

Imagine

What we can do together

Heinfeld, Meech & Co., P.C. is an Arizona based CPA firm who specializes in governmental accounting and auditing. We are recognized leaders in this field and are active members of GFOA and the AICPA's Governmental Audit Quality Center.

Nationally recognized in the "Best Small Companies to Work for in America" list, our core purpose is to be the best at everything we do. Since we opened our firm in 1986, providing quality service to governmental and non-profit clients has been our primary objective.

Our dedicated top-quality talent and substantial resources ensure that we stay abreast of emerging issues to serve our clients better. We remain dedicated to our Firm philosophy of "clients first."

Imagine What We Can Do Together is a quick-read digest of information that brings valuable news to you and your organization. If at any time you would like additional information, please contact us to discuss your questions.

For more about Heinfeld, Meech & Co., P.C., please visit our web site at www.heinfeldmeech.com.



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Assessing Your Internal Controls

For the past five years there has been much attention and discussion on the internal control framework and the effectiveness of internal controls for public companies.

Local governments, such as cities and school districts, now appear to be the recipients of similar attention on internal controls which was previously reserved for the private sector. Management in any organization, whether a public company, nonprofit, or government, is responsible for the design and effectiveness of the internal controls of the organization. The commonly accepted "standard" for an internal control framework is that issued by the Committee of Sponsoring Organizations (COSO) in 1992. This framework includes the following five components.



- *Control environment* – The foundation for all other components. The "tone" of the organization.
- *Risk assessment* – The identification and analysis of the relevant risk the organization's controls.

- *Information and communication systems* – How information is identified, captured, and exchanged.
- *Control activities* – The policies and procedures that help ensure that management directives are carried out.
- *Monitoring* – The process of assessing the quality of internal control performance over time.

Management's assessment and documentation of the above internal control components provides an understanding of the internal control framework, assurances of its strengths, and notice of its weaknesses to an organization's stakeholders (the citizenry in the case of a local government).

(Continued on page 2)

November 2007

Copper Cactus Award	2
New Year Reminders.....	2
Just Ask H&M.....	2
Municipal Dev. Fees	3
Update to CAFR Submission Process.....	3
St & Hwy Expenditures Certification	4
HMU Workshops	4
Cost Allocation Plans	5

Assessing Internal Controls (Cont'd from page 1)

In addition, as the elements of Sarbanes-Oxley become more common in the governmental sector, management's documentation assessment of internal control may become a required reporting item similar to the requirement for the private sector.

If you are interested in obtaining additional information on how your district may begin the process of assessing and documenting its internal control framework, please contact:


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(602) 277-9449, ext 308
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(602) 277-9449, ext 327
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H&M Wins 2007 Wells Fargo Copper Cactus Award for Best Place to Work

Heinfeld, Meech & Co., P.C. was announced as the winner of the Wells Fargo Copper Cactus Award for Best Place to Work (31-75 employees) last night. The Copper Cactus Awards, celebrating their 10th anniversary this year, honor the accomplishments of small businesses in Southern Arizona. The award program's mission is to honor the most exceptional local small businesses and to encourage all businesses to foster a better working environment and more competitive workplace in Southern Arizona. The Best Place to Work award specifically honors businesses that encourage growth, education and development for their employees through the workplace environment or employee benefits.

This award, along with the firm being named 4th Best Small Company to Work for in America, further affirms the firm's commitment to excellence in human resources and management practices and pays tribute to each of our employees' dedication to making H&M a great place to work.


More information on the awards can be found at www.coppercactusawards.com. 

New Year Planning Reminders


1099's: As the calendar year end begins to approach, here are a few reminders for 1099 preparation:

- *Nonemployee* individuals and *unincorporated* businesses providing **services** of \$600 or more in a calendar year should receive a Form 1099-MISC.
- If the vendor is an individual, report the individual's name & SSN. If the vendor is a sole proprietor, report the individual's name (not the business name) and either the SSN or the sole proprietorship's EIN. If the vendor is a partnership or other entity, report the business name and EIN.
- Form 1099-Copy B must be furnished to vendors by January 31, and Copy A must be furnished to the IRS by February 29.

Bond Disclosure: Continuing bond disclosure is **required** by the SEC for any government issuing bonds of \$10,000,000 or more after 7/3/94. This disclosure supplies the secondary market for government bonds with information on which to base their purchases. **The deadline for disclosures is usually February 1.** *Please note that governments do not need to submit their **audited** financial statements by their deadline (e.g., February 1).* Instead, they may file the AFR before the deadline as long as the audited financial statements are submitted to the repositories *no later than 30 days after they are received.*

Instead of filing directly with the NRMSIRs and SIDs, you may utilize an Internet-based electronic filing system to upload documents. This "central post office" is located at www.DisclosureUSA.org and there is no fee for electronic filings. For more information, visit the SEC website at: www.sec.gov/info/municipal/discfiletips.htm 

Just Ask H&M

- Q: How can I obtain Attorney General's Opinions that are older than the ones listed on the Attorney General's web site?
- A: All Attorney General's Opinions are maintained by the Solicitor General's Office of the Attorney General's Office. The old Opinions not listed on the web site will be emailed to you upon request. Simply call (602) 542-3333. 

Municipal Development Fees

(by Cherie Roberts)

According to the U.S. Census Bureau, Arizona was the fastest-growing state between July 1, 2005 and July 1, 2006. As we all know, population growth generally results in increased costs to the community. Depending on the degree to which your community is growing, that growth may mean new fire stations, additional parks and/or libraries, more police officers, and so on. ARS §9-463.05 establishes the authority for municipalities to assess development fees to offset the increased capital costs of public services resulting from new development.


Many municipalities charge development fees for areas such as water, wastewater, sanitation, parks and recreation, municipal buildings and equipment, police, fire, libraries, transportation, public works. ARS requires these fees be placed in a separate fund along with interest earned and used to provide the *same* category of necessary public service for which the fee was assessed.

Recently new legislation was enacted that requires municipalities to base these fees on an adopted Infrastructure Improvements Plan (IIP). Along with the IIP, municipalities must issue a report that identifies the methodology for calculation of the fee, explains the relationship between the fee and IIP, includes documentation that supports the fee assessment, and identifies indices used and timing of any automatic adjustments. ARS provides for automatic adjustments on an annual basis if based on a nationally recognized index. Public notice of automatic adjustments must be made at least 30 days before the effective date.

A public hearing must be held at least 30 days prior to the adoption of the IIP; however, amendments of elements in the existing document may be made without a hearing. Public notice of those amendments must be provided at least 14 days prior to the effective date.

The statute requires developers to pay development fees when construction permits are issued unless a later date is specified in the development agreement, but no later than 15 days after the issuance of the certificate of occupancy. In addition, the development agreement must require appropriate security for the value of the deferred fees such as a surety bond, letter of credit, or cash bond.

Each year, municipalities are required to prepare a report accounting for the collection and use of the fees. The report should be based on the final accounting records; however, the information does not need to be audited prior to preparation. The report must be submitted to the city clerk within 90 days of the fiscal year end; otherwise fees cannot be collected until such time the report is filed.

For preparation of fee studies and/or annual reports or for any other assistance related to development fees, please contact Cherie Roberts at (520) 742-2611, ext 108 or cherier@heinfeldmeech.com. 

Update to CAFR Submission Process

The GFOA allowed governments to submit CAFRs to the Certificate of Achievement for Excellence in Financial Reporting (COA) program electronically. Governments can choose to submit it in two ways:

- 1) If the government posts the CAFR on a publicly accessible website, the government may indicate the website address on the COA application.
- 2) Governments may also submit the CAFR on CD; however, **3 copies of the CD are required.**

For more information on the COA program, visit www.gfoa.org.

H&M Practice Aids


Procedural Review

Do your current accounting procedures prevent misappropriations and ensure efficient operations? We can work with your personnel to develop a customized procedural handbook to help tighten your entity's internal control.

Job Descriptions

How outdated are your job descriptions? We can prepare a complete set of job descriptions for all District personnel that will take into account technology changes and funding agency mandates while ensuring format consistency and job title relevancy.

For more information on these services, contact:

Scott W. Kies, Partner
602-277-9449, ext. 308
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Street and Highways Expenditures Certification

Arizona Revised Statutes require an incorporated city or town with a population of more than thirty thousand to certify in writing that the city or town has budgeted and expended local revenues for street and highway purposes an amount at least equal to that spent for its base average. The base average is calculated as the average amount of local revenues spent for street and highway purposes in any four of the five fiscal years during the period beginning with fiscal year 1981-1982 and ending with fiscal year 1985-1986.

The certification requirement was temporally repealed in 2002; however the requirement became effective once again in 2006. The certification for the fiscal year ended June 30, 2007 must be filed with the Arizona Department of Transportation (ADOT) by December 31, 2007. The city or town is not required to submit a worksheet of the calculations performed to demonstrate compliance; however these should be kept on file to support the certification statement. The ADOT is expected to send a notice to each entity required to file some time in November. The certification should be filed with ADOT at the following:

John E. McGee, Chief Financial Officer
Arizona Department of Transportation
206 S. 17th Avenue
Mail Drop 200B
Phoenix, AZ 85007

If you have questions regarding this certification, you may contact Corey Arvizu at (520) 742-2611 of Heinfeld, Meech & Co. or Phillip Chan of the ADOT at (602) 712-4638. **H&M**

Reference

A.R.S. §28-6543

Heinfeld, Meech & Co., P.C. News

CPA Successes: Congratulations to **Johnny Kim**, Staff Auditor II, for the recent achievement of his CPA certification. Congratulations also to staff auditors **Anne Ortiz** and **Dena Darpli** for their recent successful completion of all four parts of the CPA exam.

H&M University Workshops

Information on the following workshops, including links to online registration, can be found at www.heinfeldmeech.com/hmu. For more help, contact hmu@heinfeldmeech.com or 520-742-2611, x107.

Fair Labor Standards Act (FLSA) Compliance

Vail (Tucson area): Tues., Jan. 22nd
Mesa (Phoenix area): Wed., Jan. 23rd
Cost: \$75 per person (includes lunch)
CPE credit: 6 hours

- FLSA Requirements – the guidelines of the FLSA and how to implement procedures to maintain compliance.
- Case Studies – problem areas commonly found at other entities in Arizona.
- Non-exempt/Exempt Staff – practical guidance on identifying non-exempt vs. exempt staff.

Best Practices for Payroll and Employee Benefits

Vail (Tucson area): Mon., Feb. 11th
Phoenix: Tues., Feb. 12th
Cost: \$75 per person (includes lunch)
CPE credit: 6 hours
Specific topics TBA.

2008 Municipality Conference

Mesa (Phoenix area): Friday, Feb. 22, 2008
Cost: \$85 per person (includes lunch)
CPE credit: 6 hours
Specific topics TBA.

Bringing HMU to your Municipality:

Are you interested in bringing one of our workshops to your municipality? To find out more about holding a training for your personnel, contact us at 520-742-2611, ext 133 or info@heinfeldmeech.com.

Puzzler

Decipher the hidden meaning: (Answer on p. 5)

SOMETHING

Cost Allocation Plans

(by Cherie Roberts)

Many municipalities have already started the budget process for fiscal year 2009. The process may involve long hours of number crunching and conflicts over denied budget requests. Efforts to keep budgets balanced and within expenditure limitations can force management to make tough decisions regarding what programs and projects will be funded. One way some municipalities maximize their budget capacity is through the use of a cost allocation plan (CAP).

A CAP determines the value of reimbursable costs provided by the municipalities' central service departments to receiving departments. Central service departments provide services that benefit other departments (i.e., Human Resources, Finance, City/Town Clerk). Receiving departments are those departments that do not provide central services but rather deliver services to the public (i.e., Water, Parks & Recreation, Fire). Many central service departments are accounted for in the General Fund. Additional "revenue" would be generated in the General Fund from those receiving departments accounted for in other funds.

A CAP can also be an important management tool to determine the actual cost of providing services to the public. For example, when the Police Department requests a vendor be paid for goods or services provided, the cost of processing that payment to the vendor is not recorded as a cost of the Police Department. It is recorded as a cost of the Finance Department. The CAP determines the value of this and other similar services provided to the Police Department. The entire value of all central services are accumulated and added to the Department's year-end expenditures to determine the total cost of providing the service.

The preparation of a CAP involves analysis of central service departments' expenditures and distribution into activities. Different allocation bases would be used for the various activities to recognize the value of providing a service proportionate to the service received.

For example, the Finance Department expenditures might be distributed to the following activities: payroll, accounts payable, administration, budgeting, and banking services. The allocation basis for accounts payable might be based upon the number of checks issued. Other activities might be allocated based on a time, square footage, or percentage of budget amounts.

Many nondepartmental costs would also be included in a CAP. For example, while a large municipality may have a Risk Management Department identified as a central service department, smaller municipalities generally record liability insurance premiums as a nondepartmental expenditure.

CAPs can have the unexpected benefit of causing departments to be more efficient. While I was the Finance Manager for City of San Clemente, departments would routinely make adjustments to their operations to minimize the allocation of costs to their departments. For instance, communication costs were partly allocated based on number of phone lines. Also, information technology costs were partly allocated based on number of computers and printers. Department heads would review the number of phone lines, computers, and printers actually needed by their department in an effort to keep their allocations of communication and information technology costs down.

If agencies wish to allocate costs to Federal programs, OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," establishes the principles and standards for determining both direct and indirect costs applicable to Federal awards to government units. Municipalities may also be required to submit and negotiate an indirect cost rate with their cognizant Federal agency.

For preparation of cost allocation plans or for any other assistance related to cost allocation plans, please contact Cherie Roberts at (520) 742-2611, ext 108 or cherier@heinfeldmeech.com. 