



May 19, 2025

Capital Asset Review and Valuation Staff Report

Issue:

Before the Greater Salt Lake Municipal Service District (MSD) was created, Salt Lake County (County) was responsible for financial reporting which included tracking all capital assets county-wide. Starting around October 2019, the MSD took over financial reporting of the then member metro townships (now cities and towns). During this time, the County provided the MSD with a capital asset list to manage and track capital assets. Upon review of the capital assets list, it was apparent that the capital assets and valuations provided to the MSD from the County were incomplete and insufficient for the MSD needs related to capital planning, accounting, and engineering. The MSD has tried to work with the County to get better data, but the MSD has hit a roadblock and cannot get more detailed data. It appears that what the County provided to the MSD most likely fulfilled their needs as they were accounting for capital assets county-wide but it does not serve the needs of the MSD in accounting for capital assets per city/town. As a result, the capital asset list needs to be updated and, where necessary, capital asset values need to be reassigned or calculated. An improved capital asset management and tracking software is also needed.

Some specific issues include the following:

- Many capital assets provided to the MSD were grouped together and valued together. This causes issues when assets in these groups need to be added or removed or valued individually. These grouped together assets need to be divided and assigned specific values. For Example, in Copperton all 14 roads were grouped together and valued together. This made it very hard to know the specific values of each road. This also led to the missing valuation of two new roads that were built after the initial road valuation in Copperton.
- UDOT improvements have not been included in capital assets. This has led to an undervaluation of some capital assets. These UDOT improvements need to be gathered, calculated, and assigned to capital assets. For example, if a capital project costs \$10M with a local match of 10%. The MSD would only be capturing and reporting in its financial statements the 10% value of \$1M instead of the \$10M.
- The change in ownership of assets has not been properly tracked and managed. Capital assets can change ownership when unincorporated islands are annexed into municipalities or when municipalities expand their boundaries. Tracking and adjusting capital assets for these boundaries changes is needed.
- Capital assets, like land and buildings, are sometimes donated or acquired by municipalities. These changes need to be added or removed from capital assets, assigned values, and properly tracked.

- Other capital assets, like storm drains, sidewalks, and streetlights are not identified in the capital asset list. Little information is available about these capital assets. These assets will need to be listed, valued, and tracked as part of the capital asset list.

The MSD met with Squire, their external financial auditors, to let them know about the issue and they notified the MSD that they will not issue the FY2025 financial statements until this issue is resolved. They also said that the financial statements will be issued with a statement of material weakness. A material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual financial statements will not be prevented or detected in a timely basis.

Plan:

A review will be done for each municipality and the unincorporated county to make sure that all capital assets are being recorded and tracked by the MSD. Assets will be reviewed by type and then by municipality and location. Capital asset information will be gathered from several sources including county records, GIS, UDOT reports, engineering reports, etc. The capital asset review will be done in six steps with each step being focused on a type or group of capital assets. If needed, the MSD will also seek an external financial consultant to assist.

Step 1: Review of all Roads (May)

Review all roads and land for roads owned by each municipality. Determine the historic value, condition, and type of road. Compare the list and values to GIS and county records. Include records from UDOT and engineering to create a complete and accurate list of assets and their historic values. For Example, in Copperton all 14 roads were grouped together and valued together. This made it very hard to know the specific values of each road. This also led to the missing valuation of two new roads that were built after the initial road valuation in Copperton.

Step 2: Stormwater Drains and Bridges (May to September)

Review records and gather information on stormwater drains, bridges, and culverts. Then record this information and calculate the estimated historic values. With this being the capital asset type with the hardest information to find and calculate, it will likely take 3-4 months to get the needed information.

Step 3: Review all Sidewalks (June)

Gather information on all sidewalks and land for sidewalks owned by each municipality. Determine the historic value and condition of each sidewalk section. Compare the list and values to GIS and county records. Include information from other records when needed to establish a complete and accurate list of all sidewalks within the MSD jurisdictions.

Step 4: Review Streetlights and Signs (July)

Create a list of all streetlights and signs within the MSD jurisdiction. Determine which signs qualify as capital assets and add them to the capital asset list. Calculate historic values and determine the condition of these capital asset streetlights and signs.

Step 5: Land & Buildings (August)

Collect information on all land and buildings owned by municipalities within the MSD. This will include donated land, buildings, parking lots and other miscellaneous capital assets. Review historic costs and update the capital asset list to make sure all capital asset lands and buildings have been included.

Step 6: Parks (September)

Gather information on all parks and park assets owned by each municipality. Each park will be visited and all park assets will be recorded and photographed. This will include assets like land, restrooms, playgrounds, benches, sports facilities, etc. Then the historic value and condition of each park asset can be reviewed or calculated. Compare the list and values to GIS and county records. Include information from other records when needed to establish a complete and accurate list of capital assets within the municipalities and county area managed by the MSD.

Moving Forward:

In order for the capital asset list to properly be maintained and valued in the coming years, seven controls and procedures will be implemented. These seven procedures include:

1. New software will be acquired and used to track capital assets and their values, improvements, depreciation, conditions, and ownership.
2. Every year, each municipality will be contacted and asked about any capital asset donations. The capital asset list will be updated with new information provided.
3. An MSD accountant will work with UDOT to capture and calculate capital asset values provided through UDOT projects.
4. Each year a review of engineering projects and city projects will be made to determine what capital assets need to be added or removed from the capital asset list.
5. Each year a review of unincorporated county islands and municipality boundary adjustments will be made to determine if there are any changes in capital asset ownership.
6. External auditors will be notified about adjustments in capital assets so that audit testing can include a review of capital asset adjustments.

Result:

By executing this six-part plan to review and update the capital asset list, the MSD will have an accurate report of capital assets within the MSD jurisdictions. Then by implementing the seven recommended capital asset controls and procedures, the MSD will be able to accurately update and adjust the capital asset list when needed. This capital asset information will then allow for accurate financial reporting of capital assets, it will help with future capital planning and impact fee calculations, and it will be used to help determine maintenance and replacement needs of capital assets.