, if available. It will then show the maximum amount available for Revenue Debt Service and the interest and principal requirements needed to service any debt outstanding for that fund type. It then shows the number of times that debt requirement is covered. This is broken down into interest coverage and principal and interest coverage. The remaining debt service amount available to service the General Obligation Debt is then displayed and the same calculations are done for any general obligation debt service. The final data supplied is the footnotes, if any were entered, explaining the data entered into the OMAC database. This could be that the figures came from segmented information statements or the calculation of current assets and current liabilities etc.

Debt Comparison by Year - This item will display the Net Debt as of January 1 of a given year for a selected subdivision. It then divides the net debt amount by the population of the subdivision to determine the Per Capita amount. This is how much it would cost each individual to pay off the net debt of the community. The next column shows the percent of assessed value the net debt makes up. This is calculated by taking the net debt amount, dividing it by the assessed valuation and multiplying the result by 100. The same data and calculations are used for the Net Overlapping Debt. This amount takes into account any overlapping subdivision debt that is attributable to the selected subdivision. This information is available for the year 2002 and previous years to 1984 for most subdivisions.

General Fund Information - The general fund data is taken from the annual financial reports of the subdivisions, if available and completed. This page will

show the accounting type the dated was taken from and summary dated extracted from that report. The summary data includes: The Beginning and Ending Balances; the total receipts; any transfers in; total expenses; transfers out and total other financing sources/uses. A history of this data is made available going back as far as 1986.

Look for our next newsletter in which I will describe menu options Income Tax/Sales Tax Information, School District Composition and Finance Officer Listing.

If you are a finance person for an Ohio governmental entity or a member of OMAC and would like access to this type of data, please contact OMAC at (800) 969-6622

Employee Profile



Margie Booker

Length of Service:
10 ½ years

Main Duties with OMAC: Write and/or edit all general obligations bond and note reports, write all election reports, university reports, review and maintain subdivision annual financial reports general fund

information, and bond maintenance for material events.

Family: Husband, Dean and daughter, Amy.

Interests: Traveling, sewing, walking, and a good game of pool.



Reporting Rule (cont. from page 1)

after June 15, 2003. However, they are not required to make retroactive reports on infrastructure.

Failure to implement the new reporting rules will result in a qualified or adverse opinion being issued on the financial statements. Further, it would restrict a government from obtaining a "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association.

Ultimately, failure to follow GASB 34 could negatively impact bond ratings and result in higher borrowing costs. My office has been warning governments in audits and management letters that appear delinquent in preparing for this change.

For the past few years, my office has also led an intensive effort to help governments prepare for this rule change. We have provided numerous training seminars, as well as individually assisting client governments in preparation.

These early efforts have paid off. Last year, GASB chairman Tom Allen recognized Ohio for leading the nation in the number of governments implementing GASB 34 ahead of schedule. In fact, he noted Ohio had more early implementors (39) than the rest of the states combined.

As the implementation deadline nears, we are continuing to sponsor or participate in various training events.

Our website (www.auditor.state.oh.us) also offers valuable information such as implementation files custom designed for schools, cities or counties to assist in the transition. We have also grouped the report files of the early-implementing governments on our home page.

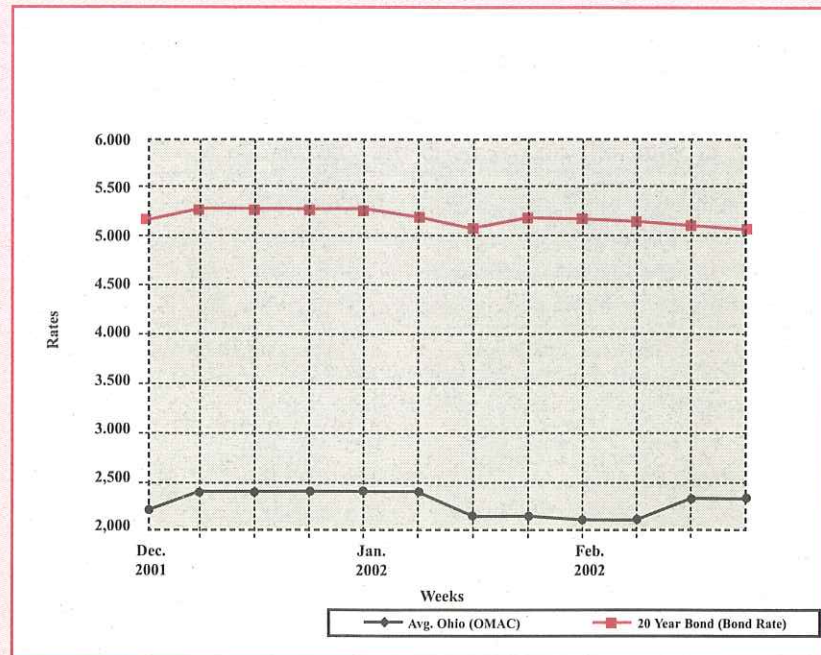
GASB 34 will lead to a more complete understanding of a government's overall financial condition. That is good news.

MARKET UPDATE

GENERAL OBLIGATION

Note and Bond Interest Rates for December thru February

The following graph compares Ohio short-term note rates with the Bond Buyer's 20 year bond index. The short-term rates represent actual rates reported to OMAC by Ohio purchasers and reported on OMAC's weekly calendar.





Ohio Municipal Advisory Council
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 Twinsburg, OH 44087-2445

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CALENDAR

Calendar of Issuer Conferences & Outings for 2002

NAME	EVENT	DATE	LOCATION
GFOA	National Conference	June 16 – 19	Denver, Colorado
	Ohio Investment Sem/Golf	May 28	Yankee Trace – Dayton, Ohio
	Ohio Annual Fall Conference	September 11 - 13	Cleveland Marriott Downtown, Cleveland, Ohio
MFOA	Spring Conference	May 15 – 17	Marriott North – Columbus, Ohio
(OML)	Annual Conference	October 2 – 4	Hyatt Regency Hotel - Columbus, Ohio
	Northeast Golf Outing	August 1	Ridgewood Golf Club – Parma, Ohio
	North-Central Golf Outing	August 28	Woussicquet Golf Course – Sandusky, Ohio
CCAO	Summer Conference	June 2 – 4	Kent State University – Stark Campus Canton Ohio
	Winter Conference	December 1 – 4	Hyatt Regency – Columbus, Ohio
	Annual Golf Outing	August 14	Woodridge Golf & Swim Club – Mansfield, Ohio
OASBO	Annual Workshop	April 21 – 24	Hyatt Regency Hotel – Columbus Convention Center
OSBA	Conference	November	Hyatt Regency - Columbus Convention Center
NACO	National Conference	July	New Orleans, Louisiana
OPFOTP	Ohio Public Finance Officers Training Program	June 24 – 28	Holiday Inn – Hudson, Ohio
	CMFA Maintenance Program	June 27 – 28	Holiday Inn – Hudson, Ohio
	Golf Outing	June 26	Boston Hills Golf Course – Hudson, Ohio
OMTA	National Conference	August 11 – 14	Vancouver, Canada
	Annual State Conference	October 9 – 11	Maumee Bay State Park – Toledo, Ohio
CAAO	Summer Conference	June 10 – 13	Cherry Valley Lodge – Newark, Ohio
	Winter Conference	December 3 - 5	Holiday Inn - Worthington, Ohio
BMA	Annual Meeting	April 25 – 26	Waldorf-Astoria Hotel – New York, New York
OPEC	Annual Meeting	TBD	Columbus, Ohio

CCAO – County Commissioners Association of Ohio – (614) 221-5627

GFOA – Government Finance Officers Association – (614) 221-1900

MFOA – Municipal Finance Officers Association of Ohio – (614) 221-4349

NACO – National Association of Counties – (614) 221-5627

OASBO – Ohio Association of School Business Officials – (614) 431-9116

OMCA – Ohio Municipal Clerks Association – (614) 221-4349

OSBA – Ohio School Boards Association – (614) 540-4000

OMTA – Ohio Municipal Treasurers Association – (440) 885-8812

CAAO – County Auditor's Association of Ohio – (614) 228-2226

OPFOTP – Ohio Public Finance Officers Training Program – (330) 672-7148

BMA – Bond Market Association – (212) 440-9429

OPEC – Ohio Public Expenditure Council – (614) 221-7738

If you would like your event highlighted, contact Chris Scott at 1-800-969-6622, or by email at Chris@ohiomac.com