



Governmental Budgeting

by Dan Rowe, CPA

Governmental entities make program and service decisions and allocate scarce resources through the budget process. Hence, the budget process is one of the most important activities undertaken by governments. The adopted budget can influence the quality of decisions made throughout the fiscal year.

The budget process can be defined as activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. The main reason for the budget process is to help make informed choices about provision of services and capital assets.

Key characteristics of the budget process are:

- ◆ Incorporates a long term-perspective;
- ◆ Establishes links to broad organizational goals;
- ◆ Focuses budget decisions on results and outcomes;
- ◆ Involves and promotes effective communication; and
- ◆ Provides incentives to government management and employees.

In order for a governmental entity to prepare a meaningful budget, the entity must be able to forecast revenues and expenditures. The forecast should extend at least three to five years beyond the budget period. A government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions that develop appropriate strategies to achieve its goals.

Revenue and expenditure forecasting does the following:

- ◆ Provides an understanding of available funding;
- ◆ Evaluates financial risk;
- ◆ Assesses the likelihood that services can be sustained;
- ◆ Assesses the level at which capital investment can be made;
- ◆ Identifies future commitments and resource demands; and
- ◆ Identifies the key variables that cause change in the level of revenue.

A state or local government's annual budget typically has the force of law. That is to say, public financial resources ordinarily cannot be disbursed without proper budgetary authority. However, the budget can be amended through varying legalities dependent upon the type of governmental entity. Our firm is available to assist with budget preparation or questions concerning the budget process.

Governmental Budgeting	1
GASB 34 , Part 6	2
Federal Gas Tax Refund	3
LCV Sponsors GASB Seminar.....	3
Impact of Tax Bill on Public Pensions	4

GASB 34 - PART 6

by Jerry Funk, CPA

As discussed in previous issues, the issuance of GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* will drastically change the way governmental units report in compliance with generally accepted accounting principles. This article will focus on some of the final miscellaneous requirements of the Statement.

GASB 34 requires that certain data be included in the financial statements as required supplementary information (RSI).

- ★ Management discussion and analysis will be presented before the basic financial statements and will be considered RSI. As discussed in previous issues, this section should be an objective and easily readable analysis of the government's financial condition/activities based on current facts and conditions. This area should discuss current year information compared to prior year and provide reasons for significant variances.
- ★ Budgetary comparisons have been moved to the status of RSI. However, the governmental unit may elect to provide a budgetary

GASB, or the Governmental Standards Accounting Board, has been designated as the body to establish accounting principles for the state and local governments.

comparison statement as part of the basic financial statements. Budgetary comparisons are required for the general fund and each major special revenue fund for which a budget is legally adopted. These schedules must show the budget as originally adopted, the final revised budget and actual results (using the budgetary basis of accounting). If the budgetary basis of

accounting differs from the basis used in the financial statements, a reconciliation must be prepared reconciling the two.

- ★ For those governments that elect the modified approach to report infrastructure assets, there are additional RSI schedules that must be included in financial statements. The use of the modified approach requires that condition assessments be performed at least every three years to verify that the infrastructure assets are being maintained at least at the minimum acceptable level as determined by the governmental unit. The schedules related to this approach should include the dates and results of at least the last three assessments and the estimated annual cost to maintain the assets at the established level and the actual amount expended in the last five years for this type of maintenance.

★ Previously issued GASB statements that addressed RSI continue to be in effect, i.e., the various required pension schedules.

Component units will continue to be reported in the financial statements. There are three options that a governmental unit may choose to present its major component units:

- Include component unit combining statements as part of

the basic financial statements after the fund financial statements.

- Present any major component units as a separate column on the statement of net assets and activities.
- Present condensed financial statements for the component units in the notes to the financial statements.

The statement did not have that big of an effect on the required note disclosures in the financial statements. However, descriptions will need to be added of the government-wide financial statements, noting that neither fiduciary funds nor fiduciary component units are included. A description of the measurement focus used in the various statements should also be included.

While the implementation date for your governmental unit may seem like it is a long way off, it is important to realize that there are certain decisions that should be made prior to the implementation year. Time will also be needed to begin accumulating fixed asset and infrastructure information for those units that have not been accumulating this data in the past. Please feel free to contact us with any question you may have regarding this change.

Excerpts taken from The PPC Governmental Update

Federal Gas Tax Refund

by Brian Anderson



Recently, a local government official obtained a substantial refund for their governmental unit. It was noted that the entity's gasoline supplier had been charging a federal excise tax on its unleaded gasoline deliveries. Since governmental units are exempt from this tax, they were paying more than they should have for their fuel.

Before 1995, organizations that were exempt from the federal excise fuel tax did not pay the tax on gasoline purchases. In 1995, the tax code was changed so that everyone, regardless of exempt status, must pay the same tax on all fuel purchases. Exempt organizations, however, would be allowed a refund of the tax by additional filings with the IRS. Organizations that are exempt from this tax must now file a Schedule 1, Form 8849 to receive a refund of the taxes paid on the fuel purchases.

To be eligible to file the form and receive the refund, a few requirements need to be met. The first requirement is that only the ultimate purchaser is eligible to file this claim of refund. Secondly, the purchaser must use the gasoline during the period of claim. In addition, the amount claimed on the form must be at least \$750. This amount can be met by making a claim for fuel used during any quarter, or aggregating amounts from any quarters of the claimant's income tax year for which no other claim has been made. Only one claim may be filed per quarter. A claim for refund of this tax may be filed within three years following the close of the taxable year.

If you have questions on whether you are eligible to file this form or you need assistance in completing the form, contact a professional at Lindgren, Callihan, Van Osdol & Co., and they will help you receive the money to which you are entitled.

LCV Sponsors GASB Seminar



Because the reporting changes in GASB 34 are so important to governmental entities, Lindgren, Callihan, Van Osdol and Co. was pleased to sponsor a GASB Seminar on October 22, 2001 at Highland Community College in Freeport, IL. Dr. David Olson, currently an Associate Professor of Accountancy at the University of Illinois-Springfield, gave the presentation to over 100 attendees.

This educational opportunity was designed for governmental employees including anyone responsible for financial reporting - treasurers, bookkeepers, accountants, financial committee chairmen, engineers and consultants. If you would like additional information about implementing GASB 34 reporting, please feel free to give us a call.



Lindgren, Callihan, Van Osdol & Co., Ltd. is one of the leading regional accounting firms in northern Illinois, providing services to over 6,000 governmental, financial, industrial, commercial, and individual clients. The firm employs more than 100 professionals including twenty officers and over 40 CPAs with offices located in Freeport, Rockford, Sterling and Dixon.

Office Locations

Dixon Office
815.284.3331
FAX:815.284.9480
Commerce Towers
215 E. First Street
Dixon , IL 61021

Rockford Office
815.399.7700
FAX: 815.399.7644
1111 S. Alpine Road
P.O. Box 1717
Rockford, IL 61110

Freeport Office
815.233.1512
FAX: 815.233.1487
328 W. Stephenson
Freeport, IL 61032

Sterling Office
815.626.1277
FAX: 815.626.9118
403 E. Third St.
Sterling, IL 61081

www.lcvcpa.com

INTERNET SITES

Government Related....

www.state.il.us/treas- Illinois Treasurer's homepage contains valuable information on state and local finance.

www.commerce.state.il.us- Department of Commerce and Community Affairs site includes information on grants, community profiles, local government assistance and training and much more.

www.natat.org/ncsc- National Center for Small Communities is a national nonprofit organization devoted to serving the leaders of America's smaller communities.

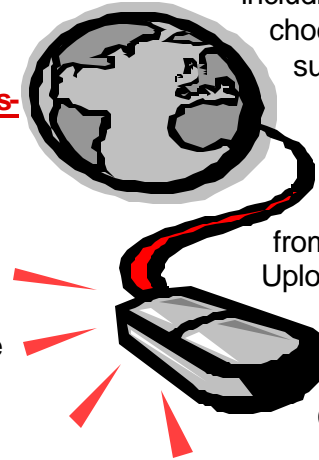
Just for Fun...

www.chocolate-alliance.com- The chocolate lovers website including the history of chocolate, recipes and suggested readings.

www.shutterfly.com- Wondering where to develop those images from your digital camera? Upload pictures to develop and share with friends.

www.FANsOnly.com- College sports at its best.

my.yahoo.com- Good desktop website that allows customized presentation of news of all types.



Impact of Tax Bill on Public Pensions

HR 1836 will be going into effect after December 31, 2001. Included in the bill are several items that will effect public pensions. The bill increases the limit on contributions to Deferred Compensation plans to \$11,000. The limit will also be increased in \$1,000 increments until 2006 when the limit will be \$15,000. From that point on, the limit will be adjusted regularly for inflation.

The bill also allows for a non-refundable tax credit for certain individuals contributing to a 457 plan. The credit applies to the first \$2,000 contributed and will be claimed on the individuals income tax return and is subject to phase outs based on filing status and adjusted gross income level.

One other aspect of the bill allows for individuals to consolidate balances of IRA's, 401k's, 403b's and 457 plans without incurring penalties if certain conditions are met.