1	<b>REVENUE BONDS - AUDITING OF LEASES</b>
2	2006 GENERAL SESSION
3	STATE OF UTAH
4	<b>Chief Sponsor: Curtis S. Bramble</b>
5	House Sponsor:
6	
7	LONG TITLE
8	General Description:
9	This bill modifies the Local Government Bonding Act to require certain contract
10	clauses related to the financial condition of a private entity that is making principal or
11	interest payments on lease for revenue bonds.
12	Highlighted Provisions:
13	This bill:
14	<ul> <li>requires that any new contract or agreement between a local political subdivision</li> </ul>
15	and a private entity that involves lease payments where the lease revenue is pledged
16	for payment of a revenue bond include provisions that allow the local political
17	subdivision to:
18	• independently assess the ability of the private entity to meet its financial
19	obligations; and
20	• rescind or amend the contract or agreement if the assessment finds that the
21	private entity is unable to meet its financial obligations and the local political
22	subdivision determines it is necessary to protect its financial interests;
23	<ul> <li>requires the local political subdivision to ensure that the independent assessment is</li> </ul>
24	conducted prior to entering into a new contract or agreement and at least annually
25	on existing contracts;
26	<ul> <li>requires the independent assessment to be performed using audited financial</li> </ul>
27	statements provided by the private entity;



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# 02-07-06 12:32 PM

28	<ul> <li>requires the audited financial statements to include an opinion by an independent</li> </ul>
29	certified public accountant indicating that the financial statements are fairly stated
30	in accordance with accounting principles generally accepted in the United States of
31	America; and
32	<ul> <li>requires that the independent assessment determine whether there are adequate</li> </ul>
33	available net assets or a reasonable expectation of sufficient future cash flows and
34	revenues in excess of expenses to provide for the lease payments during the next
35	reporting period.
36	Monies Appropriated in this Bill:
37	None
38	Other Special Clauses:
39	None
40	Utah Code Sections Affected:
41	ENACTS:
42	11-14-317, Utah Code Annotated 1953
43	
44	Be it enacted by the Legislature of the state of Utah:
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## 02-07-06 12:32 PM

59	subdivision; and
60	(ii) based on the assessment performed under Subsection (1)(a), the local political
61	subdivision determines that the recision or amendment is necessary to protect the financial
62	interests of the local political subdivision.
63	(2) The local political subdivision shall ensure the independent assessment under
64	Subsection (1)(a) is conducted:
65	(a) prior to entering into a new contract or agreement;
66	(b) at least annually on an existing contract or agreement; and
67	(c) using audited financial statements provided by the private entity.
68	(3) The audited financial statements shall include an opinion by an independent
69	certified public accountant indicating the financial statements are fairly stated in accordance
70	with accounting principles generally accepted in the United States of America.
71	(4) The independent assessment shall determine whether there are adequate available
72	net assets or a reasonable expectation of sufficient future cash flows and revenues in excess of
73	expenses to provide for the lease payments during the next reporting period.

#### Legislative Review Note as of 2-6-06 11:36 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

## Office of Legislative Research and General Counsel

#### State Impact

No fiscal impact.

#### Individual and Business Impact

No fiscal impact.

Office of the Legislative Fiscal Analyst