

Expenditures of Special Purpose Local Option Sales Tax Proceeds

by Meredith Lipson

The Special Purpose Local Option Sales Tax (SPLOST) is a popular method for funding needed capital projects. State law requires SPLOST pro-



ceeds to be used only for funding **capital outlay projects** and may not be used for maintenance and operating costs related to the proposed SPLOST projects. The primary intent behind SPLOST is to pay for specifically enumerated projects, not to balance the government's books or pay for other governmental expenses.

Capital outlay projects are major projects which are of a permanent, long-lived nature, such as land and structures. They are expenditures that would be properly charged to a capital asset account as distinguished from current expenditures and ordinary maintenance expense. The term expressly includes without limitation roads, streets, bridges, police cars, fire trucks, ambulances, garbage trucks, and other major equipment. Counties and cities are not limited to this list, and may fund any capital project so long as it is owned or operated by a county, qualified municipality or a local authority. SPLOST funds can only be used for the purposes described in the referendum voted on and approved by the citizens.



With today's economic environment, governments are seeing property taxes and other general revenues remain constant or decline, while expenditures continue to rise. Pressure definitely exists across the State for SPLOST to help fund costs that might ordinarily have been paid by the general fund. As a result, county and city management and finance directors are faced with constant questions about the use of SPLOST funds. To aid in answering these questions, we have provided below some of the most frequently asked questions about the use of SPLOST funds.

After the SPLOST referendum has passed, may a county or municipality use other available revenue to begin construction on the SPLOST-approved projects and reimburse itself once the SPLOST revenues start to come in?

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BREAKING NEWS

OMB Circular A-133 Compliance Supplement

Late last month, the Office of Management and Budget (OMB) released the long-awaited 2010 OMB Circular A-133 Compliance Supplement. You can find the Compliance Supplement in the Grants Management Section on OMB's web site at http://www.whitehouse.gov/omb/grants_circulars.

The 2010 Compliance Supplement should be used for single audits for periods beginning after June 20, 2009 and replaces the Draft previously released by the OMB.

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Our Resources

As always, we are available as a resource to you as questions arise related to ARRA funding. We will be in this "together" as both auditor and auditee alike will have to keep up with evolving and fluid guidance from the Federal and State governments.

Please contact any of our government partners and managers listed here, at 1-800-277-0050 if we can help.

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Yes. Counties and municipalities have several financing options available to get projects underway promptly. These include

- Borrowing from the General Fund;
- General obligation bond issuance or bank loan (must have been specifically authorized by the voters through the SPLOST referendum);
- Revenue bonds and Intergovernmental agreements – does not have to be approved in the SPLOST referendum
- Lease-purchase agreements and Certificates of Participation (COPS) – does not have to be approved in the SPLOST referendum

Can SPLOST funds be borrowed to pay for other county services or projects and paid back later from the General Fund?

No. SPLOST funds can only be used for capital outlay projects approved by the voters in a SPLOST referendum. Furthermore, the Attorney General has held that SPLOST proceeds cannot be borrowed from the SPLOST account to pay for other county obligations, even if the funds are paid back.

If SPLOST revenue is being used to fund an approved water project, how do I account for the movement of SPLOST money to the Water Fund?

All SPLOST expenditures must be accounted for in the SPLOST Fund. For a water project, the expenditures would be paid for and expended in the SPLOST Fund and shown as a public works expenditure. In the Water Fund, construction in progress (asset) would be increased (debit) and contributions from other funds would be increased (credit).

In case of a “shortfall” of SPLOST funds to pay for approved projects, what happens?

The approved projects could be scaled back, but not abandoned. A local government must make up any shortfall from their General Fund or other funding sources.

Can a county or municipality change its mind and not fund one or more of the SPLOST projects despite voter approval in a referendum?

No. A county or municipality must complete all projects listed in the referendum unless circumstances arise which dictate that projects which initially seemed feasible are no longer so. In this regard, the county or city has discretion to make adjustments in the plans for these projects, but may not abandon the projects all together.

If SPLOST funds remain after all projects have been completed, can the General Fund use the excess proceeds to cover operations?

No. If an intergovernmental agreement exists between the county and participating cities, the agreement can define how excess proceeds are to be allocated among the parties to the agreement and how they can be utilized. If no intergovernmental agreement exists, or the agreement does not address excess funds, all excess proceeds, including any excess proceeds from municipal projects, must be paid to the county. The law requires that these proceeds be used solely to reduce or pay off existing debt of the county. If there is no county debt, any excess proceeds must be paid to the General Fund of the county to reduce property taxes. A county may expend those proceeds for some other public purpose that would otherwise have to be paid for with property taxes, thereby having the effect of reducing property taxes as the law requires.



As questions arise throughout the year regarding the use of SPLOST funds, we encourage county and city governments to contact their attorneys as most questions relate to interpretation of the SPLOST law.

Reconciliation of SPLOST Schedule to Fund Statement

Reviewers at the Department of audits and Accounts are looking more closely at the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (SPLOST Schedule) to ensure that total current year expenditures per this schedule reconcile to expenditures of the SPLOST Fund per the Statement of Revenues, Expenditures and Changes in Fund Balance. Often these amounts do not reconcile, due to a variety of reasons. If the amounts do not reconcile, a reconciliation between the two should be presented at the bottom of the SPLOST Schedule identifying the differences.

CONGRATULATIONS to the City of Dunwoody!!



The City of Dunwoody, Georgia is a first-time recipient of the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award.

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