

# ALL THINGS GOVERNMENTAL

Partners:

David Hilliard, CPA

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Chris C. Milton, CPA, CIA, CGAP

## CDBG Program

The Community Development Block Grant (CDBG) was enacted in 1974 by president Gerald Ford through the Housing and Community Development Act of 1974 and took effect in January 1975. The CDBG program is one of the longest-running programs of the U.S. Department of Housing and Urban Development. The program funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development. CDBG, like other block grant programs, differ from categorical grants, made for specific purposes, in that they are subject to less federal oversight and are largely used at the discretion of the state and local governments and their subgrantees.

The CDBG program in Georgia is administered by the Georgia Department of Community Affairs (DCA), which uses funds allocated through HUD to support local initiatives that focus on improving living conditions and economic opportunities.

CDBG funds may be used for community development activities (such as real estate acquisition, relocation, demolition, rehabilitation of housing and commercial buildings), construction of public facilities and improvements (such as water, sewer, and other utilities, street paving, and sidewalks), construction and maintenance of neighborhood centers, and the conversion of school buildings, public services, and economic development and job creation/retention activities. CDBG funds can

also be used for preservation and restoration of historic properties in low-income neighborhoods.

In February 2011, the Republican Majority in the House of Representatives proposed reducing the CDBG appropriation by over \$500 million. Considering that the CDBG program creates over 100,000 jobs in construction,



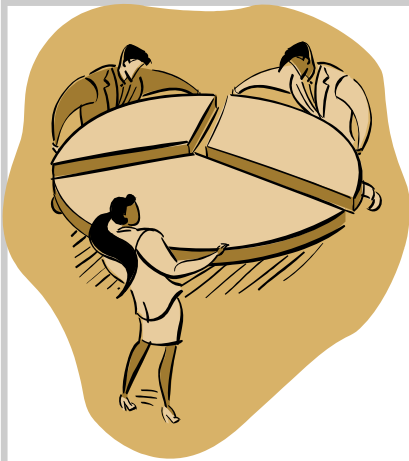
renovation, and community services each year in low-income neighborhoods, and generates over \$300 million annually in program income for cities and states, one could argue a cut

this size would have a significant negative impact on the national economy.

In early 2011, for the FY 2012 United States Budget, President Obama proposed \$300 million in reductions to the Community Development Block Grant Program.



## CDBG Program (Continued from Page 1)



A recent article published by the National League of Cities demonstrated the positive impact the CDBG program has on local communities. In this article it stated that on March 16, 2011 a bipartisan group of city and

county officials from across the country continued their push on Capitol Hill in support of the Community Development Block Grant program (CDBG), saying that the long-standing federal initiative creates jobs, grows local economies, generates labor income, and increases state and local tax revenue by providing funding with flexibility for individual communities to address unique local needs.

***...for every \$33,000 of CDBG funds expended, a job was generated.***

A preliminary report prepared by IHS Global Insight Inc. and released by the U.S. Conference of Mayors (USCM), the National League of Cities (NLC), and the National Association of Counties (NACo), clearly demonstrates that CDBG yields both direct and indirect economic benefits. CDBG generates broad impact by providing federal funding directly to local communities for economic development, housing rehabilitation, blight remediation, infrastructure improvements and social services, including additional private-sector investment.

Within a sample group of ten communities during 2003-2008, CDBG generated annually an average of:

- 9,080 jobs;
- \$811 million of Gross Metropolitan Product (generated within a single metropolitan area);
- \$552 million in labor income; and
- nearly \$65 million in state and local tax revenue.

Extrapolating these numbers to the full CDBG program nationwide, Global Insight estimates that from 2003 to 2008, the CDBG program spurred the creation of 147,000 jobs annually, and \$13.1 billion annually in Gross Domestic Product.

Within the ten communities, the report also projected that for every \$33,000 of CDBG funds expended, a job was generated. Local-elected officials have known for a long time that the CDBG program is critical for their local economies. Not only does it create jobs, but its economic impact also reverberates throughout the surrounding communities.

Local elected officials across the country have banded together to fight proposed cuts to the Community Development Block Grant program and fund it at current Fiscal Year 2010 level of \$4 billion.



The information provided in this newsletter is for informational purposes only and should not be acted upon without first gathering additional information or obtaining professional assistance.

## Special Purpose Local Option Sales Tax (SPLOST)

The 1% Special Purpose Local Option Sales Tax (“SPLOST”) has become a popular method for funding needed capital projects in Georgia. Voters have the ability to decide whether the described projects in the referendum are to be funded through SPLOST, and thus, elected officials need not raise property taxes for funded projects. The SPLOST statute was substantially rewritten in the 2004 General Assembly, effective July 1, 2004, with respect to how the tax is to be applied.

However, funding of capital projects through the use of SPLOST proceeds can be a slow process as the 1% tax will generally be collected over a period of five years. Considering that many construction projects cannot be contracted for until monies for that purpose are available the approved projects may see a slow start. However, SPLOST referendums can be used to authorize the issuance of SPLOST/general obligation bonds.

### Projects Authorized

SPLOST can fund any capital outlay projects that are owned or operated by either the county, a qualified municipality in the county, a local authority in the county, or some combination thereof. Capital outlay projects refers to major, permanent or long-lived improvements such as land, buildings and other structures, roads and bridges, and major items of equipment and vehicles.

Projects that are for the use and benefit of the citizens of the entire county are designated “county-wide projects,” and are subdivided into Level 1 and Level 2 projects. The county and qualifying municipalities representing 50% or more of the total municipal population in the county may enter into an intergovernmental contract which contains a list of the projects to be funded by the

SPLOST, the estimated cost of each project, a procedure and schedule for distributing the municipalities’ share of the SPLOST, and recordkeeping and auditing procedures.

However, if no Intergovernmental Contract is reached, the SPLOST statute dictates how SPLOST receipts will be divided between the county and municipalities. The county may alone deter-



mine to apply some or all of the SPLOST on a first-priority basis to Level 1 Projects designated on the ballot. If no Level 1 Project is designated by the county, it can designate the county’s Level 2 Projects to have first priority on up to 20% of SPLOST receipts. Any SPLOST revenues remaining after this Level 1 or Level 2 Project reservation are to be distributed to the county and the municipalities according to population.

### Changes to Projects and Infeasibility

The action taken by the county commission to impose SPLOST and the ballot question can describe the purposes of the tax in rather general terms. Details of a project need not be fully delineated when presented to the voters and can be changed in a manner not inconsistent with the voter referendum, but a project cannot be more fundamentally changed or abandoned unless in fact the project planned is infeasible. In the case of infeasibility, the project can be adjusted, but not abandoned unless wholly infeasible.

(Continued on Page 5)

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To provide accounting, consulting, tax and attest services that distinguish us from our competition through our commitment to excellence as consistently reflected in timely personal attention to the well-being of our clients, respect for our clients and uncompromising integrity in client relations throughout every aspect of our practice.

## Special Purpose Local Option Sales Tax (SPLOST) (Continued from Page 3)



SPLOST funds can only be used for the purposes described in the referendum and call for election and must be held in a dedicated account, not commingled with other funds prior to expenditure. Each

annual audit must include a schedule for each project, including the estimated total amount of the SPLOST to be used for that project, the amount expended in prior years, the amount expended in the current year, and the estimated percentage of completion. The statute requires that records sufficient for these audit purposes be maintained for every project for which the SPLOST is used.

### Disposition of Excess Proceeds

Excess proceeds are those proceeds of a SPLOST that remain after all approved SPLOST projects listed on the ballot have been completed. More particularly, the term is defined as proceeds in excess of the estimated cost of the projects or in excess of the actual cost of the projects [O.C.G.A. § 48-8-121 (g)(1)(B)].

If one of the approved projects is completed under budget, the law allows counties and municipalities to shift proceeds from the under budget project to one that may be experiencing cost overruns. Proceeds saved on one project and used on another would not be considered excess proceeds. In essence, all SPLOST proceeds must



be used to complete the projects for which the tax was imposed before any revenue derived from the SPLOST can be deemed to be “excess” and available for use in reducing debt or property taxes. If an intergovernmental agreement exists, the agreement can define how excess proceeds will 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.

Where there are excess proceeds, the law requires that they 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 into the general fund of the county to reduce property taxes. Note that the SPLOST law does not require that the excess proceeds deposited in the general fund be shown as a property tax credit or offset. Instead, 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 [O.C.G.A. § 48-8-121 (g)].





HILLIARD  
&  
MILTON, LLC

18 South Third Avenue  
McRae, Georgia 31055

Phone: 229-868-5614

Fax: 229-868-2498

[cmilton@hilliardmilton.com](mailto:cmilton@hilliardmilton.com)

**Partners:**

David Hilliard, CPA

Chris C. Milton, CPA, CIA, CGAP

[www.hilliardmilton.com](http://www.hilliardmilton.com)

**Mail To:**

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## Did You Know ???

- Antarctica is the only continent without reptiles or snakes.
- An eagle can kill a young deer and fly away with it.
- In the Caribbean there are oysters that can climb trees.
- Intelligent people have more zinc and copper in their hair.
- The youngest pope was 11 years old.
- Mark Twain didn't graduate from elementary school.

- Proportional to their weight, men are stronger than horses.
- Pilgrims ate popcorn at the first Thanksgiving dinner.
- They have square watermelons in Japan - they stack better.
- Iceland consumes more Coca-Cola per capita than any other nation.
- Heinz Catsup leaving the bottle travels at 25 miles per year.
- It is possible to lead a cow upstairs but not downstairs.
- Armadillos can be housebroken.
- The first Fords had engines made by Dodge.

