

Senator Curtis S. Bramble proposes the following substitute bill:

**REVENUE BONDS - AUDITING OF
PUBLIC-PRIVATE CONTRACTS**

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Curtis S. Bramble

House Sponsor: John Dougall

LONG TITLE

General Description:

This bill modifies the Local Government Bonding Act to require an assessment of the financial condition of certain public-private contracts.

Highlighted Provisions:

This bill:

- ▶ requires an independent assessment to be conducted before the execution of any new contract or agreement between a local political subdivision and a private entity that involves payments where the revenue is pledged for payment of a revenue bond;
- ▶ requires the local political subdivision to ensure that the independent assessment is conducted prior to entering into a new contract or agreement;
- ▶ requires the independent assessment to be performed using audited financial statements provided by the private entity;
- ▶ requires the audited financial statements to include an opinion by an independent certified public accountant indicating that the financial statements are fairly stated in accordance with accounting principles generally accepted in the United States of America; and



26 ▶ requires that the independent assessment determine whether there are adequate
27 available net assets or a reasonable expectation of sufficient future cash flows and
28 revenues in excess of expenses to provide for the lease payments.

29 **Monies Appropriated in this Bill:**

30 None

31 **Other Special Clauses:**

32 None

33 **Utah Code Sections Affected:**

34 ENACTS:

35 **11-14-317**, Utah Code Annotated 1953



37 *Be it enacted by the Legislature of the state of Utah:*

38 Section 1. Section **11-14-317** is enacted to read:

39 **11-14-317. Contract with private entities involving revenue bonds -- Prior**
40 **independent assessment of financial ability -- Opinion by independent certified public**
41 **accountant -- Periodic independent assessments.**

42 (1) Beginning July 1, 2006, an independent assessment shall be conducted prior to the
43 execution of any contract or agreement between a local political subdivision and a private
44 entity to determine the private entity's ability to meet its financial obligations to the local
45 political subdivision if the contract or agreement involves payments, the revenue from which is
46 pledged for the payment of principal or interest on a revenue bond.

47 (2) The local political subdivision shall ensure that the independent assessment under
48 Subsection (1) is conducted:

49 (a) prior to entering into a new contract or agreement; and

50 (b) using audited financial statements provided by the private entity.

51 (3) The audited financial statements shall include an opinion by an independent
52 certified public accountant indicating that the financial statements are fairly stated in
53 accordance with accounting principles generally accepted in the United States of America.

54 (4) The independent assessment shall determine whether there are adequate available
55 net assets or a reasonable expectation of sufficient future cash flows and revenues in excess of
56 expenses to provide for the lease payments.

57 (5) A local political subdivision may conduct periodic independent assessments under
58 this section on existing contracts or agreements meeting the requirements described under
59 Subsection (1).

Fiscal Note
Bill Number SB0258S01

Revenue Bonds - Auditing of Public-private Contracts

23-Feb-06

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State Impact

No fiscal impact.

Individual and Business Impact

No fiscal impact.

Office of the Legislative Fiscal Analyst