

STATE OF UTAH
UNIFORM ACCOUNTING MANUAL FOR TOWNS

TABLE OF CONTENTS

INTRODUCTION

A. THE FUNDS

- A.01 Fund Accounting
- A.02 Governmental Funds
 - A.02.01 General Fund
 - A.02.02 Special Revenue Funds
 - A.02.03 Capital Projects Funds
 - A.02.04 Debt Service Funds
 - A.02.05 Permanent Funds
- A.03 Proprietary Funds
 - A.03.01 Enterprise Funds
 - A.03.02 Internal Service Funds
- A.04 Fiduciary Funds (Trust and Agency)
- A.05 Accounting for Special Assessments
- A.06 Measurement Focus and Basis of Accounting

B. BUDGETARY PROCEDURES

- B.01 Budgetary Procedures – Introduction
- B.02 Summary of Budget Procedures and Timetable
- B.03 Setting of Property Tax Rates
 - B.03.01 Property Tax Calendar
- B.04 Budget Adjustments and Modifications
- B.05 Program and Performance Budgets
- B.06 Enterprise Fund Budgets
- B.07 Fund Balance - Accumulation, Usage, and Deficits
 - B.07.01 Budgeting for Contributions and Transfers
- B.08 Emergency Expenditures
- B.09 Interfund Loans and Subsidies
- B.10 Town Budget Forms

STATE OF UTAH
UNIFORM ACCOUNTING MANUAL FOR TOWNS

TABLE OF CONTENTS

C. FINANCIAL PROCEDURES

C.01 Record Keeping Requirements

C.01.01 Treasurer's Cash Statement (Example Form)

C.02 Interim Financial Reports

C.02.01 Illustrated Interim Financial Reports

C.03 Annual Financial Reports

C.03.01 Completion and Submission of Annual Financial Report Forms

C.03.02 Financial Report Forms for Small Towns (Under \$100,000)

C.03.03 Step-by-Step Instructions for Financial Report Forms for Small Towns
(Under \$100,000)

C.04 The Financial Reporting Entity

C.04.01 Financial Reporting Entity Worksheet and Flowchart

C.05 GAAP and State Reporting Requirements

C.05.01 Rules Establishing Audit Requirements for Audits of Political Subrecipients
and NonProfit Organizations

C.06 Finance-Related Legal and Contractual Compliance Requirements

C.07 Obtaining Audit Services

C.07.01 Sample Request for Proposal to Provide Audit Services

C.07.02 Sample Contract for Audit Services

C.08 Fund Balance Limitations

C.09 Single Audit Concepts and Requirements

C.09.01 Confirmations of State and Federal Grants

C.10 Reporting Capital Assets

C.11 Reporting of Connection Fees, Impact Fees, and Contributed Capital

D. FISCAL RESPONSIBILITIES

D.01 Town Council Fiscal Responsibilities

D.02 Mayor's Fiscal Responsibilities

D.03 Clerk's Fiscal Responsibilities

D.04 Treasurer's Responsibilities

STATE OF UTAH
UNIFORM ACCOUNTING MANUAL FOR TOWNS

TABLE OF CONTENTS

- E. SPECIAL ACCOUNTING AREAS
 - E.01 Class B & C Road Funds
 - E.02 Investment of Public Funds
 - E.03 Public Treasurer Bonding Requirements
 - E.04 Public Debt Limitation
 - E.05 Purchasing and Procurement Procedures
 - E.05.01 Sample Purchasing Policy for Towns
 - E.06 Justice of the Peace Accounting Procedures
 - E.07 Fines, Fees, etc., Collected by Justice Courts - and Other Fiscal Issues
 - E.08 Cash Management
 - E.09 Subrecipient and Vendor Determinations Under Federal Programs
 - E.10 Liquor Law Enforcement
 - E.11 Uniform Building Code Standards
 - E.12 Impact Fees
 - E.13 Chart of Accounts
 - E.14 Governmental Records Access and Management Act (GRAMA)
 - E.14.01 Records Retention
 - E.14.02 Purpose of Classification Worksheet
 - E.14.03 Index to Classifications
 - E.14.04 Subject Index to Law
 - E.15 Lease-Purchase Agreements
 - E.16 Interest Allocation Between Funds
 - E.17 Unclaimed Property
- F. FISCAL PROCEDURES ACT
 - F.01 Fiscal Procedures Act for Towns (Summary)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: Introduction
Page: 1 of 2
Subject: Organization of Manual
Effective Date: 1 April 1986
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A Uniform Accounting Manual for Towns has been prepared to provide guidance to town officials in the collection, budgeting, expenditure and reporting of public funds. The Manual reflects state laws including the 1983 Fiscal Procedures Act for Towns and all applicable amendments through the 2011 General Legislative Session. It is also consistent with generally accepted accounting principles.

The manual has been organized in an easy-to-use format and each page is numbered with a specific reference to facilitate easy filing of updated information. Effective date and revision date information have been included on each page. Updates to the Manual will be inserted in the appropriate sections on the State Auditor's web site at www.sao.utah.gov. Comments and suggestions concerning the Manual are welcomed and should be directed to the Local Governmental Accounting and Auditing Division of the State Auditor's Office, State Capitol Complex, East Bldg. Suite E310, Salt Lake City, Utah 84114. At the present time, the "town fiscal committee," mandated by *Utah Code* Section 10-5-130, is combined with the "municipal fiscal government committee." The purpose of this committee is to "assist, advise and make recommendations to the state auditor in the preparation of uniform accounting and reporting procedures and program and performance accounting, budgeting, and reporting for towns."

The State Auditor's Office also maintains separate Uniform Accounting Manuals for cities, counties, and special districts. For independent auditors and other interested parties, these manuals applicable to all local governmental units are available on the State Auditor's web site: www.sao.utah.gov.

The Town Manual is organized with the following sections:

A. THE FUNDS

A brief description of the various types of funds that may be established by a town, including the governmental functions and activities that should be recorded in each fund.

B. BUDGETARY PROCEDURES

Sets forth in summary format the budget procedures and a timetable for their accomplishment. Also discusses the accumulation and usage of fund balances, emergency expenditures, interfund loans and subsidies and contains a copy of the annual budget forms to be used in the preparation and submission of town's budgets.

C. FINANCIAL PROCEDURES

Contains a discussion of the financial record keeping requirements of towns and sets forth the requirements for annual financial reports and monthly and quarterly interim financial reports. Contains examples of interim financial reports and a copy of the annual financial reports which may be used by smaller towns not requiring the service of an independent public accountant.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: Introduction
Page: 2 of 2
Subject: Organization of Manual
Effective Date: 1 April 1986
Revision Date: 1 January 2012

D. FISCAL RESPONSIBILITIES

Provides, in summary format, the fiscal responsibilities of the town council, mayor, clerk, and treasurer of the town.

E. SPECIAL ACCOUNTING AREAS

Contains specific sections on special accounting areas, including expenditures of state-allocated road funds, investment of public funds, purchasing procedures, GRAMA, etc.

F. FISCAL PROCEDURES ACT

Contains a summary of the Uniform Fiscal Procedures Act for Utah Towns. The verbatim text of the Act is available on the State Auditor's website at www.sao.utah.gov.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.01
Page: 1 of 3
Subject: FUND ACCOUNTING
Effective Date: 1 April 1986
Revision Date: 1 January 2012

INTRODUCTION

A fundamental characteristic of governmental accounting is the concept of the fund as the basic unit of financial accountability. The Governmental Accounting Standards Board (GASB) has identified accountability as the primary objective of financial reporting. Accountability consists of two components—operational accountability and fiscal accountability.

The government-wide financial statements help towns demonstrate operational accountability. See the Financial Procedures section of this manual for additional information. Fiscal accountability is defined by the GASB as the responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term, usually 1 year. Fund accounting helps towns demonstrate fiscal accountability in the fund financial statements.

For units of local government, funds may be established by constitutional provisions, statutes, bond agreements, charter provisions, and local ordinances. No special funds may be created by local ordinance which are inconsistent with the principles of this Manual. State law requires local governmental units to follow proper fund accounting principles established by the GASB.

The following is a discussion of fund accounting and the types of activities accounted for in the different fund categories and fund types.

PRINCIPLES OF FUND ACCOUNTING

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The requirement for a complete set of accounts for each fund refers to the identification of accounts in the accounting records. The requirement does not necessarily extend to an actual physical segregation of assets and liabilities. For example, it is not essential to have a separate bank account for the cash in each fund unless such is required by law, bond indentures, or contractual agreement. In most cases it is best to have one bank account for control and accountability purposes.

Funds that have similar characteristics are combined into broad fund categories. The three fund categories are governmental, proprietary, and fiduciary. Within these fund categories, there are 11 fund types.

Governmental Funds—These funds account for most of the town's activities that are financed through taxes. Governmental fund reporting often has a budgetary orientation. Governmental funds are classified into five fund types: general, special revenue, capital projects, debt service, and permanent funds. See Section A.02 for more information on these fund types.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.01
Page: 2 of 3
Subject: FUND ACCOUNTING
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Proprietary Funds—These funds account for a town’s business-type activities that are financed, at least in part, by fees or charges. Proprietary funds are classified into two fund types: enterprise and internal service funds. See Section A.03 for more information on these fund types.

Fiduciary Funds—These funds account for resources the town holds as a trustee or agent for individuals, private organizations, or other governmental entities and which therefore may not be used to support the town’s own programs. Fiduciary funds are classified into four fund types: pension (and other employee benefit) trust, investment trust, private-purpose trust, and agency funds. See Section A.04, for more information on these fund types.

In addition, many towns will create **Special Assessments**, to finance permanent improvements which are paid for, in whole or in part, from special taxes levied against the property owners benefited by the improvement project. These funds are accounted for in any of a number of the fund types depending on their use. See Section A.05 for more information on accounting for special assessments.

Detailed descriptions of each of the funds that may be established and used by a town are explained in the subsections on the following pages of this manual. **However, very few, if any, towns, will actually have a need to establish all of the identified funds. To avoid undue complexity, inflexibility, and inefficient financial management, towns should establish only the minimum number of funds necessary for legal and operating requirements.**

Those funds most commonly used by towns are briefly summarized below:

GENERAL FUND

All towns have a general fund which is to be used to record all financial transactions except those required to be accounted for in another fund. In some cases the general fund may be the only fund established by a town.

ENTERPRISE FUNDS

The second most common fund established by a town is an enterprise fund which is used to account for the utility (water, power, etc.) activities operated by the town. These activities are segregated from other funds and accounted for in the same manner as private enterprises in order to identify the cost of providing these services. Also, all fixed assets and debt of enterprise funds are accounted for within these funds and are thus segregated from the other assets and debt of the town. A separate accounting should be made of each enterprise fund (except a combined water and sewer fund) in order to identify the cost of each utility service.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.01
Page: 3 of 3
Subject: FUND ACCOUNTING
Effective Date: 1 April 1986
Revision Date: 1 January 2012

SPECIAL REVENUE FUND

Special revenue funds are established to account for resources received by governmental units which are restricted or committed for specific purposes other than debt service or capital projects. While towns are generally not required to establish special revenue funds, they may be used to account for state-allocated road funds as a special revenue fund during the year. However, for year-end financial reporting purposes and budget purposes, these road funds should be consolidated into the general fund.

CAPITAL PROJECTS FUND

Capital project funds are established to account for the accumulation of money to finance specific capital projects and to account for the expenditure of financial resources for the acquisition or construction of major capital facilities except enterprise funds.

DEBT SERVICE FUND

Debt service funds are established to accumulate and record the payment of a town's general long term debt. Again, debt for enterprise funds would be accounted for with those enterprise funds.

PERMANENT FUND

Permanent funds should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. An example of a permanent fund is a cemetery non-expendable trust fund.

OTHER FUNDS DISCUSSED IN THIS SECTION SHOULD BE ESTABLISHED AND UTILIZED ON AN "AS NEEDED" BASIS.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.02.01
Page: 1 of 2
Subject: GOVERNMENTAL FUNDS – General Fund
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Every town should maintain a general fund. Most of the governmental activities should be financed and recorded in this fund. Expenditures for public purposes may be made from cash held in the general fund with freedom from the restrictions imposed on other funds. Town councils may authorize contributions and/or loans to other funds from cash held in the general fund. (For example, if properly budgeted, cash of the general fund could be used to contribute to the debt service funds, or make up existing deficits in internal service or enterprise funds, etc.) Emergencies, catastrophes, and other unforeseen demands for money are usually met from the resources of the general fund.

Financial Reporting and Budgeting of Special Funds in the General Fund

Special revenue funds are used to account for and report the proceeds to specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Municipalities often want to budget and account for road money in a special revenue fund. However, road fund activities are of a general government nature and are, therefore, required to be budgeted and reported in the general fund by municipalities.

Occasionally, a town will want to establish a special account for a specific purpose or activity such as a Fourth of July account. Again, this activity does not meet the definition of a special revenue fund and should be accounted for through the general fund, and no expenditures should be made in excess of those budgeted.

Revenue Accounts

All town revenues belong to the general fund except those that are specifically required to be accounted for through other funds. When general governmental revenues are earmarked by the governing body to be used in other funds, a transfer of such revenues should be reflected from the general fund. However, in the case of a property tax levy specifically set for use in other funds, such taxes received should be accounted for as revenue directly to the appropriate fund. Other specific revenues, such as grants, should also be accounted for as revenue in the fund where they will be expended. The revenue accounts of the general fund are grouped according to the major sources of revenue.

General fund revenues include property taxes, sales taxes, intergovernmental revenues, charges for services, licensing and permit fees, fines and forfeits, investment earnings, rents, private contributions, and miscellaneous revenues. Other financing sources may include proceeds from the issuance of certain types of long-term debt and transfers from other funds.

Expenditure Activity Account

As a general rule, those activities of a local government that benefit the community as a whole are to be included in the general fund, excluding enterprise functions and funds segregated to meet statutory requirements. The basic principle of budgeting and comparable financial reporting, as expressed in this Manual and the Fiscal Procedures Act, is to reflect the total amount of revenues and expenditures in each

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.02.01
Page: 2 of 2
Subject: GOVERNMENTAL FUNDS – General Fund
Effective Date: 1 April 1986
Revision Date: 1 January 2012

budgetary fund without regard to the funding source. Accordingly, all expenditures applicable to the general governmental functions must be budgeted and accounted for within the general fund. The only exception to this requirement would be activities which, because of state and federal statutory requirements, are accounted for in a special purpose fund.

General fund expenditures include salaries and wages, supplies, utilities, transportation, advertising, insurance, repairs and maintenance, other services and charges, capital asset acquisitions, and certain types of debt service payments. Other financing uses include transfers to other funds.

Assets and Liabilities

General fund assets include cash, investments, receivables, amounts due from other funds and other governments, supplies inventory, prepaid items, and advances from other funds. Receivables may include property taxes, accounts, and interest receivables.

General fund liabilities include accounts payable, accrued payroll and employee benefits, accrued interest, amounts due to other funds and other governments, and claims and judgments payable. Other liabilities may include deferred revenues, advances from other funds, and matured principal and interest on general long-term debt.

The difference between assets and liabilities in the governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved representing amounts considered available for spending. Common examples of reserved fund balances include reserves for inventories, prepaids, and encumbrances. Unreserved fund balances may be separated into designated and undesignated amounts. Designations represent management's intended use of resources and should reflect actual plans approved by the board of supervisors.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.02.02
Page: 1 of 1
Subject: GOVERNMENTAL FUNDS – Special Revenue Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenue sources” establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. These revenues should be expected to continue to comprise a substantial portion of the inflows reported in the fund.

Special revenue funds are distinguished from enterprise funds in that the user of the governmental service does not pay for the service based on actual use. Conversely, the costs of services provided through an enterprise fund are generally recovered through charges to the users of the services.

The use of special revenue funds is not required by GAAP unless they are legally mandated. Otherwise, monies legally restricted may be accounted for in the general fund. This concept is consistent with the basic principles of accounting, budgeting and comparable financial reporting, as expressed in this manual and the Fiscal Procedures Act for Towns, which is to reflect the total amount of revenues and appropriated expenditures in each budgetary or operating fund without regard to funding source. However, because of statutory requirements created on the state or federal level, special revenue funds are created in order to account for resources legally restricted for the financing of particular activities or projects.

All special revenue funds created to account for a function which would qualify as a function of the general fund must, for budgetary and financial reporting purposes, be combined with the appropriate general fund function. When legally restricted resources are accounted for in the general fund, a fund balance restricted account should be used to indicate the excess of legally restricted assets over related liabilities and the nature of the expenditure purposes to which they are restricted.

Special revenue funds may include the following:

Class “C” Road
Library Fund
(As needed)

However, as noted above, the Class “C” funds are to be combined with the general fund for budgetary and financial reporting purposes.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.02.03
Page: 1 of 1
Subject: GOVERNMENTAL FUNDS – Capital Projects Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds or Trust Funds). The financial resources of capital projects funds come from several different sources, including general obligation bonds, grants from the state and federal government, and appropriations from the general or special revenue funds.

When capital projects funds are used to account for the proceeds of general obligation bond issues, a separate fund should be provided for each bond issue. General obligation bonds are secured by the full faith and credit of the town and the pledge of its general taxing powers for the payment of the obligation. Such bonds are a liability of the town as a whole and the liability for their repayment is reflected in the Governmental Activities column in the Statement of Net Assets, unless they are to be repaid from the enterprise fund's operations.

Monies received from grants and appropriations from other funds should be accounted for in a separate capital projects fund for each project. The appropriation and accumulation of money over a period of years in a capital projects fund may only be allowed if the governing body of a town has adopted a formal long-range capital plan for the purpose of financing future specified capital improvements [*Utah Code* Section 10-5-113(3)].

Expenditures made from capital projects funds can only be made in accordance with a formal budget which has been adopted for each capital projects fund (*Utah Code* Section 10-5-106).

Capital projects funds are temporary funds which should be eliminated once the specific capital project is complete. *Utah Code* Section 10-5-119(2) requires that "Any balance remaining in a capital improvements or capital projects fund shall be transferred to the appropriate debt service fund or other fund as the bond ordinance may require and otherwise to the fund balance account in the general fund."

Capital projects fund revenues include special assessments, intergovernmental revenues, private contributions restricted for capital acquisitions, and investment income. Other financing sources include proceeds from the issuance of long-term debt and transfers from other funds.

Capital projects fund expenditures include acquisition or construction costs for land, buildings, vehicles, furniture and equipment, capital improvements, and capital lease payments, including interest. Expenditures are generally classified as capital outlay for financial reporting purposes. Other financing uses include transfers to other funds.

Capital projects fund assets may include cash, temporary investments, intergovernmental receivables, and amounts due from other funds.

Capital projects fund liabilities include accruals for professional fees, freight and transportation charges, and payments due to contractors and vendors.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.02.04
Page: 1 of 1
Subject: GOVERNMENTAL FUNDS – Debt Service Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Under GASB §1300, debt service funds are required only when they are legally mandated and/or if resources are being accumulated for general long-term debt principal and interest payments maturing in future years. This provision accommodates appropriations directly from unrestricted general fund resources for the payment of general long-term debt principal and interest. In such instances, debt service expenditures may be made directly from the general fund and a separate debt service fund is not required.

Payments of general long-term debt from restricted resources should still generally be accounted for in debt service funds and classified as either restricted, committed or assigned fund balance. The footnotes on the summary of significant accounting policies in governmental financial statements should clearly indicate which funds are used to account for which long-term debt obligations.

General Obligation and revenue bonds being repaid by enterprise funds are to be recorded as liabilities within the appropriate enterprise fund, and monies accumulated for their repayment should be accounted for in the appropriate enterprise fund rather than a debt service fund.

Matured but unpaid bonds and interest coupons are a liability of the debt service fund. They should be shown as liabilities on the year-end balance sheet and the amount required to be paid for their redemption should be included in expenditures of the year in which they matured.

Since debt service is a contractual obligation of the governmental unit which must be promptly and fully discharged, all debt service requirements should be regularly budgeted as a part of the governmental unit's annual budget. Each debt issue constitutes a separate obligation with its own legal restrictions and servicing requirements. The budgeting and accounting for each issue must give cognizance to such restrictions and requirements. In some cases, the legal restrictions will make it necessary to have a separate fund for each individual bond issue. However, it is recommended that the minimum possible number of debt service funds be employed and, where feasible, all General Obligation bonds serviced by general property tax be accounted for in a single debt service fund. Other general obligation issues should be recorded in as few additional debt service funds as would be consistent with applicable laws.

Debt service fund revenues include property taxes, special assessments, intergovernmental revenues restricted for the payment of principal and interest on long-term debt, and investment income. Other financing sources include refunding bond proceeds and transfers from other funds.

Debt service fund expenditures include principal and interest payments on long-term debt. Other financing uses include transfers to other funds.

Debt service fund assets include cash, investments, receivables, and amounts due from other funds and other governments. Receivables may include property taxes, special assessments, and interest receivables.

Debt service fund liabilities may include interest payable, matured long-term debt principal, amounts due to other funds and other governments, and deferred revenues.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.02.05
Page: 1 of 1
Subject: GOVERNMENTAL FUNDS – Permanent Funds
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The newest governmental fund type is the permanent fund, first introduced as part of the governmental financial reporting model established by GASB Statement No. 34. Permanent funds should be used “to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs—that is, for the benefit of the government or its citizenry.” Similar arrangements for the benefit of those outside the government (individuals, private organizations, other governments) should be accounted for as private-purpose trust funds rather than permanent funds. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery, or for endowments relating to a municipal library or museum.

Sometimes there is a requirement through enabling legislation that a portion of restricted resources be “permanently invested.” GAAP expressly indicate that a government may use a permanent fund in such situations. In that case, fund balance would need to distinguish amounts that are available for spending from those that are not.

Permanent fund revenues may include investment income, donations, and contributions. Other financing sources include transfers from other funds. Contributions and donations to permanent endowments should not be included with other types of revenues or other financing sources in the statement of revenues, expenditures, and changes in fund balances. Instead, such amounts should be reported as separate line items, much like special or extraordinary items.

Permanent fund expenditures or transfers may be made only in accordance with legal restrictions.

Permanent fund assets include cash, investments, interest receivable, and amounts due from other funds.

Permanent fund liabilities include accounts payable and amounts due to other funds.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.03.01
Page: 1 of 4
Subject: PROPRIETARY FUNDS – Enterprise Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Enterprise funds may be established to account for the operations of the enterprises which provide goods or services to the public and a fee is charged. As such, these funds are to be handled on the same basis as similar privately-owned utilities or other business organizations.

Per GASB 34, towns are required to report an activity as an enterprise fund if any one of the following criteria for the activity's principal revenue sources is met:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges *and* the full faith and credit of a county or component unit, even if that entity is not expected to make any payments, is not payable solely from fees and charges of the activity. Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service.

Separate funds for nonhomogeneous activities: Matching of revenues and expenses is a central feature of enterprise fund accounting. Combining activities that are not homogeneous in a single enterprise fund could obscure this matching. Accordingly, separate enterprise funds normally are used to account for nonhomogeneous activities. This practice is considered consistent with the number of funds principle because it is needed for sound financial management.

Accounting for monies: Revenues are to be recognized in the accounts as customers are billed. Accounts receivable are debited and the applicable revenue accounts credited. Proceeds from the sale of revenue bonds are credited directly to the bonds payable account. The proceeds of a general obligation bond issue that are to be expended for the purpose of constructing or expanding a utility or enterprise facility are also to be accounted for in the enterprise fund. As disbursed, the cost of the project is charged to Construction in Progress. Upon completion, the Construction in Progress account is classified by type of asset, and the related costs are transferred to the Permanent Asset accounts. If the enterprise fund is not expected to repay the general obligation bonds, the proceeds would be credited to the enterprise fund's contributions account.

A town may decide that part of the cost of operating or constructing an enterprise is to be financed by the town rather than users. Monies received from property tax levies and other town revenues are handled one of two ways depending upon the usage of the monies. If the monies are to be used for the construction or capital improvements of an enterprise, the contributions should be credited to the town's contribution account. If the monies are to be used for operating purposes, such contributions should be reflected as operating transfers.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.03.01
Page: 2 of 4
Subject: PROPRIETARY FUNDS – Enterprise Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Refer to Section C.11 for information regarding the treatment of proceeds from water and sewer connection fees.

Expenditures: Certain expenses of a utility or other enterprise are treated in a different manner than are expenditures of the governmental funds of a town. Capital outlay of the utility or enterprise are charged directly to fixed asset accounts and these costs are subsequently taken up in its operating accounts through annual depreciation charges spread over the estimated useful life span of each of the fixed assets acquired. Interest paid constitutes expense to be charged against revenues, but expenditures for the retirement of bonds result in reduction of a liability and are charged to the bonds payable account. Materials and supplies on hand at the end of each year should be inventoried and set up in the books so that expense accounts are charged only with the actual materials and supplies consumed during the year. Prepaid expenses are to be set up as assets to be charged to expense in the period benefited.

Treatment of depreciation expense on assets acquired with grant monies: The following direction is provided in GASB Codification Section 1400.137.

Capital assets acquired through grants, contributions, or other non-exchange transactions should be reported at historical cost or fair value and depreciated, as appropriate, as discussed in paragraphs .101–.116. Related revenues should be reported in the government-wide statement of net assets and reported as either program revenues or general revenues in the government-wide statement of activities, in accordance with Section 2200, paragraphs .135–.137. When related revenues are reported in proprietary funds, the capital contributions should be reported after nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses, and changes in fund net assets in accordance with Section 2200, paragraph, .169. [GASB Stmt 33, ¶18; GASB Stmt 34 ¶50, ¶52, and ¶103]

Payment for Utility Services: Town departments should pay for utility services at the same rate charged other customers of the utility.

Transfers to other funds: *Utah Code*, Section 10-5-107 provides that allocations or transfers which do not represent reasonable allocations of costs cannot be made from an enterprise unless notice is given to all utility customers and a public hearing held. Such reasonable allocations of costs are defined in this manual as actual costs plus an amount equal to taxes that would be assessed against a similar commercial enterprise. Transfers to other funds from an enterprise fund which do not represent a reasonable allocation of costs should be treated as either “Residual Equity Transfers” with a reduction of contributed capital or retained earnings, or as “Operating Transfers,” depending upon the nature of the transfers. These procedures are necessary in order to provide accurate departmental costs and to provide the basis for determining whether a net profit was actually earned by the utility during the fiscal period.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.03.01
Page: 3 of 4
Subject: PROPRIETARY FUNDS – Enterprise Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Plant and facilities accounts: The plant and facilities represent the major resources of a public utility or other enterprise and the property accounts reflecting them are to be included in its balance sheet. Annual depreciation expense charges are to be accumulated and credited in the general ledger allowance for depreciation account.

Revenue Bonds: Revenue bonds are a liability of the utility or enterprise and are to be included in its balance sheet. They are special obligations of the issuing utility and are payable solely from its net revenues. Revenue bonds usually contain a provision that the holder shall not have the right to demand payment of the obligation out of funds raised or to be raised by taxation.

General Obligation Bonds: Some towns provide capital for construction and expansion of a utility system by issuing general obligation bonds. Holders have the right to demand payment of this obligation out of funds raised or to be raised by taxation and the full faith and credit of the town are pledged for payment of the bonds.

Usually, this right is not exercised unless revenues of the enterprise are insufficient to meet debt service requirements. Because of this, general obligation bonds intended to be repaid out of earnings of the enterprise are properly reflected as an obligation of the enterprise fund. However, if general obligation bonds are intended to be repaid out of taxation through a debt service fund, then the liability for such bonds should not be reflected in the enterprise fund. As previously stated, the proceeds from such issues are properly considered as a contribution by the town to be credited to the enterprise fund's contribution account.

Revenue Bond Retirement: Amounts required to be set aside out of earnings for the retirement of revenue bonds should be charged to retained earnings and credited to the account "Reserve for Revenue Bond Retirement."

Sewer Service Activities Fund: Normally, sewer service activities are accounted for in a combined water and sewer fund. Occasionally, however, a town may float a revenue bond issue on the sewer facilities which prescribes that the sewer activities and the assets and liabilities related thereto are to be set up in a separate utility fund. Frequently, a bond issue is secured by both the water and sewer facilities, in which case, the assets and liabilities related to these two services are to be set up in one utility fund, but the revenues and expenses of the water activity may be accounted for separately from those of the sewer activity within this combined fund.

Uniform accounting procedures for electric and gas utilities have been promulgated by the Federal Energy Regulatory Commission. These procedures are optional, and may be located as follows:

Electric Utilities - "Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act", which is found in 18 CFR, part 101.

Gas Utilities - "Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act," which is found in 18 CFR, part 201.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.03.01
Page: 4 of 4
Subject: PROPRIETARY FUNDS – Enterprise Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

If you do not wish to adopt the federal accounting procedures identified above, you should follow generally accepted governmental accounting procedures to account for these utilities. Entities which follow utility reporting standards are still required to include all GASB disclosures.

Inclusions:

Enterprise funds typically include hospitals, landfills, and wastewater management.

Enterprise fund assets include cash, investments, receivables, amounts due from other funds and other governments, inventories, prepaid items, and capital assets. Receivables may include accounts, special assessments, and interest receivables.

Enterprise fund liabilities include accounts payable, contracts payable, accrued payroll and employee benefits, accrued expenses, amounts due to other funds and other governments, customer deposits, and claims and judgments payable. Other liabilities include long-term liabilities, such as installment purchase contracts, capital leases or bonds payable, and deferred revenues.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.03.02
Page: 1 of 1
Subject: PROPRIETARY FUNDS – Internal Service Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Internal service funds are established to provide financing for activities, usually of a service nature, such as shops and garages, central purchasing and stores, departments, motor pool, etc. These services are rendered to other departments of a governmental unit on a cost-reimbursement basis.

There are many advantages afforded a governmental unit in the use of internal service funds. For instance, through the operation of a central equipment garage, proper maintenance and use of the motor equipment can more readily be assured. Centralized purchasing and control over stores permits quantity buying (with the attendant discounts) and reduces the likelihood of duplicate and excessive inventories. However, these benefits are normally considered for larger governmental units. Towns and smaller third class cities do not normally establish internal service funds.

Internal service fund assets include cash, investments, receivables, amounts due from other funds, inventories, prepaid items, and capital assets. Receivables may include accounts and interest receivables.

Internal service fund liabilities include accounts payable, accrued payroll and employee benefits, accrued expenses, amounts due to other funds, and claims and judgments payable. Internal service funds liabilities may also include installment purchase contracts payable and obligations under capital leases.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.04
Page: 1 of 2
Subject: FIDUCIARY FUNDS
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Pension (and other employee benefit) trust funds should be used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. The mere fact that a government offers pension benefits or other benefits to its employees does not necessarily mean that the government should report a pension (or other employee benefit) trust fund. Rather, the critical factor is whether a government is *holding resources in trust* for that purpose.

GAAP require the use of separate trust funds for each individual pension plan. A pension plan is an arrangement where all assets accumulated for the payment of benefits may legally be used to pay any member or beneficiary. If certain assets are legally restricted to the payment of certain members or beneficiaries, then there is more than one pension plan for financial reporting purposes.

Additions to pension (and other employee benefit) trust funds include investment income and employee and employer contributions. Deductions for these funds are generally specified in the trust agreement and may include administrative expenses, such as salaries, wages and employee benefits, retirement benefits, and refunds of contributions.

Pension (and other employee benefit) trust fund assets include cash, investments, interest receivable, and amounts due from other funds. Liabilities include accounts and refunds payable.

Investment trust funds should be used to report the external portion of investment pools reported by the sponsoring government. Investment trust funds are created when legally separate governments commingle or pool their resources in an investment portfolio for the benefit of all participants. If the sponsoring government is a participant, the arrangement is referred to as a mixed pool and only the external portion of the pool's resources are reported in the investment trust fund.

Additions to investment trust funds include contributions from participants (other entities) and investment income. Deductions from investment trust funds include distributions to participants (other entities).

Investment trust fund assets include cash, investments, and interest and dividends receivable. There are no liabilities.

Private-purpose trust funds should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.04
Page: 2 of 2
Subject: FIDUCIARY FUNDS
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Additions to private-purpose trust funds include gifts, contributions, bequests, endowments, and investment income. Deductions from private-purpose trust funds include payments in accordance with the trust agreement.

Private purpose trust fund assets include cash, interest and dividends receivable, and investments.

Private purpose trust fund liabilities include accounts payable and amounts due to others. Fund net assets for private-purpose trust funds may include amounts held in trust for other purposes.

Agency funds should be used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds, unlike trust funds, typically do *not* involve a formal trust agreement. Rather, agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party on whose behalf they are held.

Agency funds are most commonly used to account for taxes collected by one government on behalf of other governments. GAAP require the use of an agency fund to account for debt service transactions involving special assessment debt for which the government is not obligated in any manner. That is, property tax collections related to the repayment of no-commitment special assessment debt must be accounted for in an agency fund pending their remittance to bondholders. GAAP also mandate the use of an agency fund to account for pass-through grants that are equivalent to pure cash conduits. To qualify as a pure cash conduit, a grant must have no administrative involvement and no direct financial involvement with the grant program.

Additions to agency funds include monies or other assets collected from or on behalf of other entities or individuals, such as taxes, intergovernmental revenues, and investment income. Deductions from agency funds include remittances to the entities or individuals for which monies or other assets are held and expenses are paid on their behalf.

Agency fund assets include cash, investments, and interest receivable. Liabilities include due to other governments and deposits held for others.

Net assets in the fiduciary funds are classified as "assets held in trust" for the appropriate party. There are no net assets in the agency funds, since all assets are offset by a corresponding liability.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.05
Page: 1 of 2
Subject: Accounting for Special Assessments
Effective Date: 1 July 1986
Revision Date: 1 January 2012

As authorized by *Utah Code* Section 11-42-401 through 415, special assessments are employed to finance permanent improvements, such as to establish, extend or widen streets; construct curbs, gutters, sewer and drains, sidewalks and crosswalks; plant lawns and shade trees in parking spaces, etc.; or to finance services such as street lighting, park maintenance, etc. Such permanent improvements or special services are to be paid for, wholly or in part, from special taxes levied against the property owners who are benefited by the improvement project.

Under the *Utah Code*, municipalities have been empowered to make permanent improvements and to provide the required capital in one of three ways, as follows:

1. **Issuing General Obligation Bonds:** Special assessment projects are often financed with general obligation bonds issued by the town. When the town derives a direct benefit from the capital improvement or chooses to share in the cost of construction based on the anticipated benefit to the community, general obligation debt may be issued to reduce the cost of financing the project. Under this method of financing, the project would be accounted for through a *capital projects fund* which would be created to receive and disburse the proceeds of the bond issue.
2. **Using the General Funds of the Municipality:** The second procedure would generally require that the cost of improvements be included in the budget appropriation of a specifically created capital projects fund for the fiscal years in which the project is to be constructed.
3. **Special Improvement District Proceedings:** Special improvement district proceedings must be followed by all municipalities whenever the cost of a project is to be levied or assessed against the abutting property owners. Municipalities are authorized by the *Utah Code* to create improvement districts, to contract for the making of improvements in each district, and to let the contract to the lowest responsible bidder. **Towns creating special improvement districts should carefully review *Utah Code* Section 11-42-401 through 415, entitled Assessments.**

In January 1987, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 6 entitled "*Accounting and Financial Reporting for Special Assessments*" which established new accounting and financial reporting standards for capital improvements and services financed by special assessments.

Service-type Special Assessments: Transactions of a service-type special assessment should be reported in the fund type that best reflects the nature of transactions, usually the general fund, a special revenue fund, or an enterprise fund, giving consideration to the "number of funds" principle. Service-type special assessment revenues should be treated like user fees. Assessment revenues and expenditures (expenses) for which the assessments were levied should be recognized on the same basis of accounting as that normally used for that fund type.

Obligation to assume debt: If the town is obligated in some manner to assume payments on special assessment debt in the event of default by the property owners, all transactions related to capital

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.05
Page: 2 of 2
Subject: Accounting for Special Assessments
Effective Date: 1 July 1986
Revision Date: 1 January 2012

improvements financed by special assessments should be reported in the same fund types and on the same basis as any other capital improvement and financing transactions.

For financial reporting purposes, a town is obligated in some manner for special assessment debt if (a) it is legally obligated to assume all or part of the debt in the event of default or (b) the town may take certain actions to assume secondary liability for all or part of the debt - and the town takes, or has given indications that it will take, those actions.

Capital Construction Special Assessment Activities: Certain capital construction special assessment activities can be reported in the enterprise funds. When the special assessment debt is (a) a direct obligation of the enterprise fund or (b) is not a direct obligation but is expected to be repaid from enterprise fund revenues, the debt should be reported as a liability on the enterprise fund's balance sheet.

Construction Phase v. Debt-repayment phase: For most capital improvements assessments, the project can be divided into a construction phase and a debt-repayment phase. Unless the capital improvement is accounted for in the enterprise fund, the construction phase generally is accounted for in a capital projects fund. The debt-service phase of the capital improvement special assessment should be reported in a debt service fund when a separate fund is legally required or the debt meets a criterion where a debt service fund would be advisable. (See GASB Codification Section S40 for a description of criterion which would require a debt service fund).

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.06
Page: 1 of 2
Subject: Measurement Focus and Basis of Accounting
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Measurement Focus

Measurement focus is used to describe the types of transactions and events that are reported in a fund's operating statement.

Governmental funds are accounted for using the current financial resources measurement focus. The emphasis of this measurement focus and these funds' operating statements is on transactions or events of the period that have increased or decreased the resources available for spending in the near future.

Proprietary and fiduciary funds (except agency funds) are accounted for using the economic resources measurement focus. The emphasis of this measurement focus is on transactions and events that have increased or decreased total economic resources for the period. Consequently, the operating statements include all transactions that increase or decrease net assets.

Agency funds are custodial in nature since assets equal liabilities, and therefore, do not have a measurement focus.

Basis of Accounting

Basis of accounting determines **when** to recognize transactions and events that cause changes in a fund's current financial resources or total economic resources. Counties should use either the modified accrual or accrual basis of accounting, as appropriate.

Modified accrual basis—Counties should account for governmental funds on the modified accrual basis. Under this basis of accounting, counties recognize increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash. Consequently, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Revenue is considered available when it is collectible during the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual prior to receipt include property taxes; franchise taxes; special assessments; licenses and permits; intergovernmental aid, grants, and reimbursements; interest revenue; charges for services; and sales taxes collected and held by the State at year-end on the county's behalf. Fines and forfeits, rents, contributions, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are recognized when the related fund liabilities are incurred, except for principal and interest on general long-term debt and on special assessment debt secured by interest-bearing special assessment levies, which are recognized when due. These expenditures are recognized when due because it is only at that time that they are generally liquidated with expendable available financial resources. However, principal and interest payments on long-term debt due early in the following fiscal year may be recorded as expenditures in the current fiscal year if debt service fund resources are available for the payments.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: A.06
Page: 2 of 2
Subject: Measurement Focus and Basis of Accounting
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Accrual basis—Counties should account for proprietary and fiduciary funds on the accrual basis. Under this basis of accounting, counties recognize increases and decreases in economic resources as soon as the underlying transaction or event occurs. Consequently, revenues are recognized when they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 01
Page: 1 of 2
Subject: Budgetary Procedures - Introduction
Effective Date: 1 April 1987
Revision Date: 1 January 2012

All governmental units having the power to tax and public entities created by other governmental units must prepare and adopt a budget. A budget serves many purposes. Two of the most important purposes are (1) to provide a plan for orderly expenditure of public funds, and (2) to serve as the formal process for appropriating the entity's funds. By state law, funds cannot be spent until they are appropriated as required by the Fiscal Procedures Acts.

The significance of a town's budget process cannot be overemphasized. The budget process is an essential element in the financial planning, control and evaluation of a town and it provides the opportunity for those citizens paying for governmental services to be heard by their elected representatives. Recognizing the significance of the budget process, the Utah Legislature has set forth laws that define the budget process, both for the protection of the taxpayers and for the elected and appointed town officials. The Uniform Fiscal Procedures Act for Utah Towns contains those laws. For ease of understanding, the laws pertaining to the normal budget process have been summarized on the following pages. The complete text of these laws (*Utah Code* 10-5) should be referred to as needed and can be referenced by going to http://le.utah.gov/Documents/Code_const.htm.

Budgets Must Include Information for Three Years

The Fiscal Procedures Act for Towns requires that each budget document include information for three years: actual amounts for the last completed fiscal year, estimated amounts for the current fiscal year, and the budgeted estimate for the ensuing fiscal year. All three years are required to be included in both the tentative budget made available to the public, and the final adopted budget reported to the State Auditor's Office.

Mayor Responsible for Town Budget

Utah Code, Section 10-5-106 defines the mayor as the individual responsible for preparing the town budget. The mayor may delegate the actual preparation of the budget to other town officials, but the mayor is responsible for ensuring that the budget document is prepared and available for public inspection at least seven days prior to its adoption.

Uniformity

The budget laws recognize the benefits of uniform budgets which can be compared from one year to the next and can also be compared with other towns. The State Auditor is charged with providing these uniform budget forms and ensuring that they are completed and on file in the State Auditor's Office for public inspection. Forms are available at <http://sao.utah.gov/lgforms.html>.

Public Meeting to Discuss Budget Must Be Held

Individuals that pay taxes or fees to support governmental services have the right to attend a meeting held for the purpose of discussing a tentatively adopted budget and have the right to be heard regarding that budget. *Utah Code* Section 59-2-913 requires any property tax levy to be supported by "...a budget which has been adopted and approved prior to setting the levy..." Except as may be set forth differently in State

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 01
Page: 2 of 2
Subject: Budgetary Procedures - Introduction
Effective Date: 1 April 1987
Revision Date: 1 January 2012

laws, “adopted and approved” means that a tentative budget was adopted by the governing authority of a governmental entity and that after proper notice, a public meeting was held to discuss the budget before final adoption.

Fund Budgets

While towns are required to adopt budgets for the general fund, special revenue, debt service, capital project and enterprise funds and submit them to the State Auditor’s Office, the only budgets that are required to be presented in the financial report are the general fund and major special revenue funds.

Revisions to Budgets

Budgets are estimates, and therefore, from time to time it may be necessary to amend the town’s budget. Town budgets can and should be amended if it is apparent that expenditures are going to exceed the budget for any reason. Budgets can be amended as late as the last day of the fiscal year. A budget is also an appropriation of funds. Therefore, it is not permissible to amend the budget after the fiscal year has ended. The procedures for amending a budget are essentially the same as to adopt a budget originally, except the town is not required to send a copy to the State Auditor. For additional information, see Section B.04.

Section B.03.01 includes a property tax calendar to assist you in meeting the budgetary requirements and deadlines.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 02
Page: 1 of 2
Subject: Summary of Budget Procedures and Timetable
Effective Date: 1 April 1987
Revision Date: 1 January 2012

The following summary should be reviewed and understood by all elected and appointed town officials, including all department heads. Officials directly involved in the budget approval and modification processes should become familiar with the complete text of these budget laws, as well as all other budgetary procedures and laws discussed in this section of the manual.

In 1985 and 1986 the Legislature passed two bills relating to “truth in taxation” which affect municipalities in the requirements and procedures necessary in budgeting and setting tax levies. These items are covered in more detail in Section, B.03.

UTAH CODE SECTION

BUDGET PREPARATION AND ADOPTION

- 10-5-106 Mayor to prepare budget for general, special revenue, debt service, capital improvement and enterprise funds.
- 10-5-107 Tentative budget including all estimated revenues and all appropriations for expenditures required to be prepared and available for public inspection for seven days prior to adoption. Property tax levy to be determined by how much property tax needs to be raised to balance the budget.
- 10-5-108 Town council to hold public hearing to receive public comment on the budget. Notice of such meeting to be published in newspaper or posted 48 hours prior to hearing. (Refer to explanation under summary of 10-5-109)
- 10-5-109, 59-2-924(3), 10-5-112 Before June 22, the proposed tax rate and budget is adopted by resolution or ordinance. If there is no increase in the certified tax rate, a final budget is adopted before June 22. Copy of budget to be certified by budget officer and filed with State Auditor within thirty days of adoption.

The proposed or final tax rate must also be submitted to county auditor before June 22. If the town sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until the public hearing specified in *Utah Code* Section 59-2-919 has been held. Until the hearing is held and a final budget and tax rate are adopted, the town may expend monies based on, (1) its tentative budget after adoption, or (2) its prior year’s adopted final budget as amended, which must be readopted by resolution at a regular meeting of the governing body. Latest possible date for adoption in the case of an increased tax rate is August 17 (copy due to State Auditor within thirty days of adoption).

- 10-5-110 Budget shall be in effect subject to later amendment and shall be available for public inspection.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 02
Page: 2 of 2
Subject: Summary of Budget Procedures and Timetable
Effective Date: 1 April 1987
Revision Date: 1 January 2012

UTAH CODE

SECTION

BUDGET PREPARATION AND ADOPTION

- 10-5-111 Budgeted property taxes are the basis for determining the property tax levy.
- 10-5-116 Council may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- 10-5-117 Council may increase the total budget in a fund after meeting notification and public hearing requirements specified in 10-5-108. A public hearing is not required for an increase in the enterprise fund budget.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 03
Page: 1 of 1
Subject: Setting of Property Tax Rates
Effective Date: 1 April 1987
Revision Date: 1 January 2012

Truth-in-Taxation laws impact all governmental units that levy property taxes. In general, the county within which each city, town, school district, and special taxing district is contained, provides a statement showing the aggregate valuation of all taxable property located within each entity and the certified tax rate and levy worksheets to each taxing district by June 8 of each year. The taxing units will then need to determine the required tax levy, adopt a proposed or final tax rate, and send this information back to the county auditor before June 22 of each year.

If there is no increase in the certified tax rate, towns adopt a final tax rate and budget before June 22.

Entities adopting an increase in the certified tax rate are subject to additional disclosure requirements and have until August 17 to adopt a final tax rate. Sections 59-2-918 and 59-2-919 contain information on the additional requirements.

A copy of the final budget shall be submitted to the State Auditor within 30 days of adoption. A copy of the budget shall also be available within each entity for inspection by the public.

Per *Utah Code* Section 59-2-912 the governing body of each taxing entity shall, before June 22 of each year, adopt a proposed or, if the tax rate is not more than the certified tax rate, a final tax rate for the taxing entity. The governing body shall report the rate and levy, and submit the statement required under Section 59-2-913 and any other information prescribed by rules of the commission for the preparation, review, and certification of the rate, to the county auditor of the county in which the taxing entity is located. If the governing body of any taxing entity fails to comply with this section, the auditor of the county in which the taxing entity is located shall notify the taxing entity by certified mail of the deficiency and forward all available documentation to the Tax Commission. Upon receipt of the notice, the Tax Commission shall hold a hearing on the matter and certify an appropriate rate.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B.03.01
Page: 1 of 4
Subject: Property Tax Calendar
Effective Date: 1 April 1987
Revision Date: 1 January 2012

DUTIES TO BE COMPLETED	STATUTE	STATUTE DATE
Market value reduction of residential property	59-2-103	1/1
Lien date (real and personal property)	59-2-1302	
Payment of taxes	59-2-1302	Upon demand.
Unsecured Personal Property (payment of taxes)		11/30 if pers. prop.
Secured Personal Property		is filed with real prop. before 1/1
Taxing districts with either June or December year end notify county of date, time, and place of public hearing. December year end notify for following fiscal year.	59-2-919(7) 59-2-918(5)	3/1
County Treasurer to settle taxes charged and collected for previous year.	59-2-1365	3/31
Board of equalization meets on matters of exemption.	59-2-1101 & 59-2-1102	5/1 (before)
Tax Commission reports value of Centrally Assessed Property to counties.	59-2-802	6/1 (before)
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property.	59-2-924	6/1 (before)
County auditor sends valuation, certified tax rate and levy worksheets to each taxing district.	59-2-924	6/8
Tax Commission certifies the statewide rate for the cost of assessing and collecting property taxes to each county auditor.	59-2-905	6/8
Town Mayor prepares and has available tentative budget 7 days before adoption.	10-5-107	6/15 (before)
Taxing districts adopt a proposed tax rate, certify the rate and levy, and submit to county auditor.	59-2-912	6/22 (before)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B.03.01
Page: 2 of 4
Subject: Property Tax Calendar
Effective Date: 1 April 1987
Revision Date: 1 January 2012

DUTIES TO BE COMPLETED	STATUTE	STATUTE DATE
County adopts proposed tax rates, or if there is no increase in certified tax rate, a <u>final</u> tax rate is adopted.	59-2-909	6/22 (before)
Taxing districts on a June 30 fiscal year adopt tentative budgets and notify county of intent to exceed certified tax rate (see 59-2-923). If there is no increase in certified tax rate, a <u>final</u> tax rate is adopted. Taxing districts on a calendar year end report previously adopted budgets.	59-2-924(3)	6/22
County auditor to submit levy worksheets and supporting documentation to Tax Commission.	59-2-913	6/22 (before)
Tax Commission to notify county auditor of tax rate set for general state purposes.	59-2-901	6/22 (before)
Tax Commission to notify county auditor to implement levies as set.	59-2-914	
County auditor mails notice of intent to exceed certified rate (at least 10 days prior to board of equalization or public hearing to exceed).	59-2-919(4)	7/22
Taxing district must advertise its intention to increase property tax revenue (excluding new growth) at the same time it advertises its intention to adopt its budget.	59-2-918.5	
<p>No tax rate in excess of certified rate may be levied until a resolution has been approved by the governing body, 1/4 page advertisement in newspaper of general circulation to run once each week for two weeks. (Note: Taxing districts may petition the Tax Commission to authorize the use of weekly newspaper where the weekly paper would provide equal or greater notice to the taxpayer OR use of a direct notice to each taxpayer if the cost of the advertisement would cause undue hardship. This direct notice would be in addition to the notices mailed by the county auditor.) Meeting shall not be less than seven days after the 1st day the advertisement is published. The meeting on the</p>		

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B.03.01
Page: 3 of 4
Subject: Property Tax Calendar
Effective Date: 1 April 1987
Revision Date: 1 January 2012

DUTIES TO BE COMPLETED	STATUTE	STATUTE DATE
proposed increase may coincide with the hearing on the proposed budget.		
County auditor mails notice of county board of equalization meetings.	59-2-919(4)	7/22
Adoption of final budgets by taxing districts after public hearings to adopt proposed increases sent to county auditor. Adopted and approved tax resolution shall be forward to commission by county auditor. If taxing entity does not send resolution to county auditor by August 17, the county auditor will forward certified tax rate to commission.	59-2-920	8/17
Until the hearing is held and a final budget and tax rate are adopted, the taxing district may expend monies based on, (1) its tentative budget after adoption or, (2) its prior year ' s adopted final budget as amended, which must be re-adopted by resolution at a regular meeting of the governing body. (see 59-2-924).	59-2-923	
County board of equalization hearings.	59-2-1001	8/8 - 10/1
Board of equalization – hearings of appeals. (Note: The board of equalization may begin at an earlier date depending upon the mailing of the Notice of Property Valuation and Tax Changes.)	59-2-1005	no later than 10/1
Appeal to tax commission	59-2-1006	30 days after tax notice hearing
Copy of final budget to State Auditor within 30 days of adoption.	10-5-112	9/17
County auditor reports valuation and taxes to tax commission.	59-2-325	11/1 (before)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B.03.01
Page: 4 of 4
Subject: Property Tax Calendar
Effective Date: 1 April 1987
Revision Date: 1 January 2012

DUTIES TO BE COMPLETED	STATUTE	STATUTE DATE
County treasurer to mail tax notice.	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to county treasurer.	59-2-326	11/1 (before)
Counties must have tentative budget available for inspection 10 days prior to adoption.	17-36-11	before 12/22
Payment and delinquency date.	59-2-1331	11/30
Counties adopt final budget.	17-36-15	
Delinquency list published.	59-2-1332.5	12/31

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 04
Page: 1 of 1
Subject: Budget Adjustments and Modifications
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Once a budget has been adopted, it remains in effect until it has been formally revised. If any obligations are contracted that are in excess of the adopted budget, they are not valid or enforceable against the governmental unit. If such obligations are paid by the local governmental unit, they may represent debts to the governmental unit incurred in violation of Article XIV, Section 3 of the Constitution of Utah. Also, various State statutes refer to the responsibility of local governmental financial officers to certify that claims being paid are within budgeted amounts.

From the above comments, it should be very evident that before expenditures are made in excess of the adopted budget, the budget should be formally revised. Governmental units are generally given the authority to modify the budget from one department to another or from one account to another within the same department as long as the total budget expenditures of each fund of the governmental unit are not exceeded. Generally, these governmental units that have governmental fund types, i.e. general fund, special revenue funds, debt service funds and capital projects funds, are required to have a public hearing before the budget expenditures from any of these funds can be increased. The budgets for enterprise funds can generally be increased with the approval of the governing authority.

By state law, funds cannot be spent until they are appropriated as required by the Fiscal Procedures Act. Therefore, as stated above, a local government should not spend funds in excess of the amount originally appropriated until an appropriate budget hearing has been advertised and held and the new budget adopted. Since the major purpose of a budget is to appropriate funds, budgets may not be reopened after the end of the fiscal year to cover over-expenditures.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 05
Page: 1 of 1
Subject: Program and Performance Budgets
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The growth in government has created a need for governing bodies to find better ways to establish financial accountability. Growth restricts the ability of those responsible for a governmental unit to get directly involved in its daily operations. Program and performance budgeting and reporting provide a useful tool to evaluate operational areas of a government. It also allows the governing authority to establish and financially control specific programs.

The main objective of program and performance budgets is to require all levels of the government organization to establish goals and objectives. It also allows the governing authority to determine if budgeted costs and performance goals are being met.

To establish and account for revenue and expense on a program level, the government must first establish and use a good cost accounting system. Utilizing cost accounting procedures to produce program costs and to generate performance measurements provides an effective and useful tool for projecting and establishing future budgets. The government, by estimating the required increase in performance due to growth, can determine the budgetary impact by using performance cost measurements created in prior and current years' cost accounting reports.

The use of program and performance measurements requires planning and performance evaluation on a departmental and program level. It also requires administration and supervisory personnel to make financial and operational commitments on a program level with budgeted performance costs.

Local entities are urged to adopt measurements and accumulate costs which can be consistently compared for prior years and projected for future years. Annual reporting of unit costs and comparison with prior years, budget objectives, similar entities, etc., can provide a whole new dimension of management decision making and of accountability reporting.

Additional information on program and performance budgeting can be obtained from the governmental unit's independent auditor or from various books published on this topic.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 06
Page: 1 of 1
Subject: Enterprise Fund Budgets
Effective Date: 1 April 1986
Revision Date: 1 January 2012

A town is required to adopt a budget for enterprise funds (such as a water utility fund) in the same manner as prescribed for other funds. A town should not expend more than is budgeted in any fund, including enterprise funds. However, in the event expenses are higher than anticipated and there are available resources that may be expended, the town council may increase the budget of an enterprise fund without the necessity of holding a public hearing. This amendment should be done by ordinance or resolution indicating formal action by the council and a clear record should be made of the proceedings. (See *Utah Code*, Section 10-5-117.)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL OF TOWNS

Reference: B. 07
Page: 1 of 2
Subject: Fund Balance - Accumulation, Usage, and Deficits
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Utah Code, Section 10-5-113 states:

- (1) Towns may accumulate retained earnings or fund balances, as appropriate, in any fund.
- (2) The accumulation of a fund balance in the general fund may not exceed 75% of the total estimated revenue of the general fund.
- (3) The council may, in any budget year, appropriate from estimated revenue or excess fund balance in the general fund to a reserve for capital improvements, for the purpose of financing future specified capital improvements, pursuant to a formal long-range capital plan adopted by the governing body. The reserves may accumulate from year to year in a capital improvements fund until the accumulated total is sufficient to permit economical expenditure for the specified purposes.

In the event that the fund balance in the general fund is in excess of that allowed at the end of the fiscal year, the town is in violation of *Utah Code* Section 10-5-113(2) and it should be corrected as soon as possible. This excess must be included as available resources to the general fund and appropriated through the budget process to reduce bonded indebtedness, transferred to a capital projects fund or left as an available resource in the general fund which would have the effect of reducing current year property taxes.

In determining what is to be considered in calculating excess fund balance in the general fund, the State Auditor has determined that money received with specific restrictions on how the money can be used, such as state-allocated Class C road funds, or State Liquor fund allotment, should not be included.

Even though the accumulation of fund balances in funds other than the general fund is not restricted, these funds are established for a specific purpose and the usage of the accumulated fund balance in any of these funds is restricted for those purposes. When those purposes no longer exist, the fund balances are to be disposed of in the manner provided by *Utah Code*, Section 10-5-119:

Whenever the necessity for maintaining any special fund of a town has ceased to exist and a balance remains in the fund, the governing body shall authorize the transfer of the balance to the fund balance account in the general fund of the town, subject to the following:

- (1) Any balance remaining in a special assessment fund and any unrequired balance in its special improvements guaranty fund shall be treated in the manner provided in Section 17A-3-332;
- (2) Any balance remaining in a capital improvements or capital projects fund shall be transferred to the appropriate debt service fund or other fund as the bond ordinance may require and otherwise to the fund balance account in the general fund;

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL OF TOWNS

Reference: B. 07
Page: 2 of 2
Subject: Fund Balance - Accumulation, Usage, and Deficits
Effective Date: 1 April 1986
Revision Date: 1 January 2012

- (3) Whenever any balance held in a trust fund for a specific purpose, other than a cemetery perpetual care trust fund, is to be transferred because its original purpose or restriction has ceased to exist, a public hearing shall be held in the manner provided in Sections 10-5-108 and 10-5-109. The published notice shall invite those persons who contributed to the fund to appear at the hearing. If the council determines the fund balance amounts are refundable to the original contributors, a 30-day period following the hearing shall be allowed for persons having an interest in the fund to file with the council a verified claim only for the amount of each claimant's contributions. Any claim not filed in accordance with this section shall be invalid. Any balance remaining, after refunds to eligible contributors, shall be transferred to the fund balance account in the general fund of the town; and

- (4) Whenever the council decides, in conformity with applicable laws and ordinances, that the need for continued maintenance of its cemetery perpetual care trust fund no longer exists, it may transfer the balance in such fund to the capital improvements fund for expenditure for land, buildings, and major improvements to be used exclusively for cemetery purposes.

Some towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution, Section XIV(3). As such, the total deficit should be budgeted to be made up in the following fiscal year.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 07.01
Page: 1 of 1
Subject: Budgeting for Contributions and Transfers
Effective Date: 1 April 1997
Revision Date: 1 January 2012

A transfer is the movement of cash or other resources from one fund to another. In this sense, “fund” means a generally accepted fund type such as the general fund, debt service fund, capital project fund, or enterprise fund. This does not mean an account within the town, a savings account at the bank or the Public Treasurers Investment Pool at the State Treasurer’s Office. In addition, it does not mean beginning fund balance. A transfer is the movement of cash from one generally accepted fund to another.

Transfers between funds that do not represent loans, reimbursements, or quasi-external transactions are operating transfers and must balance. That is, transfers-in must equal transfers-out. For example, funds transferred from the general fund to the debt service fund to service general obligation debt is an operating transfer from the general fund and does not become an expenditure until paid out by the debt service fund.

It should be noted that when one fund provides a service for another fund (ie. general fund performs billing and overhead services for the enterprise fund) the reimbursement should be recognized as revenue to the fund performing the service and an expense to the fund receiving the service. This should NOT be considered a transfer or a contribution.

Contributions between funds, on the other hand, are used to either seed or close a fund, in effect, making them equity transfers. Contributions are, as the name indicates, contributions of cash or other resources which are not expected to be paid back or the result of any service of value rendered the donating fund. Contributions could be a gift from a private source. Contributions between funds must also balance.

Towns should ensure that (1) the terms “transfer” and “contribution” are properly applied as they submit their budgets, (2) transfers and contributions are identified as to source and destination, and (3) transfers and contributions balance.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL OF TOWNS

Reference: B. 08
Page: 1 of 1
Subject: Emergency Expenditures
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Utah Code, Section 10-5-118 provides the town council with the authority to increase expenditures without a public hearing, and even incur a deficit in the fund balance of the general fund in the case of an emergency. However, the definition of an emergency as set forth in the law is restrictive to such things as natural calamities and the authority provided by this section may not be used for other reasons, such as to cover unbudgeted expenditures.

10-5-118. Emergency expenditures.
The council, on determining that an emergency exists, such as widespread damage from fire, flood, or earthquake, and that the emergency necessitates the expenditures of money in excess of the budget of the general fund, may amend the budget and authorize such expenditures as may be reasonably necessary to meet the emergency.

The Disaster Recovery Act allows local governments to create a local government disaster fund. Counties, cities, towns, and special service districts can accumulate emergency funds to be used in case of an unforeseen disaster. The fund may not exceed 10% of total estimated revenues of the current fiscal period. The funds are to be used in case of a declared disaster, the aftermath of the disaster and for emergency preparedness.

Refer to *Utah Code* Section 53-2-405 for more details.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 09
Page: 1 of 1
Subject: Interfund Loans and Subsidies
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Utah Code, Section 10-5-120 provides for loans by one fund to another:

Subject to restrictions imposed by bond ordinance, statute, or other controlling regulations, the council may (1) authorize interfund loans from one fund to another at such interest rates and upon such repayment terms and conditions as it may prescribe, and (2) with available cash in any fund, purchase or otherwise acquire for investment unmaturing bonds of the town or of any fund of the town.

These loans may not be made for the purpose of covering an operating deficit in any of the funds of the town that were incurred in violation of budgetary laws. A loan from another fund of the town is not revenue to the recipient fund but rather should be recorded as a liability to that fund.

While it is the general objective of sound budgetary procedures that the general fund and enterprise funds of a town not require operating subsidy from each other, such transfers may be made if the following procedures are followed. In the case of the general fund subsidizing enterprise fund operations, such subsidy would be required to be clearly identified in both the preliminary budget, on which a public hearing was held, and the final adopted budget. In the case of enterprise funds subsidizing any other funds of the city, *Utah Code* Section 10-5-107(4)(a) requires 1) all enterprise fund customers to be notified with a separate written notice identifying the utility enterprise fund from which money is being allocated or transferred, the amount being allocated or transferred, and the fund to which money is being allocated or transferred, and 2) a public hearing to be held before such transfers can be made.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: B. 10
Page: 1 of 12
Subject: Town Budget Forms
Effective Date: 1 April 1987
Revision Date: 1 January 2012

In accordance with *Utah Code*, Section 59-2-913, all Utah towns must prepare a budget which has been duly adopted and approved before they can set a property tax levy. The Fiscal Procedures Act for Utah Towns does not change this requirement but does provide directions and procedures to be followed in the budget process. Section B.02 of this manual contains a summary of fiscal laws relating to the preparation, adoption and modification of budgets.

The budget approved and adopted by the town council must not be in excess of the estimated expendable revenue for the budget year for any fund as required by *Utah Code*, Section 10-5-114. The prior year's ending fund balance may be included in the resources available to be appropriated for the current year's expenditures. If this is done, it should be shown on the budget form as a source of revenue in the budget. As explained in *Utah Code* Section 10-5-113, the accumulation of a fund balance in the general fund shall not exceed 75% of the total estimated revenue of the general fund. Fund balance accumulation in excess of the 75% is required to be appropriated within the following fiscal year.

All special revenue funds must meet the strict definition of a special revenue fund. Any special revenues which coincide with general fund operations should be budgeted within the general fund budget. Such revenues are class C road funds, etc. A separate budget may be prepared for these types of funds for the town's internal use. However, the related revenues and expenditures should also appear in the general fund. A special revenue fund budget form should be used in this instance and should be clearly marked "memorandum budget only" in order that persons reviewing the budget are made aware that the revenue and expenditure amounts are included in the totals of another budget.

The State budget forms, along with the "Certification of Budget" sheet can be completed online by going to the State Auditor's web site at www.sao.utah.gov. If the town has its own budget software and budget forms that are consistent with the State Auditor's budget format, the Certification of Budget Form is available by itself on the same web site and can be printed out and attached to the town's budget and sent to the State Auditor's Office. Upon request, the State Auditor's Office will mail copies of the budget forms and certification of budget to the town. One copy of the completed budget forms should be returned to the State Auditor's Office in accordance with *Utah Code*, Sections 10-5-109.

The budget forms contain a provision for each of the various fund types as set forth by professional accounting standards (Generally Accepted Accounting Principles). However, every town may not have need for all fund types. Depending on each town's individual circumstances, the various funds and the applicable budget forms may be utilized.

For questions about these forms or assistance in completing them, please contact the State Auditor's Office (Richard Moon 538-1334 or 1-800-622-1243).

**Certification of Budget
Town**

Name _____

Fiscal Year Ended June 30, _____

Form: MB-BUD-1-2012

Part I

Certification

ADOPTION OF BUDGET INFORMATION:

In compliance with Utah Code Sections 10-5-107, 10-5-109, 59-2-919, through 59-9-923, as amended which states in effect:

At least seven days prior to its adoption, the mayor shall prepare for the ensuing year, on forms provided by the State Auditor, a tentative budget for each fund for which a budget is required. The council shall review, consider and tentatively adopt the tentative budget and shall establish the time and place of the public hearing to receive public comment on the budget. Before June 22, or in the case of a property tax increase before August 17, the governing body shall, by resolution or ordinance, adopt a budget for the ensuing fiscal period for each fund for which a budget is required. A copy of the final budget for each fund shall be filed with the State Auditor within 30 days after adoption.

I, the undersigned, certify that the attached budget document is a true and correct copy of the budget for the above mentioned Town and fiscal year as approved and adopted by resolution or ordinance. A public hearing meeting the requirements specified in Utah Code section (indicate below) was held for all budgetary funds.

- 10-5-109 (no increase in tax rate - final budget adopted before June 22)
- 59-2-919 through 923, 10-5-109 (increase in tax rate - final budget adopted before August 17)

Date of resolution or ordinance: _____

Public hearing date: _____

Budget Officer

Date

Phone Number

Email Address

CONTINUE ON PAGE 2 WITH PART II

**Town
Adopted Budget**

Town Name: _____

Fiscal Year Ended June 30, _____

Form: TN-BUD-1-2012

Basic Form Instructions

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1) Budget forms submitted must present a balanced budget as required by Utah Code. Budgeted expenditures must equal budgeted revenues in the general and special revenue funds.</p> <p>2) In the general and special revenue fund budgets, if prior year surplus amounts are to be appropriated in this budget, the amount is to be presented as a source of revenue in the budget. Also, any budgeted increase in a fund balance must be presented as an expenditure within the appropriate budget.</p> <p>3) A copy of the final budget should be sent to the State Auditor's Office within 30 days of adoption.</p> <p>4) Please report amounts rounded to the nearest dollar. Some items may not apply to your town.</p> | <p>5) If you have questions about the form, call Richard Moon at (801) 538-1334 or 1-800-622-1243, or send an email to richardmoon@utah.gov.</p> <p>6) Send completed budgets electronically to sao@utah.gov or mail a printed form to:
 Utah State Auditor
 Utah State Capitol Complex
 East Office Building Suite E310
 PO Box 142310
 Salt Lake City, UT 84114</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Part II General Fund Revenues

	Source of Revenue (a)	Prior Year Actual Revenue (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	Taxes			
1.1	General Property Taxes - Current			
1.2	Prior Years' Taxes - Delinquent			
1.3	General Sales and Use Taxes			
1.4	Franchise Taxes			
1.5	Transient Room Tax			
1.6	Fee-in-Lieu of Property Taxes			
1.7				
1.8				
	Licenses and Permits			
2.1	Business Licenses and Permits			
2.2	Non-business Licenses and Permits			
2.3	Cemetery - Burial Permits			
2.4	Animal Licenses			
2.5				
2.6				
	Charges for Services			
3.1	General Government			
3.2	Public Safety			
3.3	Streets and Public Improvements			
3.4	Street Sanitation Charges			
3.5	Refuse Collection Charges			
3.6	Parks and Public Property			
3.7	Cemeteries			
3.8	Miscellaneous Services:			
3.9				
3.10				

CONTINUE ON PAGE 3 WITH PART II

Town Name:		Fiscal Year Ended June 30, _____		
Part II General Fund Revenue - Continued				
Source of Revenue (a)		Prior Year Actual Revenue (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
Fines and Forfeitures				
4.1	Fines			
4.2	Forfeitures			
4.3	Other:			
4.4	Other:			
Intergovernmental Revenue				
5.1	Federal Grants			
5.2	State Grants			
5.3	State Shared Revenue			
5.4	Class "C" Road Fund Allotment			
5.5	Liquor Fund Allotment			
5.6	Grants from Local Units:			
5.7				
5.8				
Miscellaneous Revenue				
6.1	Interest Earnings			
6.2	Rents and Concessions			
6.3	Sale of Fixed Assets - Compensation for Loss			
6.4	Sale of Materials and Supplies			
6.5	Sales of Bonds			
6.6	Other Financing - Capital Lease Obligations			
6.7				
6.8				
Contributions and Transfers				
7.1	Transfer From:			
7.2	Transfer From:			
7.3	Transfer From:			
7.4	Loan From:			
7.5	Contribution from Private Sources			
7.6	Beg. Class "C" Road Fund Bal. to be Appropri.			
7.7				
7.8				
7.9				
7.10	Beg. General Fund Balance to be Appropriated			
TOTAL REVENUES				
CONTINUE ON PAGE 4 WITH PART III				

Town Name:	Fiscal Year Ended June 30, _____
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Part III General Fund Expenditures

	Expenditure (a)	Prior Year Actual Exp. (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	General Government			
1.1	Administration			
1.2	Auditor			
1.3	Other Professional Services			
1.4	Elections			
1.5	Other			
1.6				
1.7				
1.8				
	Public Safety			
2.1	Police Department			
2.2	Fire Department			
2.3	Animal Control and Regulation			
2.4				
2.5				
2.6				
	Public Health			
3.1	Health Services			
3.2				
3.3				
3.4				
	Highway and Public Improvements			
4.1	Construction			
4.2	Repair and Maintenance			
4.3				
4.4				
4.5				
	Parks, Rec., and Public Property			
5.1	Park and Park Areas			
5.2	Recreation and Culture			
5.3	Libraries			
5.4	Cemeteries			
5.5				
5.6				
5.7				

CONTINUE ON PAGE 5 WITH PART III

Town Name:		Fiscal Year Ended June 30, _____		
Part III General Fund Expenditures - Continued				
	Expenditure (a)	Prior Year Actual Exp. (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	Community and Economic Devel.			
6.1	Community Planning			
6.2	Community Development			
6.3	Economic Development and Assistance			
6.4				
6.5				
6.6				
	Debt Service			
7.1	Principal and Interest			
7.2				
	Transfers and Other Uses			
8.1	Transfer To:			
8.2	Transfer To:			
8.3	Other:			
8.4				
	Miscellaneous			
9.1	Judgments and Losses			
9.2	FEMA Reimbursement of Flood Costs			
9.3	Other Flood Costs			
9.4				
9.5				
9.6				
9.7	Budgeted Increase in Fund Balance			
	TOTAL EXPENDITURES			
CONTINUE ON PAGE 6 WITH PART IV				

Town Name:	Fiscal Year Ended June 30, _____
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Part IV	Special Revenue Fund
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Nature of the Fund:			
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	Description (a)	Prior Year Actual (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	Revenues			
1.1				
1.2				
1.3				
1.4				
1.5				
1.6				
1.7				
	Other Sources			
2.1	Transfer From:			
2.2	Usage of Beginning Fund Balance			
2.3				
2.4				
2.5				
2.6				
	TOTAL REV AND OTHER SOURCES			

	Expenditures			
3.1				
3.2				
3.3				
3.4				
3.5				
3.6				
3.7				
3.8				
3.9				
	Other Uses			
4.1	Transfer To:			
4.2	Budgeted Increase in fund Balance			
4.3				
4.4				
4.5				
4.6				
4.7				
4.8				
	TOTAL EXP AND OTHER USES			

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Town Name:	Fiscal Year Ended June 30, _____
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Part V	Debt Service Fund
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	Description (a)	Prior Year Actual (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	Revenues			
1.1	Bond Issues (Except Enterprise)			
1.2	Property Taxes			
1.3	Fee-in-Lieu of Property Taxes			
1.4	Interest Income			
1.5	Transfer From:			
1.6	Other:			
1.7				
1.8				
1.9				
1.10				
1.11				
1.12				
	TOTAL REVENUE			

1.13	Beginning Fund Balance			
------	------------------------	--	--	--

	TOTAL AVAILABLE FOR APPROPRIATION			
--	------------------------------------------	--	--	--

	Expenditures			
3.1	Debt Service			
3.2	Retirement of bonds			
3.3	Interest on bonds			
3.4	Agent's Fees			
3.5	Other:			
3.6				
3.7				
3.8				
3.9				
3.10				
3.11				
	TOTAL EXPENDITURES			

3.12	Ending Fund Balance	0	0	0
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Town Name:	Fiscal Year Ended June 30, _____
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Part VI	Capital Projects Fund
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Nature of the Fund:			
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	Description (a)	Prior Year Actual (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	Revenues			
1.1	Transfers from General Fund			
1.2	Interest Income			
1.3	Other Additions			
1.4				
1.5				
1.6				
1.7				
1.8				
1.9				
1.10				
1.11				
1.12				
	TOTAL REVENUE			

1.13	Beginning Fund Balance			
------	------------------------	--	--	--

	TOTAL AVAILABLE FOR APPROPRIATION			
--	------------------------------------------	--	--	--

	Expenditures			
3.1				
3.2				
3.3				
3.4				
3.5				
3.6				
3.7				
3.8				
3.9				
3.10				
3.11				
	TOTAL EXPENDITURES			

3.12	Ending Fund Balance			
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Town Name:	Fiscal Year Ended June 30, _____
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Part VII	Other Fund
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Nature of the Fund:			
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	Description (a)	Prior Year Actual (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	Revenues			
1.1	Transfers from General Fund			
1.2	Interest Income			
1.3	Other Additions			
1.4				
1.5				
1.6				
1.7				

1.8	Beginning Fund Balance to be Appropriated			
-----	-------------------------------------------	--	--	--

	TOTAL REVENUE			
--	----------------------	--	--	--

	Expenditures			
2.1				
2.2				
2.3				
2.4				
2.5				
2.6				
2.7				

2.8	Appropriated Increase in fund Balance			
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	TOTAL EXPENDITURES			
--	---------------------------	--	--	--

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INSTRUCTIONS:

- The enterprise budget form is an accrual basis budget. While we acknowledge that a cash flow analysis is critical to the effective operation of any organization, it is more important to know whether the enterprise is operating at a profit or loss on current year revenues and expenses in a fiscal year period. Since enterprise funds are required to follow the same accounting principles for determining profit or loss that a private company is, it must be recognized that certain items such as bond proceeds are not revenues even though they provide cash, and items such as construction and major improvements of systems and debt repayment are not expenses even though they use cash. Accordingly, it would be helpful for the town to use the cash reconciliation section provided at the bottom of the form for cash flow analysis. Net income (loss) should not reflect retained earnings.

- A separate budget should be submitted for each enterprise function, such as water and electric. A combined budget may be prepared only if the function of the enterprise is closely related, such as water and sewer.

- Bonds to be repaid from enterprise funds should be budgeted and reported in the enterprise fund rather than the debt service fund.

See Section A.03.01 in the Uniform Accounting Manual for more information regarding Enterprise Funds.

Town Name: _____ **Fiscal Year Ended June 30,** _____

Part IX Enterprise or Internal Service Fund:				
	Description (a)	Prior Year Actual (b)	Current Year Estimate (c)	Ensuing Year Approved Budget Appropriation (d)
	Operating Revenue			
1.1	Charge for Services			
1.2	Interest Earned			
1.3	Other:			
1.4	Other:			
1.5	Other:			
	TOTAL OPERATING REVENUE			

	Operating Expense			
2.1	Personnel Services			
2.2	Contractual Services			
2.3	Material and Supplies			
2.4	Depreciation			
2.5	Other:			
2.6	Other:			
2.7	Other:			
	TOTAL OPERATING EXPENSE			

	Non-Operating Revenue (Expense) and Transfers			
3.1	Connection Fees			
3.2	Interest Expense			
3.3	Capital Contributions From Outside Sources			
3.4	Operating Transfers From:			
3.5	Operating Transfers From:			
3.6	Operating Transfers From:			
3.7	Operating Transfers From:			
3.8	Operating Transfers To:			
3.9	Operating Transfers To:			
3.10	Operating Transfers To:			
3.11	Operating Transfers To:			
3.12	Other:			
	NET INCOME (LOSS)			

	Cash Operating Needs			
4.1	Net Income (Loss)			
4.2	Plus: Depreciation			
4.3	Plus:			
4.4	Plus:			
4.5	Plus:			
4.6	Less: Major Improvements and Capital Outlay			
4.7	Less: Bond Principal Payments			
4.8	Less:			
4.9	Less:			
4.10	Less:			
	TOTAL CASH PROVIDED (REQUIRED)			

	Source of Cash Required			
5.1	Cash Balance at Beginning of Year			
5.2	Sale of Investment and Other Current Assets			
5.3	Issuance of Bonds and Other Debt			
5.4	Loans from Other Funds			
5.5	Other:			
5.6	Other:			
	TOTAL CASH PROVIDED (REQUIRED)			

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 01
Page: 1 of 2
Subject: Record Keeping Requirements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The record keeping requirements discussed in this section refer to the financial transactions of the town. However, there are other records of a non-financial nature that must be maintained. Reference should be made to the record retention requirements discussed in section E.14 for both financial and non-financial records.

Both the town clerk and treasurer have responsibility for maintaining the town financial records. While the council may exercise some latitude in determining which records will be maintained by the clerk and which will be maintained by the treasurer, certain records must be maintained by each to meet their legal responsibility (see discussion of clerk and treasurer fiscal responsibilities in section D).

The accounting systems for towns range from hand posted ledgers to posting machines and even computers. Accordingly, specific forms and procedures for maintaining the accounting records are not mandated and presented in this manual.

Regardless of what forms, procedures, and account numbers are used, the financial records maintained should identify the nature and source of all revenues and expenditures and segregate them into the appropriate fund.

Receipts issued by the treasurer for money received by the town should be prenumbered and all receipts, including those voided, should be accounted for. Where receipts are not issued, evidence of payment must be appropriately recorded and verifiable. For example, a treasurer may not issue a receipt to someone paying a utility bill by check where a specific payment history is maintained for each customer, but the treasurer would always need to issue a receipt to someone paying a utility bill in cash.

If expenditures are paid by check, prenumbered checks should be used and all checks, including those voided, accounted for. Multiple copy checks are much better for a town to use than single copy checks with a check stub. Credit card statements should be reconciled monthly to individual transaction receipts.

Bank statements should be reconciled monthly and agreed to the clerk's and treasurer's records of cash receipts and disbursements. **This is an extremely valuable step for those towns doing their own financial reports and filling out the State Auditor forms.**

Records should be maintained of all amounts owed to the town, such as customer utility charges.

Records should be maintained of all assets owned by the town such as equipment, property, etc. Also, records of bonds or other debts owed by the town should be maintained.

Mayors and councils as well as clerks and treasurers should have a good understanding of what revenues the town will be collecting and someone independent of the person receiving the money should periodically review the records to make sure all money due the town has been collected and deposited on a timely basis. Most towns do not have full scope independent audits and even those that do should not rely upon the independent auditor to identify problems or record keeping procedures that need to be

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 01
Page: 2 of 2
Subject: Record Keeping Requirements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

improved. The mayor and council should assume their responsibility to ensure that appropriate financial records are maintained by their town.

The Treasurer's Cash Statement found on the next page can be used to record cash receipts and disbursements as they occur.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C .02
Page: 1 of 1
Subject: Interim Financial Reports
Effective Date: 1 April 1986
Revision Date: 1 January 2012

As a matter of policy, the governing body of all governmental units should review the financial status and condition of that unit on a monthly basis. This is necessary for the governing board to (1) meet their fiduciary responsibilities, (2) ensure that problems such as revenue shortfalls will be identified on a timely basis, and (3) demonstrate that employees of the governmental unit are recording and accounting for all fiscal transactions on a timely basis.

The town clerk and/or treasurer is required to prepare and present on a quarterly basis to the council at council meeting, a financial statement showing the financial position of the town and the budgeted and actual revenues and expenditures to date. The council may require that this report be prepared on a monthly basis if they prefer and feel that is advantageous. See the example of a suggested format contained in subsection C.02.01

The State Auditor also recommends that on a monthly basis the town treasurer prepare a monthly cash and investment report using a format similar to that illustrated in subsection C.02.01. This statement will summarize the month's cash receipts, cash disbursements, and the beginning and ending cash and investment balances for the month for each fund the town maintains. **This is an extremely valuable procedure for those towns doing their own financial reports and filling out the State Auditor forms.**

MONTHLY SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
WITH BEGINNING AND ENDING CASH AND INVESTMENT BALANCES

Month of _____

	GENERAL FUND	SPECIAL REVENUE FUND(S)	DEBT SERVICE FUND(S)	CAPITAL PROJECTS FUND(S)	TRUST & AGENCY FUND(S)	FUND(S)	TOTAL
Beginning Cash Balances							
PLUS: Cash receipts							
PLUS: Investments converted to cash							
LESS: Cash disbursements	()	()	()	()	()	()	()
LESS: Cash invested	()	()	()	()	()	()	()
Ending cash balances							
Ending investment balances							

ILLUSTRATED INTERIM FINANCIAL REPORT
AND COMPARISON WITH THE BUDGET
Governmental Fund Types
(General, Special Revenue, Debt Service, Capital Projects)

_____ FUND

FOR THE _____ MONTHS ENDED _____

	Annual Budget	Current Period	Year to Date	Percent of Budget	
				Current Year	Prior Year
REVENUES:					
Property tax					
Sales tax					
Intergovernmental					
Fines/forfeitures					
Other: _____					
TOTAL REVENUES					
EXPENDITURES:					
General government					
Public safety					
Public health					
Highways & public imprvmnts.					
Parks & recreation					
Economic development					
Principal & interest					
Capital outlay					
Other: _____					
TOTAL EXPENDITURES					
Excess of revenues over (under) expenditures					
OTHER FINANCING SOURCES & USES:					
Transfers from (to) other funds					
Other: _____					
TOTAL OTHER FINANCING SOURCES & USES					
Excess of revenues over (under) expenditures & other sources & uses					

ILLUSTRATED INTERIM FINANCIAL REPORT
AND COMPARISON WITH THE BUDGET
Enterprise and Similar Fund Operations

_____ FUND

FOR THE _____ MONTHS ENDED _____

	Annual Budget	Current Period	Year to Date	Percent of Budget	
				Current Year	Prior Year
REVENUES:					
Charges for services	_____	_____	_____	_____	_____
Interest	_____	_____	_____	_____	_____
Contributions/Grants	_____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____	_____
TOTAL REVENUES	_____	_____	_____	_____	_____
EXPENSES:					
Personal services	_____	_____	_____	_____	_____
Contractual services	_____	_____	_____	_____	_____
Materials & supplies	_____	_____	_____	_____	_____
Utilities	_____	_____	_____	_____	_____
Depreciation	_____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____	_____
TOTAL EXPENSES	_____	_____	_____	_____	_____
Transfers from (to) other funds	_____	_____	_____	_____	_____
Net income	_____	_____	_____	_____	_____
Beginning retained earnings	_____	_____	_____	_____	_____
Ending retained earnings	=====	=====	=====	=====	=====

Reconciliation of Accounts Receivable
Customer Charges and Collections

Accounts receivable - beginning of period	\$ _____
ADD: Billings this period	\$ _____
(LESS): Collections this period	\$ _____
Accounts receivable - end of period	\$ _____

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 03
Page: 1 of 4
Subject: Annual Financial Reports
Effective Date: 1 April 1987
Revision Date: 1 January 2012

The financial statements represent the final product of the entire process of accounting techniques and procedures employed to record the financial transactions of a town. They provide the administrative officials, the local citizens, state and federal agencies, etc., the tools with which to analyze and appraise the financial condition of a town and the results of its operations for a given period or periods of time. The financial statements of towns are also being reviewed and studied for a variety of other reasons, such as: impact studies for energy related or other issues, governmental consolidation and incorporation and other structural issues, and for comparing taxes and costs of services of one town to another similar in size.

Utah Code Section 51-2a-201 and 202 requires an annual financial report to be prepared and submitted to the State Auditor's Office by all political subdivisions, interlocal organizations, and other local entities.

These sections provide that unless required by the State Auditor, smaller governmental units may be exempt from the requirement to have an audit but they are still required to prepare or have prepared a financial report and file that report with the State Auditor's Office within six months after the end of the fiscal year. *Utah Code* Section 51-2a-201 establishes the following criteria:

- (1) The governing board of an entity whose revenues or expenditures of all funds is \$350,000 or more shall cause an audit to be made of its accounts by a competent certified accountant.
- (2) Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues or expenditures of all funds is at least \$200,000 but less than \$350,000 shall cause a review to be made of its accounts by a certified public accountant.
- (3) Unless otherwise required by the state auditor under Section 51-2a-301 the governing board of an entity whose revenues or expenditures of all funds is at least \$100,000 but less than \$200,000 shall cause a compilation to be made of its accounts by a certified public accountant.
- (4) Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues and expenditures of all funds is less than \$100,000 shall cause a fiscal report to be made on forms provided by the state auditor.

All expenditures of all funds should be included in this calculation, including capital expenditures in proprietary funds, etc. Also, all revenues of all funds should be included in the calculation, including bond proceeds, etc.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 03
Page: 2 of 4
Subject: Annual Financial Reports
Effective Date: 1 April 1987
Revision Date: 1 January 2012

OTHER FINANCIAL REPORTING LAWS

51-2a-202. Reporting requirements.

- (1) The governing board of each entity required to have an audit, review, compilation, or fiscal report shall ensure that the audit, review, compilation, or fiscal report is:
 - (a) made at least annually; and
 - (b) filed with the state auditor within six months of the close of the fiscal year of the entity.
- (2) If the political subdivision, interlocal organization, or other local entity receives federal funding, the audit, review, or compilation shall be performed in accordance with both federal and state auditing requirements.

51-2a-203. Audit reports – Preservation

- (1) The governing body of each political subdivision and each interlocal organization or other local entity required to submit an accounting report shall:
 - (a) file and preserve all accounting reports; and
 - (b) file copies of all accounting reports with the state auditor.
- (2) Copies of the accounting reports are open to inspection during regular office hours by any interested persons, where the accounting reports are filed.
- (3) The state auditor shall have access to all accounting report work papers created under this chapter.

STATE AUDITOR DUTIES

51-2a-301. State auditor responsibilities.

- (1) Except for political subdivisions that do not receive or expend public funds, the state auditor shall adopt guidelines, qualifications criteria, and procurement procedures for use in the procurement of audit services for all entities that are required by Section 51-2a-201 to cause an accounting report to be made.
- (2) The state auditor shall follow the notice, hearing, and publication requirements of Title 63, Chapter 46a, Utah Administrative Rulemaking Act.
- (3) The state auditor shall:
 - (a) review the accounting report submitted to him under Section 51-2a-201; and
 - (b) if necessary, conduct additional inquiries or examinations of financial statements of the entity submitting that information.
- (4) The governing board of each entity required by Section 51-2a-201 to submit an accounting report to the state auditor's office shall comply with the guidelines, criteria, and procedures established by the state auditor.
- (5) Each fifth year, the state auditor shall:
 - (a) review the dollar criteria established in Section 51-2a-201 to determine if they need to be increased or decreased; and
 - (b) if the auditor determines that they need to be increased or decreased, notify the Legislature of that need.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 03
Page: 3 of 4
Subject: Annual Financial Reports
Effective Date: 1 April 1987
Revision Date: 1 January 2012

- (6) (a) The state auditor may require a higher level of accounting report than is required under Section 51-2a-201.
- (b) The state auditor shall:
 - (i) develop criteria under which a higher level of accounting report may be required; and
 - (ii) provide copies of those criteria to entities required to analyze and report under Section 51-2a-201.

PENALTIES FOR NONCOMPLIANCE

51-2A-401. Withholding allocated state funds from an entity that does not comply with the accounting report requirements.

- (1) The state auditor shall withhold allocated state funds sufficient to pay the cost of the accounting report from any political subdivision, interlocal organization, or other local entity that does not comply with the accounting report requirements of Section 51-2a-201.
- (2) (a) If no allocated state funds are available for withholding, the local entity shall reimburse the state auditor for any cost incurred in completing the accounting reports required under Section 51-2a-402.
- (b) The state auditor shall release the withheld funds when the accounting report requirements are not either voluntarily or by action under Section 51-2a.402.

51-2a-402. Accounting reports of entity not complying with the report requirements.

- (1) The statement auditor shall make, or shall cause an accounting report to be made, of any entity that does not comply with the accounting report requirements as provided in Title 51, Chapter 2a, Part 2, Accounting reports.
- (2) The state auditor shall contract with a licensed certified public accountant to complete the accounting report.

51-2a-403. General Fund reimbursed for accounting report of nonappropriated activities – Amount of reimbursement

- (1) The General Fund shall be reimbursed by the entity for which an audit, review, or compilation are in whole or in part performed, whenever the state auditor or legislative auditor general is required by law or constitutional provision to perform that audit, review, or compilation or cause that audit, review, or compilation to be made for any office, department, division, board, agency, commission, council, authority, institution, hospital, school, college, university, or other instrumentality of the state or any of its political subdivisions for nonappropriated activities including associated students' accounts, auxiliary enterprise funds, nonprofit corporations, contracts with the federal government, federal grants-in-aid, and federal assistance programs.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 03
Page: 4 of 4
Subject: Annual Financial Reports
Effective Date: 1 April 1987
Revision Date: 1 January 2012

- (2) (a) The reimbursement amount shall be a pro rata share of that auditor's total cost, based upon a time-spent factor.
- (b) An audit includes an audit of state-appropriated funds.
 - (i) If state-appropriated funds are not involved in the accounting report, the reimbursement may not be less than the average hourly cost of the operations of that auditor's office nor more than the average rate attainable from certified public accounting firms performing similar services for this state.
 - (ii) Reimbursement charges may be negotiated with that auditor's office within these limitations.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.01
Page: 1 of 2
Subject: Completion and Submission of Annual Financial Report Forms
Effective Date: 1 April 1987
Revision Date: 1 January 2012

The financial reporting forms prepared by the State Auditor's Office consist of two statements – a Balance Sheet/Statement of Net Assets and a Statement of Revenues, Expenditures and Changes in Fund Balance/Equity. Although the format of these statements, as presented, is NOT in accordance with all requirements of Generally Accepted Accounting Principles, they should provide sufficient disclosure for smaller governmental units.

Both the Balance Sheet/Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Fund Balance/Equity have columns for several fund types. These are to be used on an “as needed” basis, with many small towns requiring only the general fund and perhaps the enterprise (utility) fund.

The State Auditor's Office will not mail a copy of these financial statement forms to towns on an annual basis. Many towns will not need these forms and will be making arrangements with independent CPA firms to have an audit, review or compilation conducted. Towns preparing their own financial statements can complete and submit the forms either online or manually as follows:

ONLINE COMPLETION:

Go to the State Auditor's website at www.sao.utah.gov. Click on the link to “Forms for Local Governments” and find the financial report for towns with revenues or expenditures less than \$100,000. This form has brief explanations under many of the cells to guide the preparer and will add up the columns automatically. Then it can be submitted online directly from the website.

MANUAL COMPLETION:

Print off the two page annual report and certification on the next few pages of this manual and complete by hand following the detailed instructions and guidance for completing the financial statements. Send them to the State Auditor's Office in one of the following manners:

MAIL TO: Utah State Auditor's Office
State Capitol Complex
East Building, Suite E310
Salt Lake City, Utah 84114-2310

EMAIL TO: sao@utah.gov

FAX TO: 801.538.1907

A compilation of financial statements consists of presenting the financial information applicable to the town in a format that is in conformance with Generally Accepted Accounting Principles. Use of the proper format will allow comparability with financial statements of other towns and provide the needed financial information for research, monitoring, and other purposes. No test work, however, is performed

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.01
Page: 2 of 2
Subject: Completion and Submission of Annual Financial Report Forms
Effective Date: 1 April 1987
Revision Date: 1 January 2012

by the independent certified public accountant and the amounts and contents of the financial statements are strictly the representations of the town officials.

A review report is substantially the same as a compilation; however, there is an additional inquiry and analytical review procedure performed in the financial statements which “provide the accountant with a reasonable basis for expressing limited assurance that there is no material modification that should be made to the statements in order for them to be in conformity with Generally Accepted Accounting Principles...”

**Certification of Financial Report
For Towns with
Revenues or Expenditures
Less than \$100,000**

Form: MF-FS-1-2010

Name Select Town

Fiscal Year Ended June 30,

Part I Certification

We certify that the following schedules properly present the financial operations of the above named entity and fiscal year.

Mayor_____
Date_____
Phone Number_____
Email Address_____
Budget Officer_____
Date_____
Phone Number_____
Email Address

One original copy of this financial report must be kept by the entity at its offices and available for public inspection. A copy must be submitted to the Office of the Utah State Auditor within 180 days after the close of the fiscal year (June 30th). Forms may be submitted electronically to sao@utah.gov or mailed to:

Utah State Auditor's Office
Utah State Capitol Complex E310
PO Box 142310
Salt Lake City, Utah 84114

Financial Report

For Towns with Revenues or Expenditures Less than \$100,000

Name

Fiscal Year Ended June 30,

Form: ST-FS-1-2010

Part II Balance Sheet

		General Fund	Other Governmental Funds (Capital Projects, Debt Service, Special Revenue, & Permanent)	Capital Assets and Long Term Debt	Enterprise Fund
	(a)	(b)	(c)	(d)	(e)
	Assets				
1.1	Cash and cash equivalents				
1.2	Investments				
1.3	Receivables				
1.4	Capital Assets				
1.5	Land				
1.6	Buildings				
1.7	Improvements other than buildings				
1.8	Equipment				
1.9	Less Accumulated Depreciation				
1.10	Other (Specify):				
1.11					
	Total Assets	0	0	0	0
	Liabilities				
2.1	Accounts Payable				
2.2	Interest Payable				
2.3	Other (Specify):				
2.4					
	Total Liabilities	0	0	0	0
	Fund Balance / Net Position				
3.1	Nonspendable				
3.2	Restricted				
3.3	Committed				
3.4	Assigned				
3.5	Unassigned				
3.6	Net Investment in Capital Assets				
3.7	Net Position - Restricted				
3.8	Net Position - Unrestricted				
	Ending Fund Balance / Net Position	0	0		0
	Total Liabilities & Fund Balance / Net Position	0	0		0

CONTINUE ON PAGE 3 WITH PART III

Part III	Statement of Revenues, Expenditures / Expenses and Changes in Fund Balance / Equity
-----------------	--------------------------------------------------------------------------------------------

		General Fund		Other Governmental Funds (Capital Projects, Debt Service, Special Revenue, & Permanent)		Enterprise Fund
		Budget (b)	Actual (c)	Budget (d)	Actual (e)	(f)
(a)						
	Revenues					
1.1	General Property Tax					
1.2	General Sales Tax					
1.3	Other Taxes					
1.4	Charges for Services					
1.5	Fines and Forfeitures					
1.6	Class C Road Funds					
1.7	Federal and Other State Grants					
1.8	Other Miscellaneous					
1.9						
1.10						
	Total Revenues	0	0	0	0	0
	Expenditures / Expenses					
2.1	General Government					
2.2	Public Safety					
2.3	Highway and Streets					
2.4	Sanitation					
2.5	Culture and Recreation					
2.6	Non-departmental/Other					
2.7						
2.8						
2.9	Capital Outlay					
2.10	Debt Service					
2.11	Transfers from other funds					
2.12	Transfers to other funds					
	Total Expenditures / Expenses	0	0	0	0	0
	Excess of Rev over (under) Expense	0	0	0	0	0
	Total Beginning Fund Balance / Net Position					
	Total Ending Fund Balance / Net Position	0	0	0	0	0

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 1 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The financial reporting forms for smaller towns were designed to be as simple as possible but still provide the information necessary to accurately report the financial activity and condition of the town. These instructions are provided to assist you in preparing the required financial reports.

The report forms may be used by a town if neither revenues nor expenditures exceed \$100,000. This limit is applied to the total of all funds reported. Revenues, in this case, would include bond proceeds, etc.

The town must first determine the appropriate fund category to use. Most smaller towns will use a general fund and often an enterprise fund. Generally, the majority of revenue received by the town is property taxes, which should be reported in a general fund. However, in many instances a town will have a utility (water, sewer, electricity, etc.) where the major revenue source is charges for services or user fees. The financial information for utilities should be reported in an enterprise fund.

Other fund types may be used as necessary. For example, the debt service fund is used to report the accumulation of funds for, and the payment of, general long-term debt principle and interest. Also, the capital projects fund is used to account for funds to be used for the purchase or construction of capital facilities. These funds should only be used where there is a general fund. Debt service and construction costs for an enterprise type activity should be reported in the enterprise fund.

All capital assets (land, buildings, machinery and equipment) related to the general fund and other governmental funds should be reported in the Capital Assets & Long-Term Debt column. All capital assets related to an enterprise fund such as a utility should be reported in the enterprise fund.

All long-term debt related to the general fund and other governmental funds should also be reported in this Capital Assets & Long-Term Debt column. As with capital assets, long-term debt related to an enterprise fund should be reported in the enterprise fund.

The cemetery perpetual care permanent fund (other governmental funds) is used by cemeteries to account for the assets and activity of a perpetual trust fund. In this case, use the general fund for operations financed from property taxes and the cemetery perpetual care permanent fund for reporting the assets and other transactions related to the perpetual care fund.

Following are line by line instructions for completing the financial reports. (Refer to sample reports at the end of this section which have numbered/lettered cells that cross-reference with the following instructions.)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 2 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

BALANCE SHEET

GENERAL FUND

- (1) CASH: Put in this cell all amounts in your general fund checking account and/or savings account on the reporting date. The reporting date for towns is June 30. (Note: In reference to cells (1) and (17), governments do not necessarily need separate checking accounts for their various funds. They just need to know how much money in the checking accounting belongs to each fund (i.e. general, capital projects, debt service, special revenue, permanent funds.)
- (2) INVESTMENTS: This cell includes all amounts invested in securities including certificates of deposit, repurchase agreements, amounts invested in the Public Treasurers' Investment Fund, etc.
- (3) RECEIVABLES: These are amounts owed to the town by other individuals or entities on the reporting date.
- (4) OTHER: These cells may be used for any other asset categories such as "due from other town funds."
- (5) TOTAL ASSETS: This is the total of cells (1) thru (4). [(1) + (2) + (3) + (4) = (5)]
- (6) ACCOUNTS PAYABLE: These are amounts owed by the town to other individuals or entities on the reporting date.
- (7) INTEREST PAYABLE: These are interest amounts owed by the general fund on debt other than long-term debt.
- (8) OTHER AMOUNTS DUE: These cells may be used for any other liability categories, such as "notes or bonds due" or "due to other town funds."
- (9) TOTAL LIABILITIES: This is the total of cells (6) thru (8). [(6) + (7) + (8) = (9)].
- (10) NONSPENDABLE FUND BALANCE: These are amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.
- (11) RESTRICTED FUND BALANCE: These amounts have constraints placed on the use of resources that are externally imposed by creditors, grantors, laws, or other governments.
- (12) COMMITTED FUND BALANCE: These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the town's highest level of decision-making authority.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 3 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

- (13) ASSIGNED FUND BALANCE: These amounts are constrained by the town's intent to use funds for a specific purpose.
- (14) UNASSIGNED FUND BALANCE: This is the residual classification of fund balance for the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.
- (15) ENDING FUND BALANCE: This is the total of cells (10) through (14) [(10) + (11) + (12) + (13) + (14) = (15)]. This cell must equal the "ending fund balance/net position" line on the Statement of Revenues, Expenditures and Changes in Fund Balances for the same fund [line (W)].
- (16) TOTAL LIABILITIES AND FUND BALANCE/NET POSITION: This is the total of cells (9) and (15) [(9) + (15) = (16)].

OTHER GOVERNMENTAL FUNDS:

CAPITAL PROJECTS, DEBT SERVICE, SPECIAL REVENUE, CEMETERY PERPETUAL CARE PERMANENT FUND

All governmental fund-type activities not reported in the general fund should be combined and reported in one column as shown on the report form. This includes activity in capital projects, debt service, special revenue, and cemetery perpetual care funds.

- (17) CASH: Put in this cell all amounts in your checking account and/or savings account on the reporting date. The reporting date for towns is June 30. (Note: In reference to cells (1) and (17), governments do not necessarily need separate checking accounts for their various funds. They just need to know how much money in the checking accounting belongs to each fund (i.e. general, capital projects, debt service, special revenue, permanent funds.)
- (18) INVESTMENTS: This cell includes all amounts invested in securities including certificates of deposit, repurchase agreements, amounts invested in the Public Treasurers' Investment Fund, etc.
- (19) RECEIVABLES: These are amounts owed to the town by other individuals or entities on the reporting date.
- (20) OTHER: Any other asset categories, such as "due from other funds."
- (21) TOTAL ASSETS: This is the total of cells (17) thru (20). [(17) + (18) + (19) + (20) = (21)]
- (22) ACCOUNTS PAYABLE: These are amounts owed by the town to other individuals or entities on the reporting date.
- (23) INTEREST PAYABLE: This cell is for recording interest amounts owed by governmental funds other than the general fund on debt other than long-term debt.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 4 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

- (24) OTHER AMOUNTS DUE: These cells may be used for any other liability categories, such as “notes or bonds due.”
- (25) TOTAL LIABILITIES: This is the total of cells (22) thru (24). [(22) + (23) + (24) = (25)]
- (26) NONSPENDABLE FUND BALANCE: These are amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.
- (27) RESTRICTED FUND BALANCE: These amounts have constraints placed on the use of resources that are externally imposed by creditors, grantors, laws, or other governments.
- (28) COMMITTED FUND BALANCE: These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the town’s highest level of decision-making authority.
- (29) ASSIGNED FUND BALANCE: These amounts are constrained by the town’s intent to use funds for a specific purpose.
- (30) UNASSIGNED FUND BALANCE: This is the residual classification of fund balance for the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. Therefore, if assigned fund balance should appear in this column, it would be negative.
- (31) ENDING FUND BALANCE: This is the total of cells (26) through (30) [(26) + (27) + (28) + (29) + (30) = (31)]. This cell must equal the “ending fund balance/net position” line on the Statement of Revenues, Expenditures and Changes in Fund Balances for the same fund [line (W)].
- (32) TOTAL LIABILITIES AND FUND BALANCE/NET POSITION: This is the total of cells (25) and (31) [(25) + (31) = (32)].

CAPITAL ASSETS AND LONG-TERM DEBT OF THE GOVERNMENTAL FUNDS

- (33) LAND: Record in this cell the value of all land owned by the town which is used for governmental fund purposes. (All land used for business type activities should be reported in the enterprise fund column.) Use historical records to determine the land’s value at purchase. If such records are not available, use the best estimate of the value when the land was purchased or deeded to the town.
- (34) BUILDINGS: Record in this cell the value of all buildings owned by the town which are being used for governmental fund purposes. (All buildings used for business-type activities should be reported in the enterprise fund column.) Use historical records to determine the building’s value at purchase. If such records are not available, use the best estimate of the value when the building was purchased or deeded to the town.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 5 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

- (35) IMPROVEMENTS OTHER THAN BUILDINGS: Record in this cell the value of improvements made to facilities which are not classified as buildings or equipment used for or owned by governmental funds net of depreciation.
- (36) EQUIPMENT: Record in this cell the value of all equipment owned by the town which is used for governmental fund purposes. (All machinery and equipment used for business-type activities should be reported in the enterprise fund column.) Use historical records to determine the equipment's value at purchase. If such records are not available, use the best estimate of the value when the equipment was purchased or deeded to the town. This should be net of depreciation.
- (37) OTHER: Record in this cell other capital assets, including the following:
- INFRASTRUCTURE: The value of long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets (ie. roads, bridges, tunnels, etc.). (Although this information would be valuable and make the financial report more complete, smaller governmental entities are not required to go back and determine the value of infrastructure already in place. In other words, smaller governments are encouraged but not required to report major general infrastructure assets retroactively.)
- and
- CONSTRUCTION IN PROGRESS: Any assets of the governmental funds which are currently under construction but are not yet complete.
- and
- OTHER: The value of any other assets belonging to governmental funds not applicable to the categories listed above.
- (38) TOTAL ASSETS: This is the total of cells (33) thru (37). [(33) + (34) + (35) + (36) + (37) = (38)]
- (39) ACCOUNTS PAYABLE: These are amounts owed by the town to individuals or other entities as of June 30.
- (40) INTEREST PAYABLE: This is the amount of interest due on long-term debt obligations of the governmental funds.
- (41) OTHER: Record in this cell any long-term debt, including notes and bonds payable, used to finance governmental type assets or activities.
- (42) TOTAL LIABILITIES: This is the total of cells (39) thru (41). [(39) + (40) + (41) = (42)]

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 6 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

ENTERPRISE FUND

- (43) **CASH**: Record in this cell all amounts in your enterprise fund checking account and/or savings account on the reporting date. The reporting date for towns is June 30.
- (44) **INVESTMENTS**: Record in this cell all amounts of the enterprise fund invested in securities including certificates of deposit, repurchase agreements, amounts invested in the Public Treasurers' Investment Fund, etc.
- (45) **RECEIVABLES**: These are amounts owed to the enterprise fund by other individuals or entities on the reporting date.
- (46) **LAND**: Record in this cell the value of all land owned by the town which is used for enterprise fund purposes. (All land used for general fund type purposes should be reported in the Capital Assets & Long-term Debt column.) Use historical records to determine the land's value at purchase. If such records are not available, use the best estimate of the value when the land was purchased or deeded to the town.
- (47) **BUILDINGS**: Record in this cell the value of all buildings owned by the town which are being used for enterprise fund purposes. (All buildings used for general fund type purposes should be reported in the Capital Assets & Long-term Debt column.) Use historical records to determine the building's value at purchase. If such records are not available, use the best estimate of the value when the building was purchased or deeded to the town.
- (48) **IMPROVEMENTS OTHER THAN BUILDINGS**: Record in this cell the value of improvements made to enterprise fund facilities which are not classified as buildings or equipment used for or owned by the enterprise fund.
- (49) **EQUIPMENT**: Record in this cell the value of all equipment owned by the town which is used for enterprise fund purposes. (All machinery and equipment used for general fund type purposes should be reported in the Capital Assets & Long-term Debt column.) Use historical records to determine its value at purchase. If such records are not available, use the best estimate of its value when it was purchased or deeded to the town.
- (50) **ACCUMULATED DEPRECIATION**: Record in this cell the total depreciation expense charged on equipment during the life of equipment thus far.
- (51) **OTHER**: Record in this cell other capital assets on hand, including the following:
- INFRASTRUCTURE**: The value of long-lived capital assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets (ie. water and sewer systems, etc.) belonging to the enterprise fund.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 7 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

and

CONSTRUCTION IN PROGRESS: Any assets of the enterprise fund which are currently under construction but are not yet complete.

and

OTHER: The value of any other assets belonging to the enterprise fund not applicable to the categories listed above.

- (52) TOTAL ASSETS: This is the total of cells (43) thru (51). [(43) + (44) + (45) + (46) + (47) + (48) + (49) + (50) + (51) = (52)]
- (53) ACCOUNTS PAYABLE: These are amounts owed by the enterprise fund to other individuals or entities on the reporting date.
- (54) INTEREST PAYABLE: This cell is for recording amounts owed by the enterprise fund for interest on debt.
- (55) OTHER LIABILITIES: Record in this cell other liabilities of the enterprise fund, including notes and bonds payable.
- (56) TOTAL LIABILITIES: This is the total of cells (53) thru (55). [(53) + (54) + (55) = (56)]
- (57) NET INVESTMENT IN CAPITAL ASSETS: Use this cell to identify this component of net position which consists of capital assets [(cells (46) through (49)], net of accumulated depreciation [less cell (50)], reduced by the outstanding balances of debt attributable to those assets [possibly cells (53), (54), or (55)].
- (58) NET POSITION – RESTRICTED: Use this cell to identify this component of net position which consists of restricted assets (constraints on the use of assets that are externally imposed) reduced by liabilities related to those assets [possibly cells (53), (54), or (55)].
- (59) NET POSITION – UNRESTRICTED: Use this cell to identify the remaining unrestricted funds on the reporting date. This amount can be calculated by taking Total Assets minus Total Liabilities minus Net Investment in Capital Assets minus Net Position-Restricted [(52) - (56) - (57) - (58) = (59)].
- (60) ENDING FUND BALANCE/NET POSITION: This is the total of cells (57) through (59). [(57) + (58) + (59) = (60)]
- (61) TOTAL LIABILITIES AND FUND BALANCE/NET POSITION: This is the total of cells (56) + (60) = (61)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 8 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL FUNDS

The same fund types should be used on the statement of revenues, expenditures, and changes in fund balances as on the balance sheet. Also, this statement requires both budget information and actual revenues and expenditures for most funds. The explanations given for each line apply for all funds and for budget amounts as well. Financial reports cannot be accepted without the budget information.

- (A) PROPERTY TAX: Report on this line all property taxes collected for the town by the county during the fiscal year. You may need to contact the county treasurer for assistance in determining the correct amount to put on this line. Generally accepted accounting principles for local governments require that any revenues collected by the county for you during the year must be recorded as revenue by the town even though the town may not receive that money until the new fiscal year.
- EXAMPLES: ABC County collected property taxes of \$1,500 during June 2012 which belong to XYZ Town. However, the County did not pay these funds to the town until August 15, 2012. These property taxes (\$1,500) should be included in XYZ Town's revenue for the fiscal year ended June 30, 2012 even though the money was not received until August of 2012.
- (B) SALES TAX: Report on this line the total amount received for sales tax as distributed by the State Tax Commission during the fiscal year.
- (C) OTHER TAXES: This line is used for any other taxes received by the town.
- (D) CHARGES FOR SERVICES: This line is used to report all revenues received from charges for services, including water or sewer services, etc., or user fees.
- (E) FINES AND FORFEITURES: This line is used for any revenues received from fines imposed or from forfeitures of bail or other deposits.
- (F) STATE-ALLOCATED ROAD FUNDS: All "C" road funds received from UDOT should be reported on this line.
- (G) FEDERAL GRANTS AND OTHER STATE GRANTS: All federal revenues and all grant revenues from state sources should be recorded on this line.
- (H) OTHER MISC: Any other revenues not described above should be recorded on this line with a description of the source of the revenue.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.03.03
Page: 9 of 11
Subject: Step-by-Step Instructions for Financial Report Forms for small towns (under \$100,000)
Effective Date: 1 April 1986
Revision Date: 1 January 2012

(I) TOTAL REVENUE: This is the total of lines (A) through (H). [(A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) = (I)]

(J) thru (Q)

EXPENDITURES: Expenditures should be classified by function or department. If none of the specific categories seem to fit your type of town, then report your expenditures under general government and break out the expenditures into salaries and benefits and other operating expenses.

(R) TRANSFERS FROM OTHER FUNDS: This line is used to record transfers between funds.

(S) TRANSFERS TO OTHER FUNDS: This line is used to record transfers between funds.

(T) TOTAL EXPENDITURES/EXPENSES: This is the total of lines J through S. [(J) + (K) + (L) + (M) + (N) + (O) + (P) + (Q) + (R) + (S) = (T)]

(U) EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES: This is total revenues minus total expenditures. [(I) - (T) = (U)]

(V) BEGINNING FUND BALANCE/NET POSITION: This is the fund balance at the beginning of the fiscal year. It can be obtained from the previous year's balance sheet account "Total Ending Fund Balance/Net Position" [Line W on the previous year's statement]. For very small towns that have only a checking and/or savings account and no other assets or liabilities, it will be the balance in the checking and/or savings account on the first day of the fiscal year.

(W) ENDING FUND BALANCE/NET POSITION: This line is the total of lines (U) plus (V). This line must equal the "Ending Fund Balance/Net Position" line for the same fund on the balance sheet [cell (15) for the general fund; cell (31) for the capital projects, debt service, special revenue, and permanent funds; cell (60) for the enterprise fund].

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 04
Page: 1 of 3
Subject: The Financial Reporting Entity
Effective Date: 1 October 1992
Revision Date: 1 January 2012

Many governments have created separate organizations to assist in accomplishing their goals; to achieve greater efficiency; to overcome constitutional or statutory limitations on debt, etc; or to provide autonomy over a particular function. Whatever the reason for creation of those separate organizations, comprehensive financial reporting from a public accountability perspective requires determining which of these organizations should be included as part of a financial reporting entity.

This broad-based notion of accountability by elected officials leads to the underlying concept of the governmental financial reporting entity: Governmental organizations are responsible to elected governing officials at the federal, state, or local level; therefore, financial reporting by a state or local government should report the elected officials' accountability for those organizations.

GASB Statements No. 14 and No. 39, as amended by No. 61, establish standards for defining and reporting on the financial reporting entity. GASB 14 also establishes standards for reporting participation in joint ventures. These standards apply to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand alone governments; and they apply to the separately issued financial statements of governmental component units. In addition, these Statements should be applied to governmental and non governmental component units when they are included in a governmental financial reporting entity.

GASB Statements No. 14 and No. 39, as amended by No. 61, have essentially three sections. The first section describes the financial reporting entity and provides standards for determining whether a potential component unit should be included in the reporting entity. The second section establishes standards for reporting component units in the reporting entity's financial statements. The third section describes the disclosures that should be made regarding component units and their relationship to the primary government.

WHO SHOULD BE REPORTED IN THE FINANCIAL REPORTING ENTITY:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 04
Page: 2 of 3
Subject: The Financial Reporting Entity
Effective Date: 1 October 1992
Revision Date: 1 January 2012

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval of the primary government. However, to be included as a component unit, a financial benefit or burden relationship must exist between the primary government and the organization.

HOW IT SHOULD BE REPORTED:

The financial statements of the reporting entity generally should allow the users to distinguish between the primary government and its component units. To accomplish this goal, the financial statements should generally communicate information about the component units and their relationships with the primary government rather than create the perception that the primary government and all of its component units are one legal entity.

Most component units should be included in the financial reporting entity by discrete presentation. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government. Certain information should be disclosed about each major component unit included in the component units column. The required information may be presented by using more than one column in the general purpose financial statements (GPFS) for the component units and either including appropriate combining statements for the discretely presented component units in the reporting entity's GPFS or presenting appropriate condensed financial statements of the discretely presented component unit in the notes to the reporting entity's financial statements.

Some component units, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government and should be reported as part of the primary government. That is, the component unit's balances and transactions should be reported in a manner similar to the balances and transactions of the primary government itself. This method of inclusion is known as blending.

REQUIRED DISCLOSURES:

The notes to the reporting entity's financial statements should distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units. The reporting entity's financial statements should make those component unit disclosures that are essential to fair presentation of the financial reporting entity's GPFS. The notes to the

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 04
Page: 3 of 3
Subject: The Financial Reporting Entity
Effective Date: 1 October 1992
Revision Date: 1 January 2012

financial statements also should include a brief description of the component units and their relationships to the primary governments as well as information about how the separate financial statements of component units may be obtained.

GASB Statements No. 14 and No. 39, as amended by No. 61, also require disclosures about the entity's relationships with organizations other than component units, including related organizations, joint ventures, jointly governed organizations, and component units of another government with characteristics of a joint venture or jointly governed organization. The statements also provide financial display requirements for joint ventures in which the participating government has an equity interest.

COMPONENT UNIT REPORTING AND DISCLOSURES:

Blended Component Units - Generally, blended component units are not required to report separately by the State Auditor's Office.

Discretely Presented Component Units - A discretely presented component unit should acknowledge that it is a component by disclosing that fact in its own financial statements. That acknowledgment may be made on the cover of the report and/or in the auditor's opinion by stating the following:... XYZ District, a component unit of ABC County,....

In addition, the component unit in its financial statement note on the reporting entity should explain that in accordance with GASB Statements No. 14 and No. 39, as amended by No. 61, the XYZ District has been determined to be a component unit of ABC County.

CHECKLIST:

The following subsection includes a checklist prepared by the State Auditor's Office that may be used in defining entity and evaluating potential component units. However, each entity should refer to GASB Statements No. 14 and No. 39, as amended by No. 61, when determining the reporting entity.

UTAH STATE AUDITOR'S OFFICE
FINANCIAL REPORTING ENTITY WORKSHEET

C.04.01

(Revised 1/11)

Potential Component Unit:	Year End:
Contact Name:	Title:
Phone #:	

INTRODUCTION

GASB Statements 14 & 39, as amended by GASB Statement 61, establish standards for defining and reporting on the financial reporting entity. GASB 14 also establishes standards for reporting participation in joint ventures. These standards apply to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand-alone governments. They also apply to the separately issued financial statements of governmental component units. In addition, the Statement should be applied to governmental and nongovernmental component units (CU) when they are included in a governmental financial reporting entity.

The financial reporting entity consists of the primary government (PG) and organizations for which the primary government is financially accountable. In addition, the primary government may determine that inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The definition of the reporting entity is based primarily on the notion of financial accountability. A PG is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the PG. A PG may also be financially accountable for governmental organizations that are fiscally dependent on it and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the PG.

A PG has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the PG (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Other organizations – Certain organizations warrant inclusion because of the nature and significance of their relationship with the PG. A legally separate, tax-exempt organization is a CU if all of the following criteria are met: a) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the PG, the PG's component units, or its constituents; 2) the PG, or its CU, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the PG is entitled to, or has the ability to otherwise access, are significant to the PG. In addition, other organizations should be evaluated for inclusion if they are closely related to, or financially integrated with, the PG.

Most CU's should be included in the financial reporting entity by discrete presentation. Some CU's, despite being legally separate from the PG, are so intertwined with the PG that they are, in substance, the same as the PG and should be reported as part of the PG by blended presentation.

There may be organizations that do not meet the definition for inclusion in the financial reporting entity. They should, nevertheless, be reported as a fiduciary fund of the primary government if the primary government has a fiduciary responsibility for them.

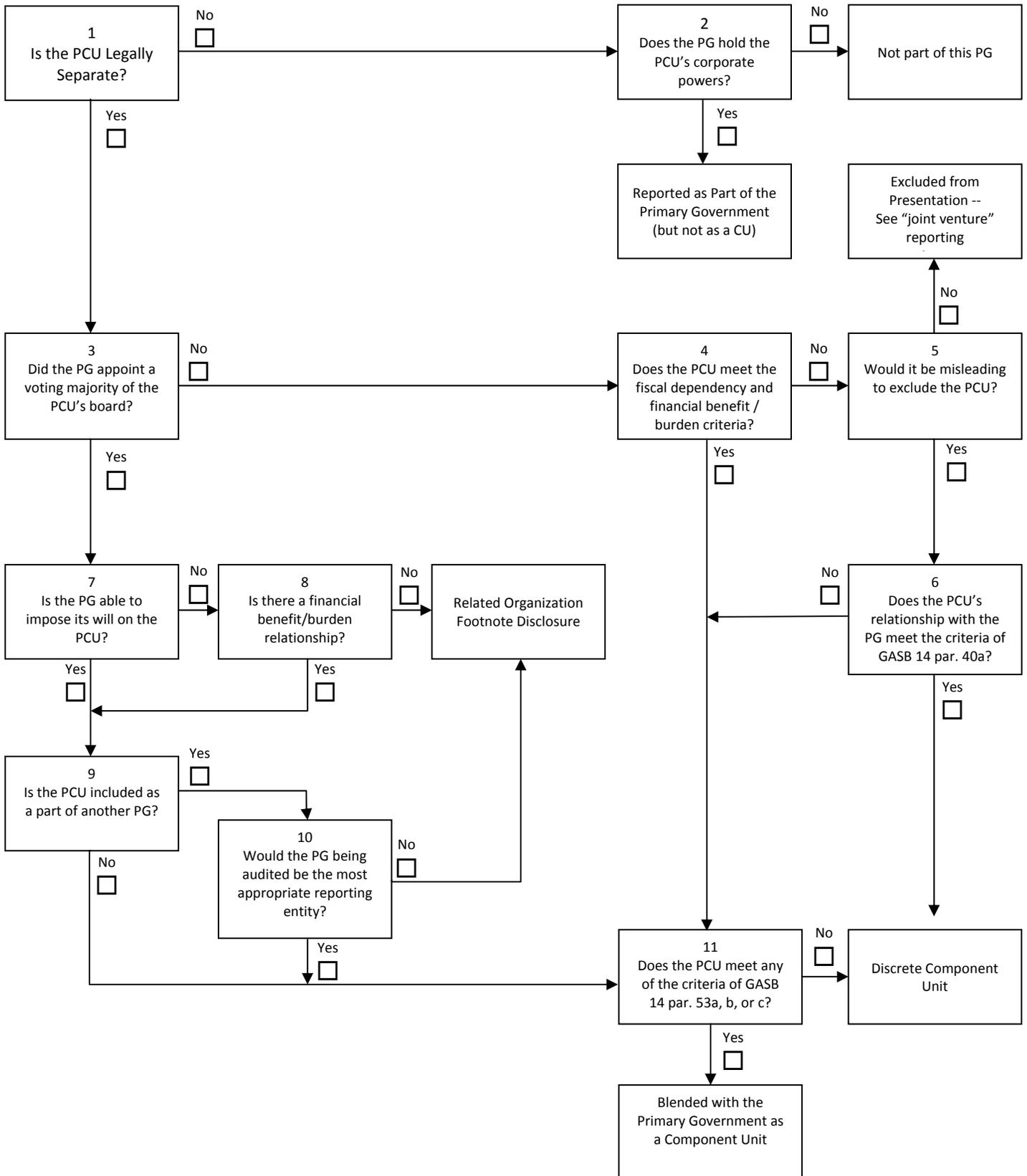
CONCLUSION (Check one)

This potential component unit should be reported (in the financial statements of the primary government) in the following manner:

	Excluded from Presentation		Reported as Part of the Primary Government (not as a CU)
	Related Organization Footnote Disclosure		Blended with Primary Government (as a CU)
			Discrete Component Unit

FINANCIAL REPORTING ENTITY FLOWCHART

Check the appropriate boxes:



PCU – Potential Component Unit
 PG – Primary Government

Flowchart Questions

These questions correspond to the flowchart questions of the previous page. ¶ numbers refer to GASB statement No. 14 as amended by GASB Statement No 61.

#	Questions	Yes	No	N/A
1	<p>Is the PCU legally separate? (¶15) If answer is “Yes,” proceed to question #3, otherwise proceed to next question.</p> <p><u>Consider:</u> Do either of these conditions exist?</p> <p>a. Per review of the (check as applicable) _____ corporate charter or _____ <i>Utah Code</i> (provide <i>Code</i> reference _____), the PCU was created as a “body corporate” or a “body corporate and politic.”</p> <p>b. The PCU possesses the corporate powers that would distinguish it as being legally separate from the PG. [See description of “corporate powers” in question #2 below.]</p> <p><u>Explanations:</u></p>			
2	<p>Does the PG hold the PCU’s corporate powers? (¶15) After answering this question, proceed to page 2 of this form and conclude.</p> <p><u>Consider:</u> Corporate powers generally give an organization the capacity to have a name; the right to sue and to be sued in its own name without recourse to a state or local governmental unit; and the right to buy, sell, lease, and mortgage property in its own name.</p> <p><u>Explanations:</u></p>			
3	<p>Did the PG appoint a voting majority of the PCU’s board (¶22-24) If answer is “Yes,” proceed to question #7, otherwise proceed to next question.</p> <p><u>Consider:</u> Do <u>all</u> of the following conditions exist?</p> <p>a. The PG appoints a controlling majority of the PCU’s governing board.</p> <p>b. The legal provisions for appointment of the PCU’s officials provide for continued appointment authority, <u>or if not</u>, the PG has the ability to unilaterally abolish the PCU.</p> <p>c. The PG’s appointment authority is substantive and not severely limited by a nominating or confirming process.</p> <p><u>Explanations:</u></p>			
4	<p>Do the fiscal dependency <u>and</u> fiscal benefit / burden criteria apply? (¶16-18, 21b) If answer is “Yes,” proceed to question #11, otherwise proceed to next question.</p> <p>Fiscal Dependency</p> <p>a. Does the PG have substantive authority to do <u>any</u> of the following:</p> <ol style="list-style-type: none"> 1) Approve and modify the PCU’s budget. 2) Approve the PCU’s tax rates or other rates or charges. 3) Approve the PCU’s issuance of bonded debt, if it is legal to issue bonded debt. <p>Note: PCU dependence upon PG funding is not considered when answering this question. However, this <u>may</u> be considered in answering question #5.</p>			

#	Questions	Yes	No	N/A
	<p>Financial Benefit / Burden</p> <p>b. If the answer is “Yes” to any of the questions in 4.a, is there a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government?</p> <p><u>Consider:</u> An organization has a financial benefit or burden relationship if <u>any</u> of these conditions directly or indirectly exist (a transaction did not have to occur in order to meet any of the following):</p> <ol style="list-style-type: none"> 1) The primary government is legally entitled to or can otherwise access the organizations resources (other than a residual interest in the event of dissolution). 2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization. 3) The primary government is obligated in some manner for the debt of the organization. <u>Any</u> of the following conditions would indicate that a PG is obligated “in some manner.” <ol style="list-style-type: none"> a. The PG is legally obligated to honor deficiencies to the extent that proceeds from other default remedies are insufficient. b. The PG is required to temporarily cover deficiencies with its own resources until funds from the primary repayment source or other default remedies are available. c. The PG is required to provide funding for reserves maintained by the debtor PCU, or to establish its own reserve or guarantee fund for the debt. d. The PG is authorized to provide funding for reserves maintained by the debtor PCU or to establish its own reserve or guarantee fund and the PG establishes such a fund. (If a fund is not established, the considerations in 6) and 7) below may nevertheless provide evidence that the PG is obligated “in some manner.”) e. The PG is authorized to provide financing for a fund maintained by the debtor PCU for the purpose of purchasing or redeeming the PCU’s debt, or to establish a similar fund of its own, and the PG establishes such a fund. (If a fund is not established, the considerations in 6) and 7) may nevertheless provide evidence that the PG is obligated “in some manner.”) f. The debtor PCU explicitly indicates by contract, such as the bond agreement or offering statement, that in the event of default the PG may cover deficiencies although it has no legal obligation to do so. That is, the bond offering statement may specifically refer to a law that authorizes the PG to include an appropriation in its budget to provide funds, if necessary, to honor the debt of the PCU. g. Legal decisions within the state or previous actions by the PG related to actual or potential defaults on another organization’s debt make it <u>probable</u> that the PG will assume responsibility for the debt in the event of default. <p><u>Explanations:</u></p>			
5	<p>Would it be misleading to exclude the PCU because of its relationship with the PG? (§39-41)</p> <p>If answer is “Yes,” proceed to question #6, otherwise proceed to page 2 of this form and conclude. Also, if answer is “No,” consider the joint venture reporting requirements in ¶69-78.</p> <p><u>Consider:</u></p> <ol style="list-style-type: none"> a. Is the nature and significance of the relationship between the PCU and the PG such that exclusion from the financial reporting entity would render the PG’s financial statements incomplete or misleading? Some specific criteria that <u>may</u> be considered include the following: <ol style="list-style-type: none"> 1) Was the PCU created to provide temporary fiscal assistance to a PG? 2) Does the PCU issue debt on behalf of the PG and collect dedicated revenues to pay off the PG’s debt? 3) Does the temporary nature of the PCU emphasize that the debt and revenues are, in substance, the debt and revenues of the PG? 4) Is the PCU so closely related to or so financially integrated with the PG that it would be misleading to exclude? For example, such a relationship may exist if there is a potential significant financial benefit to, or financial burden on, the primary government that is determined to be other than temporary. 			

#	Questions	Yes	No	N/A
	<u>Explanations:</u>			
6	<p>Does the PCU’s relationship with the PG meet the criteria of ¶40a? If answer is “Yes,” the PCU should be included as a discrete component unit. If answer is “No,” proceed to question #11.</p> <p><u>GASB 14 ¶40a Criteria to Consider:</u> Is the PCU a tax exempt organization that meets <u>all</u> of the following:</p> <ol style="list-style-type: none"> a. The economic resources received or held by the PCU are entirely or almost entirely for the direct benefit of the PG, its component units, or its constituents. b. The PG, or its CU, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the PCU. The ability to otherwise access the resources of an organization does not necessarily imply control over that organization’s resources; rather it entails a broader concept. As noted in paragraph 29 of Statement 14, the ability to access the resources of an organization – not necessarily whether there was an actual transaction during the period – is the important factor for determining when a primary government is entitled to an organization’s resources. A PG’s ability to otherwise access may be demonstrated in several ways. For example, the PG or its CU historically may have received, directly or indirectly, a majority of the economic resources provided by the organization, the PCU previously may have received and honored requests to provide resources to the PG, or the PCU is a financially interrelated organization, a recipient organization that has a duty to hold and manage assets for the benefit of the PG or its CU in accordance with a charitable trust agreement, as defined by FASB Statement No. 136. c. The economic resources received or held by the PCU that the PG, or its component unit, is entitled to, or has the ability to otherwise access, are significant to the PG. <p><u>Explanations:</u></p>			
7	<p>Is the PG able to impose its will on the PCU? (¶25-26) If answer is “Yes,” proceed to question #9; otherwise proceed to question #8.</p> <p><u>Consider:</u></p> <ol style="list-style-type: none"> a. Does the PG have the ability to do <u>any</u> of the following: <ol style="list-style-type: none"> 1) Remove appointed members of the PCU’s board at will? 2) Modify or approve the budget of the PCU? 3) Modify or approve rate or fee changes affecting revenues? 4) Veto, overrule, or modify the decisions (other than those in 2) and 3) above) of the PCU’s governing body? 5) Appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the PCU? b. This criterion is based on the PG’s <u>ability</u> or authority, not necessarily the demonstrated ability, to impose its will on the PCU. c. Other conditions may also indicate that a PG has the ability to impose its will on a PCU. <p><u>Explanations:</u></p>			
8	<p>Is there a financial benefit/burden relationship? (¶27-33) If answer is “No,” proceed to page 2 of this form and conclude; otherwise, proceed to next question.</p> <p><u>Consider:</u> See the description of financial benefit/burden in question #4.b above.</p> <p><u>Explanations:</u></p>			

#	Questions	Yes	No	N/A
9	<p>Is the PCU included as a part of another PG? (§38) If answer is “No,” proceed to question #11, otherwise proceed to next question.</p> <p><u>Consider:</u> In some instances, the financial accountability criteria indicate that a PCU is a component unit of a particular PG. However, that PCU may also be fiscally dependent on another state or local government. However, a PCU should be included as a component unit of only one reporting entity</p> <p><u>Explanations:</u></p>			
10	<p>Would this PG be the most appropriate reporting entity? (§38) If answer is “Yes,” proceed to question #11, otherwise proceed to page 2 of this form and conclude.</p> <p><u>Consider:</u> Professional judgment should be used to determine the most appropriate entity. Usually, fiscal dependency on a local government, not the financial burden on the state created by legislatively established aid distribution formulas, should govern in determining the appropriate reporting entity of school districts.</p> <p><u>Explanations:</u></p>			
11	<p>Does the PCU meet <u>ANY</u> of the following three criteria? (§53a, b, or c) If answer is “Yes,” the PCU should be included as a blended component unit. If answer is “No the PCU should be included as a discrete component unit</p> <p>a. Are the two boards substantively the same <u>and</u> either of the following apply? (§53a)</p> <ol style="list-style-type: none"> 1) There is a financial benefit or burden relationship between the primary government and the component unit (see description of financial benefit /burden relationship in question #4 above) or 2) Management of the primary government has operational responsibility for the component unit <p><u>Consider:</u> “Substantively the same” means sufficient representation of the PG’s entire governing body on the component unit’s governing body to allow complete control of the component unit’s activities. This criterion will rarely, if ever, apply to a state government because of the impracticality of providing sufficient representation of the state’s entire governing body.</p> <p>b. Does the PCU provide services entirely or almost entirely to the PG? (§53b)</p> <p><u>Consider:</u> Do any of these conditions exist?</p> <ol style="list-style-type: none"> 1) The PCU provides direct services <u>entirely, or almost entirely</u>, to the PG. 2) The PCU provides services <u>exclusively, or almost exclusively</u>, which benefit the PG even though the PCU does not provide the services directly to the PG? 3) The PCU’s total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the PG? <p>c. Is the PCU’s total debt outstanding, including leases, expected to be repaid entirely or almost entirely with resources of the PG? (§53c)</p> <p><u>Explanations:</u></p>			

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 05
Page: 1 of 2
Subject: GAAP and State Reporting Requirements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Utah Code Section 51-2a-201 requires audits to be made for political subdivisions, interlocal organizations, and other local entities with annual revenues or expenditures in excess of \$350,000. An audit is defined in *Utah Code* Section 51-2a-102(2) as an examination that is performed and financial statements presented in accordance with generally-accepted auditing standards and accounting principles and procedures. Generally accepted accounting principles (GAAP), including financial reporting requirements for state and local governments, are currently established by the Governmental Accounting Standards Board (GASB). Copies of the GASB Codification and GASB standards as they are issued should be obtained by local governmental fiscal officers and by independent auditors performing audits of local governmental units.

Copies of the current [GASB Codification](http://www.gasb.org) text can be obtained from GASB's website at www.gasb.org or by contacting GASB at:

Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
(203) 847-0700 ext. 10

The GASB has a subscription service which provides the subscriber with all past publications and future publications as they are issued. The GASB Codification outlines the components of the Comprehensive Annual Financial Report (CAFR), Section 2200 of the GFOA's *Governmental Accounting, Auditing and Financial Reporting* (2009 Edition). The governmental unit and the independent auditor should be aware that a complete comprehensive annual financial report, as outlined, while beneficial to medium and larger governmental units, is not required to meet GAAP reporting requirements. Rather, the report must contain Management's Discussion and Analysis, the basic financial statements, including government-wide and final financial statements, footnotes, Required Supplemental Information, and the combining and individual statements and schedules, as necessary, to support the financial statements and provide a sufficient level of detail for management purposes.

The Law requires the filing of financial reports with the State Auditor by all nonprofit corporations that receive at least 50% of their funds from federal, state, or local government entities as a condition for receiving such aid.

The Law also requires the State Auditor to establish guidelines, qualifications criteria, and audit procurement procedures for all entities that file financial reports. This is accomplished, in part, by the issuance of official rules dealing with auditor qualifications and audit procurement. The complete text of the adopted rules are included in this manual in section C.05.01.

Finally, the Law requires that each audit report include three additional documents: (1) a statement by the auditor expressing positive assurance of compliance with State fiscal laws identified by the State Auditor, (2) a copy of the auditor's letter to management that identifies any material weaknesses in internal controls discovered by the auditor and other financial issues related to the expenditure of funds received from federal, state, or local governments; and (3) management's response to the specific

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 05
Page: 2 of 2
Subject: GAAP and State Reporting Requirements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

recommendations.

All audits of local governments and nonprofit corporations required by *Utah Code* Section 51-2a-102 to have audits, must be conducted in accordance with *Government Auditing Standards* issued by the U.S. General Accounting Office. These standards include the following requirements in addition to those required by generally accepted auditing standards:

- (1) The persons conducting the audit must meet certain continuing professional education (CPE) and quality review requirements.
- (2) Audit reports must include an auditor's report on internal control and an auditors report on compliance.

Cities, towns, counties and special districts are required to provide additional reporting in their financial reports when they collect impact fees. (See *Utah Code* Section 11-36a-601)

In an effort to help local government auditor's monitor the use of state funds, the State Auditor's Office has issued a *Legal Compliance Audit Guide* which outlines the basic compliance audit requirements imposed by the laws passed by the Utah Legislature. The audit guide contains a general compliance section covering areas such as public debt, purchasing requirements, justice court compliance and also a section containing specifics on numerous major state grants distributed through and administered by state departments. This audit guide has been distributed to all independent CPAs performing government audit work in the state of Utah. Any firm entering into government auditing service may refer to this manual by accessing the state auditor's web site at <http://www.sao.utah.gov/localGov/legalComp/lcag.pdf>.

Federal Grants - Federal grants require the State to monitor the expenditure of grant funds, which includes the audit of the expenditures. The independent auditors for local governmental units perform most audit effort necessary on these grants. As noted in the "Single Audit Concepts and Requirements" section of this part of the manual, major compliance features of these grants have been identified by the Federal Office of Management and Budget. By auditing these grants to ensure compliance with these features, the independent auditor can satisfy state and federal audit requirements. (See section C.09 for additional information.)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 05.01
Page: 1 of 2
Subject: Rules Establishing Audit Requirements for Audits of Political Subdivisions and Nonprofit Organizations
Effective Date: 1 October 1992
Revision Date: 1 January 2012

R123-5 Audit Requirements for Audits of Political Subdivisions and Nonprofit Organizations

R123-5-1 Authority

1. As required by Section 51-2a-301, this rule provides the guidelines, qualifications criteria, and procurement procedures for audits required to be made by Section 51-2a-201.

R123-5-2 Definitions

1. "Auditor" means a certified public accountant licensed to conduct audits in the state and includes any certified public accountant firm as defined by Section 58-26a-102.
2. "Political subdivision" means all cities, counties, school districts, special districts, interlocal organizations, and any other entity established by a local governmental unit that receives tax exempt status for bonding or taxing purposes.
3. "Nonprofit organization" means any corporation created under *Utah Code* Chapter 16-6a.

R123-5-3 Audit Standards and Requirements

1. The audits of all entities required to have an audit made by Section 51-2a-201 shall be performed in accordance with Government Auditing Standards most recently published and issued by the Comptroller General of the United States.
2. The State Auditor shall adopt and maintain a legal compliance audit guide containing those fiscal laws and compliance requirements for state funds distributed to, and expended by, political subdivisions and non-profit organizations. This legal compliance audit guide may specify:
 - a. which grants and programs shall be considered major grants, and the compliance requirements which must be tested by the auditor,
 - b. the general compliance requirements applicable to all political subdivisions, and the audit requirements applicable to general compliance requirements,
 - c. the format for the auditor's statement expressing positive assurance with state fiscal laws identified by the State Auditor, and
 - d. those items related to internal controls and other financial issues which shall be included in the auditor's letter to management that must be filed with the audited financial statements.
3. The audits of all entities required to have an audit made by Section 51-2a-201, shall be performed in accordance with the legal compliance audit guide maintained by the State Auditor.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 05.01
Page: 2 of 2
Subject: Rules Establishing Audit Requirements for Audits of Political Subdivisions and Nonprofit Organizations
Effective Date: 1 October 1992
Revision Date: 1 January 2012

R123-5-4 Audit Procurement

The decision to retain an entity's auditor rests with the governing body of the entity. However, the auditor performing the audit must meet the peer review and continuing education requirements of Government Auditing Standards issued by the Comptroller General of the United States. If the governing body rebids the audit of its financial statements, it shall comply with the following audit procurement requirements:

- a. Proposals will be obtained from any interested and qualified certified public accountant licensed to perform audits in the state which may include the auditor currently performing the entity's audit. Notice may be given to potential auditors either through invitation or by notice published in a newspaper of general circulation. To promote competition it is recommended that at least three auditors be invited to participate in bidding for the audit.
- b. The entity shall distribute a "request for proposal" to all auditors who meet the qualification criteria set by the procuring organization interested in bidding for the audit. As a minimum, the request for proposal shall contain the following:
 - (i) the name and address of the entity requesting the audit and its designated contact person,
 - (ii) the entity to be audited, the scope of services to be provided, and specific reports, etc. to be delivered,
 - (iii) the period to be audited,
 - (iv) the format in which the proposals should be prepared,
 - (v) the date and time proposals are due, and
 - (vi) the criteria to be used in evaluating the bid.
- c. The entity may select the auditor or audit firm that the governing body desires to perform its audit and may reject any bid.

R123-5-5 Responsibility for Audit Quality

1. The governing body of each political subdivision is responsible to ensure that the political subdivision obtains a quality audit of its financial records.
2. The governing body may appoint an audit committee with the responsibility of making recommendations to the governing body for selection of an auditor, ensuring that the auditor meets qualification requirements, and ensuring that the auditor complies with professional standards.
3. If the governing body appoints a separate audit committee, then the governing body shall review the recommendations of the audit committee and make the selection of the auditor.
4. The audit committee will report its assessment of the auditor's compliance with professional standards to the governing body.
5. The auditor shall report the results of the audit to the governing body.
6. The governing body shall respond to the specific recommendations included in the auditor's letter to management. This response shall be remitted with the audited financial statements to the state auditor.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 06
Page: 1 of 2
Subject: Finance-Related Legal and Contractual Compliance Requirements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The primary purpose of a governmental body is to provide the services its citizens require within the framework of controls established by laws. A significant aspect of the governmental audit, therefore, is to ascertain whether, in obtaining and expending public funds, the unit is in compliance with the applicable statutes.

GASB Codification Section 2300 requires notes to the financial statements:

...essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements.

In 1996, Congress amended the Single Audit Act to respond to recommendations made by the President's Council on Integrity & Efficiency, the GAO, OMB, and other professional groups. Under the modified Single Audit Act of 1996, entities are required to have a Single Audit whenever federal expenditures equal or exceed \$500,000 in a fiscal year. There are no federal audit requirements for entities with federal expenditures less than \$500,000.

See the single audit section C.09 for additional compliance reporting requirements for audits of governmental units receiving federal funds.

The necessary audit disclosures for these finance-related legal and contractual compliance requirements as set forth by the AICPA are discussed in the AICPA industry audit guide. Independent auditors should review this section carefully as they plan and report on their audits of local governmental units. Also, other authoritative professional publications, such as SASs 54 and 117, need to be considered by independent auditors as they review their compliance reporting responsibilities.

The State Auditor has broad responsibilities to monitor local governmental units to help ensure compliance with Utah State fiscal laws. This monitoring of uniform accounting, budgeting and financial reporting is accomplished in a large degree by the State Auditor's review of annual audited financial statements. It is important that independent auditor's disclose noncompliance with state and federal laws to assist the State Auditor's Office in identifying those areas where additional training, assistance, or guidance may be required by local units. This monitoring and assistance benefits both the taxpaying public and governmental officials.

Accordingly, the following reporting of non-compliance with finance-related legal and contractual provisions should be made. Material violations should be reported by the governmental entity in the notes to the financial statements and by the independent auditor in the management letter or audit opinion, as appropriate. The management letter should also contain areas of non-compliance that the independent auditor is aware of, even though in his opinion, they are not material enough to require financial statement disclosure. Utah Administrative Code R123-5-3 requires that, in addition to the management letter, the audit report contain a statement of positive assurance of compliance with state fiscal laws identified by the state auditor. That Code Section also requires management to respond to the specific recommendations made by the auditor. *The State of Utah Legal Compliance Audit Guide* issued by the

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 06
Page: 2 of 2
Subject: Finance-Related Legal and Contractual Compliance Requirements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

State Auditor's Office identifies specific compliance requirements for the state funds received by the local governments.

The Report on State Legal Compliance, management letter, and response should be sent to the State Auditor's Office along with the annual audit report in accordance with State law.

These management letters will then be used by the State Auditor's Office to identify those governmental units that need individual assistance and also to identify those areas where additional training or guidance is required. In addition to the assistance provided to local governmental officials, this process should assist the independent auditors in maintaining a professional working relationship with their governmental clients while helping ensure that necessary changes are made by governmental officials.

To assist local governments in becoming more aware of some of the finance-related legal and contractual provisions as set forth in the *Utah Code*, a summary of some of the general compliance requirements is provided here. These laws are in addition to those provided in the Fiscal Procedures Acts for Cities, Counties, and Special Districts. Also, particular attention should be given to the budgetary procedures section of this manual.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 07
Page: 1 of 1
Subject: Obtaining Audit Services
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Section C.05.01 contains rules establishing audit requirements for political subdivisions and nonprofit organizations. Section R130-5-4 of those rules specify the requirements local governments must follow in obtaining an audit of its records. The State Auditor's Office generally does not specify when local governments must change auditors. However, when a local government does obtain a new auditor, the rules in that section must be followed in selecting an independent auditor. Those rules require local governments to go through a proposal process.

With the assistance of the Municipal Fiscal Advisory Committee, the following "Request for Proposal" (RFP) was developed to assist local governments in obtaining the information necessary to assess various qualifications of CPAs desiring to perform an entity's audit. Since each entity is slightly different and has specialized needs, a uniform standard request will not always provide the information necessary to make a good decision concerning future audit services.

The paragraphs shown in the RFP are optional and additional paragraphs may be added as needed. It is merely a guide to address some significant areas in auditor selection, and also to provide prospective auditors with enough information to make a knowledgeable bid. Also, the example is drawn up for a city or town but applies equally well to a county or special district.

Once the bids have been received, the entity will need to evaluate the proposals and select an auditor. All too often the only criteria used is price. Although this is an important consideration, it should not be the only consideration.

Other areas to consider during the evaluation process and to assign a "weighting" factor to are:

- A. Does the firm clearly understand the work to be performed?
- B. The firm's experience in governmental auditing.
- C. Will work be completed in time to meet statutory deadlines?
- D. Do individuals assigned to the audit have governmental experience?
- E. Can the firm offer ongoing assistance and are they available for other services?
- F. Others that you feel are necessary.

A sample contract for audit services is also included in Section C.07.02.

REQUEST FOR PROPOSAL
TO PROVIDE AUDIT SERVICES FOR
City/Town

1. BACKGROUND INFORMATION

The (city/town) of _____ was incorporated in ____ and currently has the following funds: _____. In addition to the funds mentioned, there are additional component organizations that are part of the reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement 61; they are _____. Total revenue for all funds and component organizations was \$_____ for the fiscal year ended June 30, 20___. (city/town) _____ uses _____ software for its accounting applications which is supported by _____ hardware.

____ city/town _____ is required by State law to provide an annual audit of its financial statements by a Certified Public Accountant in accordance with generally accepted auditing standards. This audit must be submitted to the State Auditor's Office within 180 days after the end of the fiscal year.

II. OBJECTIVE AND SCOPE

A single/financial audit is requested for the fiscal year ended June 30, 20___. The audit shall be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA); the *AICPA Audits of State and Local Governmental Units* audit and accounting guide; and the *Government Auditing Standards*, published by the U.S. General Accounting Office. Federal compliance test work will be done in accordance with Office of Management and Budget Circular A-133 (*This sentence should be used only when single audit is selected in the 1st sentence*).

The audit must be completed, and the report issued prior to _____. The auditor must deliver an electronic copy of the report to the State Auditor's Office and ____ copies to the ____ city/town _____.

The auditor will be involved in drafting, typing, and printing financial statements, and will assist management's efforts to obtain the Government Finance Officers Association's Certificate of Achievement of Excellence in Financial Reporting.

III. REPORT REQUIREMENTS

For financial audits, the auditor shall examine the financial statements and records of the entity and shall issue an auditor's opinion on the entity's financial statements with an in-relation-to opinion on combining and supplementary information, if any. Such financial statements shall be prepared in conformity with generally accepted accounting principles.

The auditor shall issue a compliance report based on an audit of general purpose or basic financial statements and a report on the internal control structure; both in accordance with *Government Auditing Standards*.

The auditor shall prepare and include a statement expressing positive assurance of compliance with State fiscal laws identified by the state auditor and other financial issues related to the

expenditure of funds received from Federal, State, or local governments. *(This statement is in addition to the compliance opinion required as part of a single audit.)*

The auditor shall prepare a comprehensive management letter including the auditor's findings and recommendations relative to the internal accounting and administrative controls, compliance with laws and regulations as applicable and adherence to generally accepted accounting principles.

The auditor shall include the written responses from city/town for each recommendation included in the state compliance letter and the management letter required by the *State of Utah Legal Compliance Audit Guide*.

(For audits completed in accordance with the Single Audit Act, the auditor shall examine the financial systems and records as they relate to the various federal grants and agreements and shall issue auditor's reports on internal and administrative control and on compliance with federal and state laws and regulations as required by generally accepted auditing standards promulgated by the AICPA.)

IV. AUDIT TERM

If the selected certified public accounting firm performs satisfactorily for the June 30, 20__ audit, it is anticipated that the same firm will be engaged to perform the audit for the succeeding __ years, subject to an annual evaluation and city/town council appropriation. But, in any event, it will not exceed __ years.

V. PROPOSAL QUALIFICATION REQUIREMENTS

Interested certified public accounting firms should include the following information in their proposal to perform the audit of the fiscal year ending June 30, 20__:

A. Profile of the Independent Auditor

The profile of the proposers should provide general background information. This should include:

1. The organization and size of the proposer, whether it is local, regional, national or international in operations.
2. The locations of the office from which the work is to be done and the number of professional staff, by staff level, employed at the office.
3. A statement on the proposer's staff capability to audit computerized systems.
4. A positive statement that the following mandatory criteria are satisfied:
 - (a) An affirmation that the proposer is properly licensed for practice as a certified public accountant in the State of Utah.

- (b) An affirmation that the proposer meets the independence requirements of the American Institute of Certified Public Accountants and the *Government Auditing Standards*, 2003 revision, published by the U.S. General Accounting Office.
- (c) An affirmation that the firm meets the continuing education and external quality control review requirements contained in the *Government Auditing Standards*, 2003 revision, published by the U.S. General Accounting Office.

B. Proposer's Qualifications

1. Identify the audit partners, audit managers, field supervisors and other staff who will work on the audit, including staff from other than the local office. Résumés including relevant experience and continuing education for the staff auditors up to the individual with final responsibility for the engagement should be included.
2. Describe the recent local office auditing experience similar to the type of audit requested.
3. If other auditors are to participate in the audit, those auditors should be required to provide similar information.

C. Proposer's Approach to the Examination

Submit a general audit work plan to accomplish the scope defined in these guidelines. The audit work plan should demonstrate the proposer's understanding of the audit requirements and the audit tests and procedures to be applied in completing the audit plan. The plan should detail the expected number of audit hours by staff level. The planned use of specialists should also be specified.

D. Time Requirements

Detail how the reporting deadline requirements of the audit will be met.

E. Fees

Supply the billing rates, estimated number of billable hours, other billable expenses and a "not-to-exceed" fee for the audit, inclusive of travel, per diem and all other out-of-pocket expenses. As noted in section IV, it is expected that if the selected certified public accounting firm performs satisfactorily for the June 30, 20__ audit, it will be engaged to perform the audit for the succeeding __ years. Therefore, the not-to-exceed fee information requested above should be provided on an annual basis for __ years.

F. Non-discrimination Clause

Affirm that the firm does not discriminate against any individual because of race, religion, sex, color, age, handicap or national origin, and that these shall not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

VI. CONTRACTUAL ARRANGEMENTS

- A. Audit programs, work papers and reports must be retained for a period of three years after the completion of the audit and made available for inspection by the city/town or government auditor's if requested by them.
- B. Payment for the audit will be made upon receipt of the audit reports required in section III.
- C. city/town staff will be available to prepare schedules, trial balances, and provide documentation to assist the auditor as their schedules permit during the course of the audit.

VII. EVALUATION OF PROPOSALS

The following criteria will be considered when making an evaluation of the proposals:

A. Technical Factors

- 1. Responsiveness of the proposal in clearly stating an understanding of the audit services to be performed.
 - (a) Appropriateness and adequacy of proposed procedures.
 - (b) Reasonableness of time estimates and total audit hours.
 - (c) Appropriateness of assigned staff levels.
- 2. Technical experience of the firm.
- 3. Qualifications of staff.
- 4. Size and structure of firm, considering the scope of the audit.
- 5. Geographic location of key personnel and responsible office.

B. Cost of the audit

C. Right to Reject

city/town reserves the right to reject any and all proposals submitted and to request additional information from all proposers. Any contract awarded will be made to the independent certified public accounting firm who, based on evaluation of all responses, applying all criteria and oral interviews, if necessary, is determined to be the best to perform the audit.

VIII. SUBMISSION OF PROPOSALS

__ copies of your proposal must be submitted to contact person _____, city/town, address _____, no later than date _____. Selection of the CPA firm will be made by _____ date _____, and all firms submitting proposals will be notified immediately as to the selection results. No proposal will be considered that is not received at or prior to the above time and date.

IX. SOURCES OF INFORMATION

There will be a pre-proposal conference held at time/address _____ to allow for questions and clarification, and responsible individual _____ can be contacted at phone number _____ for information necessary to complete the proposal. Audit reports and management letters from prior years will be available for inspection.

CONTRACT FOR AUDITING SERVICES

BETWEEN

[name of city, town, county, or district]

and

[name of CPA firm]

CERTIFIED PUBLIC ACCOUNTANTS

THIS AGREEMENT, entered into as of this ___ day of ____, 20__, by and between [name of entity], hereinafter referred to as the "TOWN," and the firm of [CPA firm], Certified Public Accountants, hereinafter referred to as the "AUDITOR," provides for audit services for the fiscal year ended June 30, 20__.

WITNESSETH THAT:

WHEREAS, the TOWN is required by law to cause an audit to be made of the accounts of all officers of the TOWN, and

WHEREAS, the TOWN desires to have performed a financial and compliance audit of the TOWN for the fiscal year ended June 30, 20__.

WHEREAS, the TOWN has received funds from the Federal Government under grants, agreements, and programs which require audits under the guidelines of the Office of Management and Budget (OMB) Circular A-133, and

WHEREAS, in order to meet the requirements of OMB Circular A-133, the TOWN desires to have performed a single compliance audit of those federal awards for the fiscal year ending June 30, 20__.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto, legally intending to be bound hereby, do covenant and agree for themselves and their respective successors and assigns, as follows:

I. AUDITOR'S DUTIES

- A. Standards: The AUDITOR shall perform all testwork and prepare all reports in accordance with the following professional standards and federal audit requirements:
1. Generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), including applicable statements of position and audit guides;
 2. *Government Auditing Standards* issued by the comptroller General of the United States;
 3. The Single Audit Act as amended by the Single Audit Act Amendments of 1996;

4. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and
 5. OMB Circular A-133 *Compliance Supplement*.
- B. Reports: The AUDITOR shall, in accordance with the above standards, prepare the following reports:

1. Report on Financial Statements

For the fiscal year ended June 30, 20__, the AUDITOR, in accordance with generally accepted auditing standards, as promulgated by the AICPA, the *AICPA Audits of State and Local Governmental Units* audit and accounting guide, and the *Government Auditing Standards*, published by the U.S. General Accounting Office, shall audit the financial statements and records of the TOWN and shall issue an AUDITOR's opinion on the TOWN's financial statements (with an in-relation-to opinion on combining and supplementary information). Such financial statements shall be prepared in conformity with generally accepted accounting principles. Reports on internal control and compliance, as referred below, shall also be issued.

2. Management Report Based on the Audit of the Financial Statements

The following three sections of this report should be bound together in a single document.

- (a) Report on Internal Controls Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

The AUDITOR shall report on their testing of compliance with federal and state laws and regulations performed as part of the financial and compliance audit. The report must identify occurrences of noncompliance with laws and regulations that are material and all instances or indications of illegal acts which could result in criminal prosecution. The report must contain a statement of positive assurance on items tested.

The AUDITOR shall report on their understanding of the TOWN's internal control over financial reporting and the assessment of control risk made as part of the financial and compliance audit. The report shall identify as a minimum: (a) the scope of the AUDITOR'S work in obtaining an understanding of the TOWN's internal control over financial reporting and in assessing the control risk and (b) the deficiencies, significant deficiencies, and material weaknesses, identified as a result of the AUDITOR's work in understanding and assessing the control risk.

- (b) Findings and Recommendations

The AUDITOR shall report findings and recommendations relative to compliance with laws and regulations, internal control over financial reporting, adherence to generally accepted accounting principles, and efficiency of

operations. The report shall contain all significant deficiencies and all instances or indications of illegal acts.

The AUDITOR shall request written responses and corrective action plans, where necessary, from TOWN officials for each recommendation and shall include such responses in the report.

(c) Status of Prior Findings and Recommendations

The AUDITOR shall also report on the TOWN's progress in implementing prior audit recommendations.

3. Single Audit Report

For the fiscal year ending June 30, 20__, the AUDITOR, in accordance with the standards cited above and the additional standards contained in the Single Audit Act as amended by the Single Audit Act Amendments of 1996, OMB Circular A-133, and AICPA standards related to compliance auditing, shall issue the following reports: (These reports shall be bound together with the TOWN's Schedule of Expenditures of Federal Awards and accompanying Notes.)

- (a) Report on Federal Awards: This report covers major program compliance, internal controls over federal awards, and the Schedule of Expenditures of Federal Awards.
- (1) The AUDITOR shall express an opinion as to whether the TOWN complied, in all material respects, with the specific requirements applicable to major federal financial assistance programs. This opinion may be included as part of the Auditor's Report on Financial Statements required by paragraph I. B1.
 - (2) The Auditor shall express an opinion as to whether the TOWN complied, in all material respects, with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs identified in the summary of auditor's results section of the schedule of findings and questioned costs.
 - (3) The report is required to address the AUDITOR's consideration of the internal control policies and procedures over compliance with requirements that could have a direct and material effect on major federal programs. This report should be prepared in accordance with the criteria set forth in Statement on Auditing Standards (SAS) No. 78, *Consideration of the Internal Control in a Financial Statement Audit*, SAS No. 60, *Communication of Internal Control Structure Related Matters Noted in an Audit*, and SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*.
 - (4) The report should comply with SAS No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor Submitted*

Documents. The report must reference to the audit having been performed in accordance with standards for financial and compliance audits contained in the *Governments Auditing Standards*, to meet the requirements of the OMB Circular A-133.

- (b) Schedule of Findings and Questioned Costs: This report should include the following three components as required by OMB Circular A-133:
- (1) A summary of the AUDITOR's results, including:
 - A) The type of report the AUDITOR issued on the financial statements;
 - B) Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses;
 - C) A statement as to whether the audit disclosed any noncompliance which is material to the financial statements;
 - D) Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses;
 - E) The type of report the AUDITOR issued on compliance for major programs;
 - F) A statement as to whether the audit disclosed any audit findings which the AUDITOR is required to report in accordance with OMB Circular A-133;
 - G) An identification of major programs;
 - H) The dollar threshold used to distinguish between Type A and Type B programs, as described in OMB Circular A-133; and
 - I) A statement as to whether the TOWN qualified as a low-risk auditee.
 - (2) Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).
 - (3) Findings and questioned costs for federal awards, including, where applicable:
 - A) Significant deficiencies in internal control over major programs;
 - B) Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program;
 - C) Known questioned costs which are greater than \$10,000, or are likely greater than \$10,000, for a type of compliance requirement for a major program;

- D) Known questioned costs which are greater than \$10,000 for a Federal program which is not audited as a major program;
- E) The circumstances concerning why the AUDITOR's report on compliance for major programs is other than an unqualified opinion;
- F) Known fraud affecting a Federal award; and
- G) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the TOWN materially misrepresents the status of any prior audit finding.

(4) The AUDITOR shall request a written corrective action plan from TOWN officials for each finding included in the Schedule of Findings and Questioned Costs. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. The corrective action plan shall be bound with the single audit reports.

4. Report on State Legal Compliance

For the fiscal year ended June 30, 20__, the AUDITOR, in accordance with the *State of Utah Legal Compliance Audit Guide*, shall issue the following reports bound together in a single document:

(a) Report on State Legal Compliance

The AUDITOR shall express an opinion on the TOWN's compliance with the state legal requirements identified in the *State of Utah Legal Compliance Audit Guide*.

(b) The AUDITOR's Management Letter

The Management Letter shall identify any reportable conditions in internal controls over state legal compliance and all instances of noncompliance with state legal issues discovered by the AUDITOR.

(c) TOWN's Response to the Management Letter

The AUDITOR shall bind the TOWN's response with the AUDITOR's Management Letter.

C. Other Services: The AUDITOR shall perform the following services in conjunction with preparation of the above reports:

1. Delivery of Reports

- (a) All reports shall be addressed to the TOWN.

- (b) The AUDITOR is to deliver a draft of the Report on the Financial Statements to the TOWN no later than (date) .
- (c) The AUDITOR is to deliver 5 copies of the final Report on the Financial Statements to the TOWN no later than (date) .
- (d) The AUDITOR is to deliver 5 copies of the Management Report Based on the Audit of the Financial Statements to the TOWN no later than (date) .
- (e) The AUDITOR is to deliver 5 copies of the Single Audit Report to the TOWN no later than (date) .
- (f) The AUDITOR is to deliver 5 copies of the Report on State Legal Compliance to the TOWN no later than (date) .
- (g) The deadlines noted above may be extended by the TOWN if, in the opinion of the TOWN, circumstances existing beyond the control of the AUDITOR prevent completion by that date.
- (h) Consider having the auditor transmit an electronic copy of all reports which they are associated with to the State Auditor's Office.

2. Availability of Working Papers

The AUDITOR agrees to make available all working papers, audit programs, and time control records associated with the audit of the TOWN upon request by the TOWN during performance of the audit or at the completion of the audit, for a quality control review. The AUDITOR also agrees to furnish copies of all working papers, audit programs and time control records upon request. Working papers and reports shall be retained by the AUDITOR for a minimum of three years from the date of the audit report. These same documents will be made available to federal and state agencies in accordance with OMB Circular A-133 and state law.

3. Inform TOWN of the Following:

(a) Irregularities

The AUDITOR shall promptly inform the TOWN regarding any indication of errors, irregularities or illegal acts that may come to their attention in connection with the audit.

(b) Changes in Personnel

The AUDITOR agrees to notify the TOWN in writing prior to changes of partner, manager, supervisor or senior personnel obligated in the AUDITOR's bid proposal.

II. TOWN'S DUTIES

The TOWN shall furnish the following to the AUDITOR:

- A. All financial records, books of accounts, supporting documents, and other related records for and related to the period being audited.
- B. Copies of TOWN ordinances, minutes of Council [Board, Commission] meetings, policy directives, grant agreements, contracts, leases, budgets, laws, and other pertinent documents or data, and such other information as may be required for the audit.
- C. A management representation letter confirming oral representations made to the AUDITOR.
- D. Adequate working space and other facilities for the conduct of the audit.
- E. All working papers normally prepared by the TOWN in connection with the accounting system, all original documents, as requested, evidencing audited transactions.
- F. Assistance of personnel in all reasonable requests from the AUDITOR as the TOWN staff time and budget will permit, including, but no limited to, the preparation of account analyses, summaries, and other working papers requested.

III. FEE PROVISIONS

- A. It is understood that the not-to-exceed fee, including all out-of-pocket expenses, for the services of the AUDITOR, as set forth in Section I. above, shall be \$ (fee) . The not-to-exceed fee consists of \$ for the financial audit services and \$ for the single audit services. Billings for interim testwork are to be submitted to the TOWN by June 30, 20 .
- B. The TOWN shall have the option to extend this contract to the succeeding (#) fiscal year(s). If the option is exercised for the fiscal year ending June 30, 20 the not-to-exceed fee, including all out-of-pocket expenses, for the services of the AUDITOR will be \$ (fee) , consisting of \$ for the financial audit services and \$ for the single audit services.
- C. Separate progress billings to the TOWN are allowed for time and expense incurred during the audit with the stipulation that progress billings cannot exceed 75% of the fees stated above. A statement of the current and cumulative hours incurred shall be submitted with each billing. The statement of actual hours incurred must separately report hours incurred for services performed in connection with the financial audit and hours incurred for services performed in connection with the single audit.
- D. Final payment shall be made upon completion of the audit and upon receipt of the AUDITOR's reports as stipulated in paragraph I.C.1., a final statement of actual hours incurred as described in paragraph III.C., and the final billing.
- E. It is expressly understood and agreed that in no event will the amounts to be paid by the TOWN to the AUDITOR under this contract exceed the fee and conditions made a part of this contract.
- F. Payments by the TOWN are expressly subject to appropriation therefore, and in the absence thereof, this agreement shall be terminated forthwith.

IV. INDEMNIFICATION

- A. The TOWN assumes no liability for any legal expenses, other than for its own defense.
- B. The AUDITOR hereby agrees to indemnify and save harmless the TOWN and its officers, agents, and employees, from and against any and all loss, damage, injury, liability, and claims thereof, including claims for personal injury or death, howsoever caused, resulting directly or indirectly, from the performance of the contract by the AUDITOR.

V. AUDITOR REPRESENTATIONS

- A. The AUDITOR confirms that he is independent of the TOWN as defined in the AICPA's Rules of Conduct, Rule 101, and the requirements of the *Government Auditing Standards*, published by the U.S. General Accounting Office.
- B. The AUDITOR confirms that he is properly licensed for public practice as a certified public accountant in the State of Utah and that he does not have a record of substandard work.
- C. The AUDITOR agrees not to discriminate against any individual because of race, color, religion, age, sex, handicap, or national origin, and that these shall not be a factor in consideration for employment, selection for training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.
- D. Said AUDITOR shall be an independent contractor, and as such, shall have no authorization, express or implied, to bind the TOWN or its agencies, in any agreement, settlement, liability, or understanding whatsoever, and shall not perform any acts as agent for the TOWN except as herein expressly set forth.

VI. CONTRACT TERMINATION

This contract may be terminated upon 30 days written notice by either party hereto and may be immediately terminated for cause or other bad performance by either party.

IN WITNESS THEREOF, the TOWN and the AUDITOR have executed this contract as of the date first indicated above.

(Name of CPA firm)
CERTIFIED PUBLIC ACCOUNTANTS

Partner

Date

(Name of Town)

Chairman, Town Council

Date

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.08
Page: 1 of 1
Subject: Fund Balance Limitations
Effective Date: 1 April 1997
Revision Date: 1 January 2012

Appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal. (*Utah Code* 17-36-17(1); 10-6-117(1); 10-5-114; 17B-1-619(1)). The State Auditor has taken the position that a deficit fund balance in one or more funds, created by expenditures being made in excess of those budgets, is an illegally created debt and in violation of the Utah Constitution, Section XIV. As such, the following fiscal year's budget should include sufficient revenues to eliminate the illegal deficit. Deficits arising from emergencies are not illegal and may be retired over 5 years.

Counties, municipalities, and other governmental units may accumulate fund balances in any fund; however, the general fund balance amounts must be within the following limits:

- Counties: *Utah Code* 17-36-16(2) indicates that the maximum fund balance in general fund may not exceed the estimated revenues from property taxes in the current fiscal year; except, that in counties with a taxable valuation of \$750,000,000 or more and a population of 100,000 or more, the maximum shall be limited to 20 percent of the total revenues of the general fund for the current fiscal year. Counties must also maintain a minimum fund balance of 5% of total revenues.
- Cities: *Utah Code* 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the General Funds may be utilized for budget purposes." In other words, 5 percent of total revenues must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18 percent of the total estimated revenue of the general fund. See *Utah Code* Section 10-6-116(2).
- Towns: The maximum amount in the general fund may not exceed 75 percent of the total estimated revenue of the general fund. See *Utah Code* Section 10-5-113(2).
- School Districts: The undistributed reserve may not exceed 5 percent of the maintenance and operations budget. See *Utah Code* Section 53A-19-103(1).
- Special Districts: *Utah Code* 17B-1-612(2) indicates that the general funds balance is restricted to the following: The greater of:
1. 100% of the current year's property tax: or
 2. 25% of the total general fund's revenues, if the annual general fund budget is greater than \$100, 000, or,
 3. 50% of the total general fund's revenues, if the annual general fund budget is equal to or less than \$100,000.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.09
Page: 1 of 5
Subject: Single Audit Concepts and Requirements
Effective Date: 1 April 1997
Revision Date: 1 January 2012

Single Audit Requirements for Local Governments

Single audits have been required of local governments since 1986. The Single Audit Act Amendments of 1996 and the revised OMB Circular A-133, dated June 24, 1997, have significantly changed the audit requirements for governmental entities that receive federal awards. This section of the Uniform Accounting Manual describes the single audit requirements for obtaining an audit, the local government's and the independent auditor's responsibilities for the audit, and the reports required to be filed. This section is only a summary of the single audit requirements. Local governments who receive federal awards, whether directly or through state or other non-federal sources, should be familiar with the requirements of the revised OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. (OMB Circular A-133 is available on the internet at the following address: http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf)

Single Audits Required When Federal Expenditures Exceed \$500,000

Local governments that expend \$500,000 or more of federal awards in a year must have a single audit conducted in accordance with OMB Circular A-133. Entities that have only one federal award can elect to have a program-specific audit as long as the federal program's laws, regulations, or grant agreements do not require a financial statement audit of the entity.

The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-federal entity to an interest subsidy; and, the period when insurance is in force.

Local Government Responsibilities

Local governments who are required to obtain a single audit are responsible for the following actions related to the audit:

1. Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the federal agency, and name of the pass-through entity.
2. Maintain internal control over federal programs that provides reasonable assurance that the local government is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.09
Page: 2 of 5
Subject: Single Audit Concepts and Requirements
Effective Date: 1 April 1997
Revision Date: 1 January 2012

3. Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.
4. Prepare appropriate financial statements, including the schedule of expenditures of federal awards.
5. Ensure that the audits required by OMB Circular A-133 are properly performed and submitted when due.
6. Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.

Report Submission

The local government is responsible for preparing the following statements and schedules and obtaining the following auditor's reports which must be filed as part of the single audit reporting package. Further guidance regarding these required statements, schedules, and reports can be found in OMB Circular A-133 according to the references shown in the following schedule.

<i>SINGLE AUDIT REPORTING PACKAGE</i> <i>Statement, Schedule, or Report</i>	<i>Prepared by</i>	<i>A-133 Reference</i>
Data Collection Form	Local Government and Auditor	§___.320(b)
Financial Statements	Local Government	§___.310(a)
Schedule of Expenditures of Federal Awards	Local Government	§___.310(b)
Summary Schedule of Prior Audit Findings	Local Government	§___.315(b)
Financial Statement Opinion	Auditor	§___.505
Government Auditing Standards Internal Control and Compliance Reports	Auditor	§___.505
Opinion on Schedule of Expenditures of Federal Awards	Auditor	§___.505
Schedule of Findings and Questioned Costs including the following: <ul style="list-style-type: none"> • Summary of Auditor Results • Findings related to the financial statements which are required 	Auditor	§___.505

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.09
Page: 3 of 5
Subject: Single Audit Concepts and Requirements
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<i>SINGLE AUDIT REPORTING PACKAGE</i> <i>Statement, Schedule, or Report</i>	<i>Prepared by</i>	<i>A-133 Reference</i>
to be reported in accordance with generally accepted government auditing standards (GAGAS) <ul style="list-style-type: none"> • Findings and questioned costs related to federal awards 		
Corrective Action Plan	Local Government	§____.315(c)

The reporting package described above must be submitted within the earlier of 30 days after receipt of the auditor's reports, or nine months after the end of the audit period. The reporting package must be submitted online to the federal audit clearinghouse as follows:

1. Create your online report ID at <http://harvester.census.gov/fac/collect/ddeindex.html>. Click on "enter new Form."
2. Complete the Form SF-FAC.
3. Upload the Single Audit.
4. Certify the submission.
5. Click "submit."

In addition, local governments that receive federal awards from state, local government, or other non-federal sources (pass-through entities) must submit one copy of the reporting package to the pass-through entity when there are current or prior year findings related to funding received from that pass-through entity. If there are no findings related to the pass-through entity, the local government can choose to either submit a copy of the reporting package or provide written notification to the pass-through entity that an audit was conducted and there were no current or prior audit findings related to the federal award(s) that the pass-through entity provided.

The reporting package must also be submitted to the State Auditor's Office and possibly other state or local government agencies as may be required by law, regulation, contract, or grant agreement.

Finally, the local government should keep one copy of the reporting package on file for three years from the date of submission to the central clearinghouse.

Auditor Responsibilities

The responsibility of the independent auditors who perform single audits is to:

1. Determine whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
2. Determine whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.09
Page: 4 of 5
Subject: Single Audit Concepts and Requirements
Effective Date: 1 April 1997
Revision Date: 1 January 2012

3. With respect to internal controls pertaining to the compliance requirements for each major program, obtain an understanding of internal controls; assess control risk; and perform tests of controls unless the controls are considered ineffective.
4. Determine whether the non-federal entity has complied with the provision of laws, regulations, and contracts or grants pertaining to federal awards that have a direct and material effect on each major program.
5. Follow up on prior audit findings, review the summary schedule of prior audit findings prepared by the local government and report, as a current year audit finding, when the results of the follow up are different from those reported in the summary schedule of prior audit findings.
6. Prepare the required auditor's reports including: a) an opinion on the financial statements; b) internal control and compliance reports as required by government auditing standards; c) single audit internal control and compliance reports; d) an opinion on the schedule of expenditures of federal awards; and e) a schedule of findings and questioned costs. The schedule of findings and questioned costs has three components: the summary of auditor results; findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards; and findings and questioned costs related to federal awards.

The summary of auditor's results is a new component of the single audit reporting package. This new summary report should address:

- a. The type of report the auditor issued on the financial statements;
- b. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses or significant deficiencies;
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements;
- d. Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses or significant deficiencies. If material weaknesses, list the program(s) to which they relate;
- e. The type of report the auditor issued on compliance for major programs;
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under §___.510(a) of OMB Circular A-133;
- g. An identification of major programs;
- h. The dollar threshold used to distinguish between Type A and Type B programs; and
- i. A statement as to whether the local government qualified as a low-risk auditee.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.09
Page: 5 of 5
Subject: Single Audit Concepts and Requirements
Effective Date: 1 April 1997
Revision Date: 1 January 2012

7. Retain working papers and reports for a minimum of three years after the date of issuance of the auditor's reports to the local government.
8. Make working papers available upon request to the cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or GAO at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with the purposes of this part. Access to working papers includes the right of federal agencies to obtain copies of working papers, as is reasonable and necessary.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.09.01
Page: 1 of 1
Subject: Confirmations of State and Federal grants
Effective Date: 1 April 1987
Revision Date: 1 January 2012

Following is a list of entities and their addresses to which confirmations of State and Federal funds should be sent:

Confirms: All State funds (liquor control allocations,
sales tax, safe sidewalk, etc.)
All Federal funds passed through the State

Rick Beckstead, State Accountant
State Division of Finance
2110 State Office Building
Salt Lake City, UT 84114

Federal funds which are received directly and are not passed through the State must be confirmed by the respective Federal agency or department which granted the funds.

Confirms: Payments-in-lieu of taxes (PILT)

Department of Interior
Bureau of Land Management
1849 "C" Street, N.W.
Room 3559
Washington, D.C. 20240

Addresses of other Federal agencies are available in the Catalog of Federal Domestic Assistance or your original grant documents or contract.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C.10
Page: 1 of 1
Subject: Reporting Capital Assets
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use.

Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

The term *capital* assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.

Capital assets that are being or have been depreciated should be reported net of accumulated depreciation in the statement of net assets. (Accumulated depreciation may be reported on the face of the statement or disclosed in the notes.) Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach described in GASB Statement No. 34 should be reported separately if the government has a significant amount of these assets.

Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets reported using the modified approach. Inexhaustible capital assets such as land and land improvements should not be depreciated.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 11
Page: 1 of 2
Subject: Reporting of Connection Fees, Impact Fees, and Contributed Capital
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The State Auditor's Office often receives questions regarding the proper handling of utility connection fees levied and contributions from subdivisions for the cost of water and sewer lines laid in subdivisions. The issue involves whether such fees represent contributions to be treated as contributed capital or whether they should be treated as operating or nonoperating revenues. The following guidance from the 2005 edition of Governmental Accounting, Auditing, and Financial Reporting, (GAAFR), is applicable in this situation.

“To connect to the existing system, new customers of a utility often are charged a special fee, such as a tap fee, a systems development fee, or a connection fee. The amount of this fee frequently exceeds the actual cost to connect new customers to the system. This excess often represents a charge to new customers for their fair share of the capital cost of the system already in place, or the cost of increasing the capacity of the system to meet the additional demand created by the connection of new customers.

Tap fees and similar fees are exchange transactions for the portion of the fee that is intended to recover the cost of connecting new customers to the system. Accordingly, that portion of the fee should be recognized as a receivable and revenue as soon as the connection is made.

The portion of a tap fee or similar fee beyond the cost of connecting new customers is properly classified as an imposed nonexchange revenue. Accordingly, a receivable and revenue should be recognized as soon as the government has established an enforceable legal claim to the payment (upon connection). Such amounts should be classified either as *capital contributions or nonoperating revenues*, rather than as *operating revenues*.

Governments sometimes require that developers pay impact fees to help defray a portion of the costs that naturally result from increased development (construction of new parks and schools, for instance). Most often, laws or regulations require that impact fees or other similar types of developer fees be used for capital acquisition or related debt service.

Impact and similar developer fees are properly classified as an imposed nonexchange revenue. Accordingly, the full amount of the fee should be recognized as a receivable and revenue as soon as the government has established an enforceable legal claim to the resources (typically at the point the fee becomes nonrefundable). That the subsequent use of those resources is legally restricted to capital acquisition or related debt service should be reflected by the restriction of net assets rather than the deferral of revenue.

Sometimes capital assets initially associated with government activities are later assigned to a proprietary fund. For example, a government may elect to establish a new internal service fund for an activity previously accounted for in the general fund, or it may choose to establish a new enterprise fund to account for services for which it will henceforth impose user charges. The rule in such cases is that the capital asset should be reported in the recipient proprietary fund at the same net

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: C. 11
Page: 2 of 2
Subject: Reporting of Connection Fees, Impact Fees, and Contributed Capital
Effective Date: 1 April 1986
Revision Date: 1 January 2012

book value previously reported (that is, historical cost less accumulated depreciation) in the government-wide statement of net assets.

Capital assets received from the general government should be reported as *capital contributions* rather than as *transfers* in the proprietary fund operating statement. Conversely, this same event would be reclassified as a *transfer* from governmental activities to business-type activities when reported in the government-wide statement of activities. Donations of capital assets to the general government would be reported as *transfers* in both the proprietary fund and government-wide financial statements.”

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: D. 01
Page: 1 of 2
Subject: Town Council Fiscal Responsibilities
Effective Date: 1 April 1987
Revision Date: 1 January 2012

The overall fiscal responsibility and accountability of a town rests with its governing body. Even though specific fiscal responsibilities are given by law to specific elected or appointed town officials, the governing body, through their own powers to appoint, review and prescribe rules and regulations, are responsible for the overall fiscal affairs of the town.

The mayor, with the advice and consent of the council, shall appoint a recorder and treasurer and other town officials, as specified. Please also refer to section IV. C.02 for additional laws which affect the Uniform Fiscal Procedures Act for Utah Towns.

The governing body has the following specific fiscal administrative responsibilities as set forth in the Uniform Fiscal Procedures Act for Towns.

UTAH CODE

<u>SECTION</u>	<u>SUMMARY</u>
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| 10-5-108 | Council shall hold a public hearing on the budget prepared by the mayor to receive public comment. |
| 10-5-109,
59-2-924(3),
10-5-112 | Before June 22, the proposed tax rate and budget is adopted by resolution or ordinance. If there is no increase in the certified tax rate, a final budget is adopted before June 22. Copy of budget to be certified by budget officer and filed with State Auditor within thirty days of adoption.

The proposed or final tax rate must also be submitted to county auditor before June 22. If the town sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until the public hearing specified in Section 59-2-919 has been held. Until the hearing is held and a final budget and tax rate adopted, the town may expend monies based on, (1) its tentative budget after adoption, or (2) its prior year's adopted final budget as amended, which must be readopted by resolution at a regular meeting of the governing body. Latest possible date for adoption in the case of an increased tax rate is August 17. Copy due to State Auditor within 30 days of adoption. |
| 10-5-113(3) | Governing body may appropriate money for capital improvements if a formal long-range capital plan has been adopted. |
| 10-5-114 | The council shall not make any appropriation in the final budget of any fund in excess of the estimated expendable revenue for the budget year of such fund. |
| 10-5-116 | Council may amend (reduce or transfer) budgets. |
| 10-5-117 | Council may increase budget (after public hearing). |
| 10-5-118 | The council may approve emergency expenditures in excess of budget (without |

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: D. 01
Page: 2 of 2
Subject: Town Council Fiscal Responsibilities
Effective Date: 1 April 1987
Revision Date: 1 January 2012

UTAH CODE

<u>SECTION</u>	<u>SUMMARY</u>
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holding public hearing).

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| 10-5-119 | The council is responsible for disposition of unneeded balances remaining in special funds. |
| 10-5-120 | The council may authorize loans from one fund to another, or may use available cash to buy unmatured bonds of the town. |
| 10-5-123(2) | Council shall approve all claims against the town. |
| 10-5-127 | Council shall appoint a deputy treasurer to sign all checks prepared by the town clerk in the absence of the treasurer. The council may also designate any town officer to countersign checks. |

In addition, the town clerk or treasurer is required to prepare and present at the council meeting on a quarterly basis a financial statement showing the financial position of the town and the budgeted and actual revenues and expenditures to date. This report may be made on a monthly basis if the council prefers and considers it necessary. See the illustrated Interim Financial Report and Comparison with Budget forms provided in section IV.D.02.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: D. 02
Page: 1 of 1
Subject: Mayor's Fiscal Responsibilities
Effective Date: 1 April 1986
Revision Date: 1 January 2012

In addition to the responsibilities the mayor may have as a member of the governing body, as set forth on the previous page, the mayor's fiscal responsibilities as provided in the law include the following:

UTAH CODE

<u>SECTION</u>	<u>SUMMARY</u>
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| 10-3-809 | (1) Shall be the chief executive officer to whom all employees of the municipality shall report.

(7) May at any reasonable time examine and inspect the books, papers, records or documents of the city or town or of any officer, employee or agent of the city or town. |
| 10-3-810 | Mayor may not serve as recorder or treasurer. |
| 10-5-106 | Mayor is identified as the budget officer of the town. |

(NOTE: The mayor may appoint someone to assist him in the actual preparation of the budget but the mayor is responsible for ensuring that the budget is prepared.)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: D. 03
Page: 1 of 2
Subject: Clerk's Fiscal Responsibilities
Effective Date: 1 April 1986
Revision Date: 1 January 2012

HISTORICAL BACKGROUND

The responsibilities of town clerks as defined by state law remained unchanged from 1943 until the 1983 State Legislature passed the fiscal procedures act for towns. The duties of town clerks were not changed from those previously defined except to clarify that the clerk is the town official responsible for ensuring that expenditures are not made in excess of those budgeted.

SEGREGATION OF CLERK AND TREASURER FISCAL RESPONSIBILITIES

The duties of the town clerk and treasurer regarding the town financial operations are segregated to provide control to help ensure that all town money is properly controlled and accounted for. These controls also provide protection to the town officials handling public funds.

It is anticipated that the town clerk maintains the accounting records of the town. By preparing and signing the expenditure checks (or a certification attached to the check) the clerk certifies that the disbursement is within the debt limit and budget of the town and that it has been approved by the town council for payment. The treasurer receives money due the town and issues receipts, invests available town money, and certifies by signing checks that money is available for making the payment.

It is recognized that many towns have limited resources and may not be able to hire a treasurer or clerk with the knowledge and training necessary to perform all of the duties of their office as anticipated in the Town Fiscal Procedures Act. The important concept for town mayors and councils to keep in mind is that any modifications in assignment of duties to treasurers and clerks from that provided in law should be closely reviewed to ensure that some internal controls are maintained over town monies. Members of the town council (except the mayor) or other individuals within the town may be appointed as assistant clerks or treasurers to provide assistance where necessary. Where a proper segregation of duties is not maintained in areas such as the billing, collections, deposit and reconciliation of utility customer accounts, the mayor and council should require timely reports of such activities and should exercise the authority and responsibility provided in *Utah Code* Section 10-3-809 to examine and inspect the books, ledger, etc.

TOWN CLERK FISCAL RESPONSIBILITIES

The following fiscal responsibilities are identified for the town clerk in the Town Fiscal Procedures Act. Other fiscal responsibilities may be given to the clerk by the mayor and town council:

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: D. 03
Page: 2 of 2
Subject: Clerk's Fiscal Responsibilities
Effective Date: 1 April 1986
Revision Date: 1 January 2012

UTAH
CODE
SECTION

SUMMARY

- 10-5-112(3) The town clerk shall certify the ordinance or resolution setting the levy to the county auditor, or auditors if the town is located in more than one county, not later than the 22nd day of June of each year.
- 10-5-121 The town clerk shall attend the meetings and keep the record of the proceedings of the council. Copies of all papers filed in the clerk's office and transcripts from all records of the council, if certified by the clerk under the town seal, are admissible in all courts as originals.
- 10-5-122 The town clerk shall countersign all contracts made on behalf of the town and shall maintain an indexed record of all such contracts.
- 10-5-123 The town clerk shall maintain the general books for each fund of the town and all subsidiary records relating thereto, including a list of the outstanding bonds, their purpose, amount, terms, date, and place payable.
- The town clerk shall pre-audit all claims and demands against the town before they are allowed and shall prepare the necessary checks in payment. The town clerk shall certify on the voucher or check copy, as appropriate, that:
1. The claim has been pre-audited and documented;
 2. The claim has been directly approved by the council;
 3. The claim is within the lawful debt limit of the town; and
 4. The claim does not over-expend the appropriate departmental budget established by the council.
- 10-5-124 If the town is without funds on deposit in one of its appropriate bank accounts with which to pay any lawfully approved claim, the town clerk may draw and sign a warrant on the treasurer of the town for payment of the claim, the warrant to be tendered to the payee named thereon.
- 10-5-129 Within 180 days after the close of each fiscal year the town clerk or other delegated person shall present to the council an annual financial report. This section may be satisfied by an audit report or annual financial report of an independent auditor.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: D. 04
Page: 1 of 2
Subject: Treasurer's Fiscal Responsibilities
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The following laws establish the fiscal responsibilities of town treasurers. Also, refer to the discussion on segregation of clerk's and treasurer's fiscal responsibilities in section D.03:

UTAH
CODE

SECTION SUMMARY

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| 10-3-923(4) | All fees, fines, forfeitures or any other sums collected by the justice of the peace shall be paid to the municipal treasurer within seven days of receipt. |
| 10-5-125 | The town treasurer shall: (1) be custodian of all money, bonds, or other securities of the town; (2) determine the cash requirements of the town and provide for the investment of all idle cash; (3) receive all money payable to the town, within three business days after collection, including all taxes, licenses, fines, and intergovernmental revenue, and keep an accurate detailed account thereof in the manner provided in this chapter, and as the council of the town may be ordinance or resolution from time to time direct; and (4) collect all special taxes and assessments as provided by law and ordinance. |
| 10-5-126 | The town treasurer shall give or cause to be given to every person paying money to the town treasury, a receipt or other evidence of payment therefor, specifying, as appropriate, the date of payment and on which account the payment was made and shall file the duplicate of the receipt, summary report, or other evidence of payment in the office of the clerk. |
| 10-5-127 | The town treasurer, or in his absence a deputy treasurer appointed by the council, shall sign all checks prepared by the town clerk. Prior to affixing the signature, the treasurer or deputy treasurer shall determine that a sufficient amount is on deposit in the appropriate bank account of the town to honor the check. The council may also designate any town officer to countersign checks. |
| 10-5-128 | The treasurer shall promptly deposit all town funds in the appropriate bank accounts of the town. It shall be unlawful for any person to commingle town funds with his or her own money. Wherever it shall appear that the treasurer or any officer is making profit out of public money, or is using the same for any purpose not authorized by law, such treasurer or officer shall be suspended from office. |

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: D. 04
Page: 2 of 2
Subject: Treasurer's Fiscal Responsibilities
Effective Date: 1 April 1986
Revision Date: 1 January 2012

SUMMARY OF STATE MONEY MANAGEMENT ACT LAWS AFFECTING TOWN TREASURERS

UTAH
CODE

SECTION SUMMARY

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| 51-7-5 | Municipal treasurers may transfer funds to state treasurer for investment purposes and may withdraw them from state treasurer. |
| 51-7-11 | Establish specific authorized deposits or investments of public funds. |
| 51-7-14 | Prudent man rule for investments and selling investments at less than cost. |
| 51-7-15 | Amounts of treasurers' bonds set by the Money Management Council (see section I. C.02). Investment reports to be filed with council (on forms provided by the State Treasurer). |

NOTE: See section E.02 for criteria for investments.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.01
Page: 1 of 2
Subject: Class B and C Road Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

State Allocated Road Funds

Section 72-3-103 to 110, 72-6-108 to 110 and 72-7-106 of the *Utah Code* set forth the requirements for the use of these funds. There is also a booklet entitled *Regulations Governing Class B & C Road Funds*, published by the Utah Department of Transportation (UDOT), which explains the rules and regulations governing the expenditure of these funds and required reporting. These rules and regulations are available from UDOT at 4501 South 2700 West, SLC, Utah 84119 or a copy should be available in the entity being audited. This document can also be found on UDOT's website at www.udot.utah.gov by clicking on the "Doing Business" tab and scrolling down to "Local Government Assistance."

Legislative changes have attempted to simplify and clarify the requirements and procedures for the use of state allocated Class B & C road funds. The compliance audit responsibility to ensure that these funds are appropriately spent should be met by the governmental units' independent auditors. While the Utah Department of Transportation (UDOT) may visit a local government entity to verify the reports submitted to them or to collect other information necessary for a federal report, they rely primarily upon the independent auditor for compliance verification. For those towns that do not have independent audits, the UDOT auditor may periodically visit to review the expenditures made.

In accordance with the *State of Utah Legal Compliance Audit Guide*, all audits should contain (1) a statement by the auditor expressing positive assurance of compliance with State fiscal laws identified by the State Auditor; (2) a copy of the auditor's letter to management that identifies any material weaknesses in internal controls discovered by the auditor and other financial issues related to the expenditure of funds received from federal, state, or local governments; and (3) management's response to the specific recommendations. All entities having an audit and receiving class B or C road funds are required by Administrative Rule R915-3-7.3 paragraph 7 to submit a copy of that audit to UDOT. It should be addressed to the attention of the Local Government Programs Engineer or the UDOT Financial Manager, Utah Department of Transportation, 4501 South 2700 West, Salt Lake City, UT 84119.

Questions regarding this area should be directed to the Local Government Programs Engineer or the UDOT Financial Manager at 965-4366 or 964-4542, respectively. The independent auditors should disclose noncompliance with these statutes in a management letter as set forth in the section of this manual entitled "GAAP and State Reporting Requirements."

LEGISLATIVE SUMMARY:

72-3-103. County roads – Class B roads – Construction and maintenance by counties.

72-3-104. City streets – Class C roads – Construction and maintenance.

72-3-105. Class D roads – Maps to be prepared by county – Indication of roads.

72-3-106. Actions to determine priority of use of public roads.

72-3-107. County executive to keep plats of roads and highways.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.01
Page: 2 of 2
Subject: Class B and C Road Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

72-3-108. County roads – Vacation and narrowing.

72-3-109. Division of responsibility with respect to state highways in cities and towns.

72-3-110. Proposal to bypass or provide alternate route through city or town -- Notice and hearing required.

72-6-108. Class B and C roads -- Improvement projects -- Contracts -- Retainage.

72-6-109. Class B and C roads -- Construction and maintenance -- Definitions -- Estimates lower than bids -- Accountability.

The text of the above referenced sections of the *Utah Code* can be viewed on the Utah Legislature's website at www.le.utah.gov by clicking on "Utah Code/Constitution."

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 02
Page: 1 of 5
Subject: Investment of Public Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

With the cost of providing public services increasing, it is imperative that local governmental officials invest available resources to the benefit of their governmental units. *Utah Code* Section 51-7, known as the Money Management Act, defines the criteria for investment of public funds (51-7-17) and the types of investments that may be made (51-7-11). A booklet containing these laws is available from the State Treasurer or the laws may be found in the *Utah Code*.

The State Auditor's Office encourages the investment of local funds through the Public Treasurers' Investment Fund (the pool) managed by the State Treasurer. The investment expertise available in the State Treasurer's Office and the high yields that can be obtained through their pooling concept are difficult for most local government units to match. Contact Stephanie Baldes in the State Treasurer's Office at 538-1470, or toll free at 800-395-7665 for information.

The State Treasurer has prepared the following information for public treasurers of local governmental units:

INTRODUCTION

Most Utah public treasurers face a fiscal profile characterized by cyclical revenue and ratable expenses. Revenue is collected on a quarterly or annual basis in relatively substantial "spurts". Expenses are primarily personnel-related costs, and are generally stable. Receipt of bond proceeds and payment of related debt service costs are controlled and predictable with a high degree of accuracy. In this environment, the most critical concerns for the public treasurer should be: 1) appropriate cash management and, 2) matching of collections with expenditures. An appropriate investment strategy will include objectives which address these two areas.

CASH MANAGEMENT

The most basic statement of the principle of cash management is "speed-up all collections; slow down all expenditures and keep all available funds fully invested". The treasurer should review all sources of revenue to identify the point of collection, the method of collection, and the timing and volume of receipts. Each class of revenue should be examined to determine if there are alternatives which might result in faster collection. Any bottlenecks should be identified and eliminated. This may require cooperation between several municipal departments, particularly if revenue is collected in multiple locations. Some generalized suggestions follow:

1. Review mail room procedures and ascertain that all mail is distributed daily and early enough to facilitate deposit of incoming checks.
2. Instruct your bank to credit your account with interest due upon maturity of time deposits. (Many banks issue a check which is mailed to the depositor. This practice should be discouraged.)
3. Consider having any revenue payable through the state deposited directly into the Public Treasurer's Investment Fund as opposed to being mailed-out.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 02
Page: 2 of 5
Subject: Investment of Public Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

4. Use wire transfers or ACH (electronic fund transfers) directly to your account for investment maturities and any revenue which can be controlled by the local government.
5. Accelerate the processing of receipts within government departments:
 - a. Discourage departments from holding receipts; cite the importance of depositing and investing funds as quickly as possible.
 - b. Establish control over receipts as early in the process as possible; then separate checks and cash from related paperwork and deposit.
6. Always deposit large checks immediately; do not wait for supporting paperwork, even if the receipt is “unidentified”.
7. Consider sorting checks by the bank on which they are drawn and depositing into accounts at that bank. These represent “on us items” at the bank, and are “good funds” in your account on the day deposited. Use wire transfers to concentrate these funds for investment.
8. Carefully monitor the balance in your bank account(s) to avoid building up excess balances which should be invested.
9. Consider use of a lock box at your bank or internet payment processing for recurring voluminous receipts, such as utility collections.

On the expenditure side, the treasurer should usually ascertain that payments are made on the due date (not prior to the due date) and are made as efficiently as possible. Funds should be provided in demand accounts at the time checks are expected to clear, not at the time checks are issued. For bond payments and other transactions processed through a bank acting as trustee or paying agent, the treasurer should provide collected funds on the due date. Frequently, the bank will request payment prior to the due date to assure that funds are available on the due date. This practice should be discouraged.

The treasurer should prepare a cash forecast as a basic tool in the development of an investment program. The cash forecast may be as simple as a large calendar on which scheduled expenditures and anticipated revenues are entered-worksheet fashion. An important use of the cash forecast, often omitted, is a continual comparison of the forecast to the actual flow of cash. This may point out significant variances which could indicate procedural problems requiring corrections.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 02
Page: 3 of 5
Subject: Investment of Public Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

INVESTMENT STRATEGY

Generally speaking, treasurers are working with funds that will be expended over a relatively short period of time. The basic precept of a “balanced budget” is that revenues equal expenditures during the budget period; usually one year. The Money Management Act requires a public treasurer to match the maturity of investments with the anticipated expenditure of these funds. As a consequence, it is very improbable that any treasurer would have funds that could be invested in an instrument having a term beyond one year. Remembering that the objective is to match cash collections with expenditures, most treasurers will reject longer-term investment alternatives, regardless of “yield” or “liquidity.”

Given these parameters, most public treasurers will be using short-term, very liquid investment securities such as:

1. Money Market Demand Accounts: daily demand accounts earning “market rates” of interest, usually based on current Treasury Bill yields. Beware of withdrawal restrictions on most such accounts.
2. “Sweep” Accounts: non-interest bearing checking account, some portion of which is automatically “swept” into a repurchase agreement each night upon determination of the collected balance in the account. The repurchase agreement is usually a pooled “repo” earning interest at a rate somewhat below that of a negotiate repo, but comparable to rates paid on money market demand accounts.
3. Money Market Mutual Funds: a pool of short-term money market instruments typically comprised of commercial paper, bankers’ acceptances, certificates of deposit, and treasury bills.

These mutual funds are generally operated and administered by major brokerage houses, and must be registered with the SEC. These investments have no maturity date, thus, one can put and take monies on demand, earning interest at the daily rate generated by the investments in the fund during the investment period.

4. Repurchase agreements: a simultaneous purchase and resale of the same securities at an agreed price and time. Collateral for “repos” includes governmental and agency obligations. Repos of up to three months are not uncommon. The important point is that a repo can be written for any term, and can coincide exactly with a specific cash need. The securities purchased (the “collateral”) should have an aggregate market value greater than the dollar amount on repo to provide some protection. The treasurer must take physical possession of the collateral or have it delivered to a third party holder to perfect his interest in the securities. Where broker repos are involved, securities must be delivered to the treasurer’s safekeeping bank.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 02
Page: 4 of 5
Subject: Investment of Public Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

5. Time Certificates of Deposit: term deposits earnings interest at a negotiated rate for a negotiated period of time. TCDs may be negotiable or non-negotiable. Most Utah banks issue only “non-negotiable” TCDs, meaning that they cannot be sold and must be held to maturity. Generally TCDs of less than \$100,000 par value will not earn the same rate as larger time deposits. Utah law requires interest on TCDs of \$100,000 or more to be calculated on the basis of actual number of days divided by 360 days.

6. Public Treasurers Investment Fund: the “pool” is a convenient deposit-type investment administered by the State Treasurer’s Office and offering daily liquidity. There are no minimum balance requirements, no limitations on transactions, and no “commissions”. Pool deposits are invested mainly in short term investment securities, including time certificates of deposit, government agency obligations, corporate notes, and commercial paper.

7. Banker’s Acceptances: short-term (usually 180 days or less) debt issued through the banking system secured by title to salable merchandise. The “BA” is an irrevocable primary obligation of the accepting bank, and contingent obligation of the drawer and of any endorsers. BAs of top banks are sold at a discount, maturing at face value, and are routinely marketed by brokers. BAs must be eligible as collateral for borrowing from a Federal Reserve Bank in order to meet requirements of the Money Management Act.

8. Commercial Paper: short-term unsecured promissory notes issued by corporations and government entities. Commercial paper is usually sold at a discount in multiples of \$100,000, although coupon issues in denominations as small as \$25,000 are available. The term of commercial paper is typically one day to nine months (270 days). Rates are comparable to, or slightly above, bankers acceptances and certificates of deposit issued by top name banks. Commercial paper is marketed by brokers, or directly by the issuer, and is usually delivered in New York City. To comply with the Money Management Act, commercial paper must be rated in the top rating category by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services, or Standard and Poors, Inc.

9. U.S. Treasury Bills: direct obligations of the United States issued for terms of 91 days, 182 days, or 364 days. Treasury Bills maturities are scheduled every Thursday of the year, except Thanksgiving Day. Bills are sold at a discount, and mature at par. Yields are usually slightly below time certificates of deposit, but may exceed local certificate yields at any point in time. Bills may be sold at any time to meet unexpected cash needs. Sale prior to maturity can result in a substantially reduced yield due to interest rate fluctuations. Treasury Bills may be purchased from a broker, or from your local bank, and are considered to be the most liquid of all investments.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 02
Page: 5 of 5
Subject: Investment of Public Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

CUSTODY OF SECURITIES

The Money Management Act requires public treasurers to take physical delivery of all securities purchased. In the case of out-of-state time deposits, commercial paper, bankers acceptances and government and agency bonds, physical delivery will be to a safekeeping account established by the treasurer at a bank, usually in New York. Safekeeping by the selling broker is not permitted under the Act. Any security not physically held by the treasurer must be supported by a safekeeping receipt issued by a qualified depository or by the treasurers' safekeeping money center bank.

CONCLUSION

The small public treasurer should normally concentrate his investment program in short-term, liquid securities. Some mix of demand accounts (interest bearing or non-interest bearing), repurchase agreements, time deposits, and deposits in the Public Treasurer's Investment Fund will result in the most prudent, efficient program. Larger treasurers may wish to diversify by adding treasury bills, bankers acceptances, commercial paper, and out-of-state negotiable certificates of deposit. Use of these instruments will require establishment of a safekeeping arrangement with a money center bank to be efficient and to comply with statute. Only in unusual circumstances would a treasurer consider Treasury bonds, or government agency issues (GNMAs FNMA's etc.) as an investment due to their long terms. Generally speaking, a public treasurer will obtain the best results by carefully managing cash flow and investing all available funds in short-term, familiar investment securities such as time deposits, repurchase agreements, and the Public Treasurer's Investment Fund.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.03
Page: 1 of 1
Subject: Public Treasurer Bonding Requirements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

All public treasurers are required to be bonded in accordance with Rule Number 4 of the Utah State Money Management Council. The following schedule sets forth the amount each public treasurer should be bonded for according the annual budget of the governmental unit.

The basis use shall be budgeted gross revenue for the previous year (either calendar or fiscal, based on the governmental unit's accounting system). Budgeted gross revenue includes all funds collected or handled by the public treasurer.

<u>Budget</u>	<u>Percent For Bond</u>	<u>Minimum Bond</u>
0 to 10,000	N/A	0
10,001 to 100,000	9% but not less than	5,000
100,001 to 500,000	8% but not less than	9,000
500,001 to 1,000,000	7% but not less than	40,000
1,000,001 to 5,000,000	6% but not less than	70,000
5,000,001 to 10,000,000	5% but not less than	300,000
10,000,001 to 25,000,000	4% but not less than	500,000
25,000,001 to 50,000,000	3% but not less than	1,000,000
50,000,001 to 500,000,000	2% but not less than	1,500,000
over 500,000,000		10,000,000

Bonds must be issued by a corporate surety licensed to do business in the State of Utah and rated XII or better by the latest issue of Best's Rating Guide.

Bonds should be effective as of the date the treasurer assumes the duties of the office or is sworn in.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.04
Page: 1 of 1
Subject: Public Debt Limitation
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Public Debt Limitation

Article XIV of the State Constitution provides limitations for the incurrence of public debt (beyond one fiscal year) and also for the amount of debt that may be incurred.

Section 3. [Certain debt of counties, cities, towns, school districts, and other political subdivisions not to exceed taxes -- Exception -- Debt may be incurred only for specified purposes.]

- (1) No debt issued by a county, city, town, school district, or other political subdivision of the State and directly payable from and secured by ad valorem property taxes levied by the issuer of the debt may be created in excess of the taxes for the current year unless the proposition to create the debt has been submitted to a vote of qualified voters at the time and in the manner provided by statute, and a majority of those voting thereon has voted in favor of incurring the debt
- (2) No part of the indebtedness allowed in this section may be incurred for other than strictly county, city, town, school district, or other political subdivision purposes respectively.

Section 4. [Limit of indebtedness of counties, cities, towns, and school districts -- Larger indebtedness may be allowed.]

- (1) (a) If authorized to create indebtedness as provided in Section 3 of this Article, no county may become indebted to an amount, including existing indebtedness, exceeding two per centum of the value of taxable property in the county.
(b) No city, town, school district, or other municipal corporation, may become indebted to an amount, including existing indebtedness, exceeding four per centum of the value of the taxable property therein.
- (2) For purposes of Subsection (1), the value of taxable property shall be ascertained by the last assessment for State and County purposes previous to the incurring of the indebtedness, except that in incorporated cities the assessment shall be taken from the last assessment for city purposes.
- (3) A city of the first or second class, if authorized as provided in Section 3 of this Article, may be allowed to incur a larger indebtedness, not to exceed four per centum, and any other city or town, not to exceed eight per centum additional, for supplying such city or town with water, artificial lights or sewers, if the works for supplying the water, light, and sewers are owned and controlled by the municipality.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 05
Page: 1 of 1
Subject: Purchasing and Procurement Procedures
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The 1980 Utah State Legislature modified the “Utah Procurement Code” and exempted towns from the provisions of the Code. However, Utah cities are required to adopt by ordinance or resolution formal purchasing procedures. While Utah towns do not have this same legal requirement, it is recommended that guidelines be established by towns for the purchase of materials, services, etc. A sample purchasing policy for towns is provided in section E.05.01 for your information. The town may wish to modify and adopt something like this for its use.

Utah Code 63G, Chapter 6 provides guidance with regard to provisions that should be considered by entities when developing procurement policies.

Additional information regarding the State Procurement Code, purchasing policies, and available State contracts is available on the State Division of Purchasing website at www.purchasing.utah.gov. This website may be a beneficial resource to towns currently developing or planning to develop purchasing procedures to be formally adopted.

Towns are encouraged to take advantage of the purchasing power of the State by purchasing goods or services under Utah State purchasing contracts. In addition to reduced prices, towns can save time by not having to price shop for items covered by State Contracts. Additional information concerning this program can be obtained by going to the State website www.purchasing.utah.gov and clicking on “State Contracts” or contacting the State Division of Purchasing, Room 3150 State Office Building, Salt Lake City, UT 84114 (801) 538-3026.

Towns are also encouraged to be aware of the availability of surplus property that may be purchased through the Utah State Agency for Surplus Property, 447 West 13800 South, Draper, Utah 84020 (801) 619-7200.

SAMPLE PURCHASING POLICY FOR TOWNS

ARTICLE 1 GENERAL PROVISIONS

- A) The underlying purposes of this policy are:
- 1) To ensure fair and equitable treatment of all persons who wish to, or do conduct business with the Town of _____.
 - 2) To provide for the greatest possible economy in Town procurement activities.
 - 3) To foster effective broad-based competition within the free enterprise system to ensure that the Town will receive the best possible service or product at the lowest possible price
- B) Compliance - Exemptions from this policy.
- 1) This policy shall not prevent the Town from complying with the terms and conditions of any grant, gift, or bequest that is otherwise consistent with law.
 - 2) When a procurement involves the expenditure of federal assistance funds, the Town shall comply with applicable federal law and regulations.
- C) Definitions
- 1) "Business" means any corporation, partnership, individual, sole proprietorship, joint stock company, joint venture, or any other private legal entity.
 - 2) "Change order" means a written order signed by the purchasing agent, directing the contractor to suspend work or make changes, which the appropriate clauses of the contract authorize the purchasing agent to order without the consent of the contractor or any written alteration in specifications, delivery point, rate of delivery, period of performance, price, quantity, or other provisions of any contract accomplished by mutual action of the parties to the contract.
 - 3) "Contract" means any Town agreement for the procurement or disposal of supplies, services, or construction.
 - 4) "Invitation for bids" means all documents, whether attached or incorporated by reference, used for soliciting bids.
 - 5) "Person" means any business, individual, union, committee, club, other organization, or group of individuals.
 - 6) "Procurement" means buying, purchasing, renting, leasing, leasing with and option to purchase, or otherwise acquiring any supplies, services, or construction.
 - 7) "Purchasing agent" means the person duly authorized by the governing body of the Town to enter into and administer contracts and make written determinations with respect thereto.
 - 8) "Purchase description" means the words used in a solicitation to describe the supplies, services or construction to be purchased, and includes specifications attached to or made a part of the solicitation.
 - 9) "Request for proposals" means all documents, whether attached or incorporated by reference, used for soliciting proposals.

ARTICLE 2
OFFICE OF THE PURCHASING AGENT

The governing body of the Town shall appoint a Purchasing Agent. The Purchasing Agent shall be responsible to make procurements, solicit bids and proposals, enter into and administer contracts, and make written determinations for the Town.

ARTICLE 3
SOURCE SELECTION AND CONTRACT FORMATION - GENERAL PROVISIONS

- A) Purchase not requiring sealed bids.
- 1) Purchases costing less than \$___ in total, shall not require bids of any type. (Purchases shall not be artificially divided so as to constitute a small purchase under this section.)
 - 2) Purchases costing more than \$___ but less than \$___ in total, shall required ___ (2 to 3) telephone bids.
 - 3) Purchases made through the cooperative purchasing contracts administered by the State Division of Purchasing.
 - 4) Purchases made from a single-source provider.
 - 5) Purchases required during an emergency, i.e., an eminent threat to the public=s health, welfare, or safety. However, as much competition as practical should be obtained; and, such purchases should be limited to amounts necessary to the resolution of the emergency.
- B) Purchases requiring sealed bids.
- 1) Contracts shall be awarded by competitive sealed bidding except as otherwise provided by this policy.
 - 2) An invitation for bids shall be issued when a contract is to be awarded by competitive sealed bidding. The invitation shall include a purchase description and all contractual terms and conditions applicable to the procurement. Public notice of the invitation for bids shall be given at least ___ days prior to the date set forth therein for the opening of bids. The notice may include publication in a newspaper of general circulation.
 - 3) Any procurement in excess of \$___ shall require a legal notice in a local newspaper of general circulation.
 - 4) Bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitations for bids. The amount of each bid and any other relevant information, together with the name of each bidder, shall be recorded. The record and each bid shall be open to public inspection.
 - 5) Bids shall be unconditionally accepted without alternation or correction, except as authorized in this policy. Bids shall be evaluated based on the requirements set forth in the invitation for bids.
 - 6) Correction or withdrawal of inadvertently erroneous bids before or after award, or cancellation of awards or contracts based on such bid mistakes, shall be permitted. After bid opening no changes in bid prices or other provisions of bids prejudicial to the interest of the Town of fair competition shall be permitted. All decisions to permit the correction or withdrawal of bids or to cancel awards or contracts based on bid mistakes shall be supported by a written determination made by the purchasing agent.
 - 7) The contract shall be awarded with reasonable promptness, by written notice, to the lowest bidder whose bid meets the requirements and criteria set forth in the invitation for bids.
- C) Cancellation and rejection of bids.

An invitation for bids, a request for proposals, or other solicitations may be canceled, or any or all bids or proposals may be rejected, in whole or in part, as may be specified in the solicitation, when it is in the best interests of the Town. The reasons shall be made part of the contract file.

D) Use of competitive sealed proposals in lieu of bids.

When the purchasing agent determines in writing that the use of competitive sealed bidding is either not practicable or not advantageous to the Town, a contract may be entered into by competitive sealed proposals. Competitive sealed proposals are most appropriately used for professional service-type contracts.

- 1) Proposals shall be solicited through a request for proposals. Public notice of the request for proposals shall be given at least __ days prior to the advertised date of the opening of the proposals.
- 2) Proposals shall be opened so as to avoid disclosure of contents to competing offerors during the process of negotiation. A register of proposals shall be prepared and shall be open for public inspection after contract award.
- 3) The request for proposals shall state the relative importance of price and other evaluating factors.
- 4) Offerors shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of proposals, and revisions may be permitted after submissions and prior to award for the purpose of obtaining best and final offers. In conduction discussions, there shall be no disclosure of any information derived from proposals submitted by competing offerors.
- 5) Award shall be made to the person whose proposal is determined, in writing, to be the most advantageous to the Town, taking into consideration price and the evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in the evaluation. The contract file shall contain the basis on which the award is made.

E) Architect-Engineer services are qualification-based procurements. Requests for such services should be publicly announced. Contracts should be negotiated by the Town based on demonstrated competence at fair and reasonable prices. See *Utah Code* Section 63-56-42 through 44.

F) Determination of nonresponsibility of bidder.

Determination of nonresponsibility of a bidder or offeror shall be made in writing. The unreasonable failure of a bidder or offeror to promptly supply information in connection with an inquiry with respect to responsibility may be grounds for a determination of nonresponsibility with respect to the bidder or offeror. Information furnished by a bidder or offeror pursuant to this section shall not be disclosed outside of the purchasing division without prior written consent by the bidder or offeror.

G) Cost-plus-a-percentage-of-cost contracts prohibited.

Subject to the limitations of this section, any type of contract which will promote the best interests of the Town may be used, provided that the use of a cost-plus-a-percentage-of-cost contract is prohibited. A cost-reimbursement contract may be used only when a determination is made in writing that such contract is likely to be less costly to the Town than any other type or that it is impracticable to obtain the supplies, services, or construction, required except under such a contract.

H) Required contract clauses.

- 1) The unilateral right of the Town to order, in writing, changes in the work within the scope of the contract and changes in the time of performance of the contract that do not alter the scope of the contract work.
- 2) Variations occurring between estimated quantities of work in a contract and actual quantities.
- 3) Suspension of work ordered by the Town.

ARTICLE 4
SPECIFICATIONS

All specifications shall seek to promote overall economy and best use for the purposes intended and encourage competition in satisfying the Town's needs, and shall not be unduly restrictive. Where practical and reasonable, and within the scope of this article, Utah products shall be given preference.

ARTICLE 5
APPEALS

- A) Any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation or award of a contract may appeal to the purchasing agent. An appeal shall be submitted in writing within 5 working days after the aggrieved person knows or should have known of the facts.
- B) The purchasing agent shall promptly issue a written decision regarding any appeal, if it is not settled by a mutual agreement. The decision shall state the reasons for the action taken and inform the protestor, contractor, or prospective contractor of the right to appeal to the governing board.
- C) The Town's governing board shall be the final appeal on the Town level.
- D) All further appeals shall be handled as provided in *Utah Code* Section 63-56-58 through 64.

ARTICLE 6
ETHICS IN PUBLIC CONTRACTING

- A) No person involved in making procurement decisions may have personal investments in any business entity which will create a substantial conflict between their private interests and their public duties.
- B) Any person involved in making procurement decisions is guilty of a felony if the person asks, receives, or offers to receive any emolument, gratuity, contribution, loan, or reward, or any promise thereof, either for the person's own use or the use or benefit of any other person or organization from any person or organization interested in selling to the Town.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.06
Page: 1 of 1
Subject: Justice of the Peace Accounting Procedures
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The following brief discussion is provided for certain areas about which accounting or financial reporting questions are frequently asked and which are not covered in other sections of this manual.

Questions are frequently received concerning the relationship of Justice of the Peace to cities and counties including the accounting for money collected and disbursed by the Justices. The following interpretations are given after a review of the various State laws dealing with these questions.

Justices of the Peace are employees of the city, town, or county within which the jurisdiction they administer is located. In accordance with section 78-5-128 “every Justice of the Peace shall be paid a fixed compensation determined by the governing body of his or her respective municipality or county....” As employees of cities, towns, or counties, money collected by Justices of the Peace is subject to the same fiscal controls as other monies of the cities, towns, or counties. Specific laws setting forth the duties and responsibilities for Justices do not appear to be in conflict with the specific Fiscal Procedures Acts.

Money received by Justices of the Peace should be given to the town, city, or county treasurer and deposited directly into bank accounts in the local government’s custody or control. These accounts, which in many cases will be transfer type accounts, should be established as close as possible to the place of business of the various Justices of the Peace. To provide a means whereby money, such as bail money, can be returned “within 7 days”, a revolving account may be established with the approval of the governing body from which a check could be written as approved by the treasurer and the court clerk or the Justice of the Peace, but without requiring the approval of the governing body or the recorder or auditor.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.07
Page: 1 of 2
Subject: Fines, Fees, etc., Collected by Justice Courts - and Other Fiscal Issues
Effective Date: 1 July 1986
Revision Date: 1 January 2012

Article VIII, Section 1 of the Utah Constitution creates what is known as the Justice Courts, which are courts “not of record” and are operated by either the county or municipality in which they are located. The territorial jurisdiction of a county justice court extends to the limits of the precinct for which the justice court is created and includes all cities and towns within the precinct, except cities where a municipal justice court or municipal department or primary location of the circuit court exists. The territorial jurisdiction of a municipal justice court extends to the limits of the city or town boundaries for which it was created. Approximately two-thirds of all justice courts are municipal courts. (See *Utah Code*, Section 78A-7-101 through 103).

DEPOSITS OF RECEIPTS

In accordance with *Utah Code*, Section 51-4-2, each justice court judge “shall deposit all public funds daily whenever practicable, but not later than 3 days after receipt.

REPORTS

Every justice court judge shall file monthly with the State Court Administrator a report of the judicial business of the judge. The report shall be on forms supplied by the State Court Administrator. The report shall state the number of criminal and small claims actions filed, the disposition entered, and other information as specified in the forms. A copy of the report shall be furnished by the justice court judge to the governing body in the municipality or county, or to the person or office in the county, city or town designated by the governing body (see *Utah Code*, Section 78A-7-215).

All justice courts are required to deposit with the state treasurer before the tenth day of each month, all funds received by them during the preceding month (see *Utah Code*, Section 51-4-2).

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.07
Page: 2 of 2
Subject: Fines, Fees, etc., Collected by Justice Courts - and Other Fiscal Issues
Effective Date: 1 July 1986
Revision Date: 1 January 2012

DISPOSITION OF JUSTICE COURT FINES, FEES AND FORFEITURES (summary)

Receipts	Type of Ordinance	Disposition
Fines and Forfeitures	Municipal or State (<i>Utah Code</i> , Section 78A-7-120)	1/2 to Local Gov. Responsible for court 1/2 Local Gov. which prosecutes case
Fines and Forfeitures	Wildlife, UC 23-13 (<i>Utah Code</i> , Section 78A-7-120)	85% to State Wildlife Division 15% to Local Gov. Responsible for court
Fines and Forfeitures	Boating Act, UC 73-18 (<i>Utah Code</i> , Section 78A- 7-120)	85% to State Div. of Parks & Recreation 15% to Local Gov. responsible for court
Surcharge	90% Felony Surcharge, 35% Surcharge on any other offense except non-moving traffic violation or when community service is ordered in lieu of fine (<i>Utah Code</i> , Section 51-9-401)	State
DUI Assessment	Full compensation for treatment (<i>Utah Code</i> , Section 62A-15- 503)	State or rehabilitation agency
Small Claims Filing Fee	Filed by Municipality	City or town
Small Claims Filing Fee	Filed by County	County

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.08
Page: 1 of 1
Subject: Cash Management
Effective Date: 1 October 1992
Revision Date: 1 January 2012

All public funds shall be deposited daily, whenever practicable, but not later than three days after receipt. (*Utah Code*, Section 51-4-2(2).)

A public treasurer may conduct investment transactions only through qualified depositories, certified dealers, or directly with issuers of the investment securities. (*Utah Code*, Section 51-7-11(1).)

The remaining term to maturity of an investment may not exceed the period of availability of funds to be invested. For example, if the local government receives quarterly sales tax money which will be used during the following quarter for operating purposes, this money cannot be invested in one-year instruments because the investment will not mature before the funds are needed. (*Utah Code*, Section 51-7-11(2).)

All public funds, may be deposited or invested in those instruments and assets authorized in *Utah Code*, Section 51-7-11(3).

Funds held for employees under Internal Revenue Code Section 457 are exempted from the Money Management Act. (*Utah Code*, Section 51-7-2.)

The public treasurer shall ensure that all purchases and sales of securities are settled within 15 days of the trade date for outstanding issues and 30 days for new issues. (*Utah Code*, Section 51-7-11(7).) Public treasurers must have custody (take delivery) of all securities purchased or held and all evidence of deposits and investments of public funds. (Exceptions apply to non qualifying repurchase agreements.) This may be accomplished by having the securities delivered to a safe keeping custodian. (*Utah Code*, Section 51-7-7.)

Selection of investments shall be made with the exercise of that degree of judgement and care which men of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital, as well as the probable benefits to be derived. (*Utah Code*, Section 51-7-14.) Also, public treasurers should meet the following objectives when investing public funds: (1) safety of principal; (2) need for liquidity; (3) yield on investments; (4) recognition of the different investment objectives of operating and permanent funds; and (5) maturity of investments, so that the maturity date of the investment does not exceed the anticipated date of the expenditure of funds. (*Utah Code*, Section 51-7-17.)

The local government is responsible to submit certain funds to the State Treasurer, including but not limited to: Wildlife Resources, State Boating Act, Fines and Forfeitures, Felony Surcharge, DUI Assessment and treatment costs, Property Tax Equalization - Assessment and Collection, B & C Road Fund (overweight assessment).

All public funds invested in deposit instruments should be invested with qualified depositories within Utah, except that if national market rates on instruments of similar quality and term exceed those offered by qualified depositories within the state, then investments may be made in out-of-state deposit instruments that meet the quality criteria set by the rules of the Money Management Council. (*Utah Code*, Section 51-7-17(3).)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 09
Page: 1 of 2
Subject: Subrecipient and Vendor Determinations Under Federal Programs
Effective Date: 1 July 1990
Revision Date: 1 January 2012

An entity receiving federal funds may be considered a recipient, subrecipient, or a vendor/provider (hereafter referred to as a vendor). Recipients and subrecipients of federal awards are subject to audit under the Single Audit Act and OMB Circular A-133 if their annual expenditures of federal awards are \$500,000 or more. Federal funds received for goods or services provided as a vendor are not considered federal awards and are not subject to single audit. There may be circumstances, however, when vendor records may need to be reviewed to determine program compliance. The following guidance, taken from OMB Circular A-133, ' __.210, gives further guidance on distinguishing between a subrecipient and a vendor.

Federal Award

Characteristics indicative of a Federal award received by a subrecipient are when the organization:

1. Determines who is eligible to receive what Federal financial assistance;
2. Has its performance measured against whether the objectives of the Federal program are met;
3. Has responsibility for programmatic decision making;
4. Has responsibility for adherence to applicable Federal program compliance requirements; and
5. Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Payment for Goods and Services

Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;
3. Operates in a competitive environment;
4. Provides goods or services that are ancillary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 09
Page: 2 of 2
Subject: Subrecipient and Vendor Determinations Under Federal Programs
Effective Date: 1 July 1990
Revision Date: 1 January 2012

Use of Judgement in Making Determination

There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgement should be used in determining whether an entity is a subrecipient or vendor.

Compliance Responsibility for Vendors

In most cases, the auditee's compliance responsibility for vendors is only to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements. Program compliance requirements normally do not pass through to vendors. However, the auditee is responsible for ensuring compliance for vendor transactions which are structured such that the vendor is responsible for program compliance or the vendor's records must be reviewed to determine program compliance. Also, when these vendor transactions relate to a major program, the scope of the audit shall include determining whether these transactions are in compliance with laws, regulations, and the provisions of contracts or grant agreements.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.10
Page: 1 of 1
Subject: Liquor Law Enforcement
Effective Date: 1 April 1997
Revision Date: 1 January 2012

The state provides funds to counties and municipalities for projects which prevent, detect or prosecute alcohol-related offenses. These funds are distributed based on population, convictions for alcohol-related offenses, number of state liquor stores, package agencies, liquor licensees in the jurisdiction, and, number of confinements and rehabilitations. (See *Utah Code* 32B-2-403 and 404.)

Cities, towns and counties submit qualification letters to the State Tax Commission. The Department of Alcoholic Beverage Control provides the number of outlets by location. The State Court Administrator's Office provides the number of DUI/alcohol-related convictions by location. These factors are used to distribute the funds per State law. It is recommended that activities financed from these funds be accounted for in a separate account.

Funds must be used for programs or projects targeted for the prevention, detection or prosecution of alcohol-related offenses. Counties may also use funds for construction or maintenance of facilities for confinement or rehabilitation.

Funds are available to all incorporated towns, cities, and counties. Entities are required to submit a letter detailing the programs for which funds will be used.

Liquor Law Enforcement funds are intended to supplement the budget of Law Enforcement Agencies, and are not intended to replace funds which would otherwise be allocated for law enforcement and confinement or rehabilitation of persons arrested for or convicted of alcohol-related offenses.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.11
Page: 1 of 1
Subject: Uniform Building Code Standards
Effective Date: 1 April 1997
Revision Date: 1 January 2012

Utah Code 15A-2 provides uniform building standards for the State of Utah. Section 15A-2-103(1) adopted the International Building Code, the International Plumbing Code, the International Mechanical Code and the National Electrical Code as the building standards for the State of Utah. These codes mandate that local jurisdictions issue building permits and perform inspections for construction within their jurisdictions. A schedule of fees is to be established by those jurisdictions for the issuing of building permits.

Utah Code Section 15A-1-209 mandates that each compliance agency (any political subdivision which issues permits for construction regulated under the code) shall charge a 1 percent surcharge on all building permits issued and shall remit 80% of the surcharge collected to the Division of Occupational/Professional Licensing. The amount thus collected is to be deposited with the Division as a dedicated credit and to be used by the Division to provide individuals with the necessary training, education and testing to meet the minimum qualifications to become licensed as building inspectors.

Each county or municipality is required to file a quarterly report, on a form provided by the Division. The report shows the total amount collected for building permits and the 80 percent due the Division on the one percent surcharge. The amount due the Division is to be remitted with the report no later than 1 month following the end of each quarter.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.12
Page: 1 of 2
Subject: Impact Fees
Effective Date: 1 April 1997
Revision Date: 1 January 2012

An impact fee is any fee which is imposed, as a condition of development approval, to mitigate the impact of the new development on public infrastructure. The Impact Fees Act (*Utah Code*, Section 11-36a) mandates that tap fees, hook up fees, or any other fee charged to make a connection to public utilities must not exceed the approximate average costs of the services provided to make the connection. Any fee which exceeds the approximate average costs of the services provided to make the connection must comply with the provisions of the Impact Fees Act.

The Impact Fees Act was intended to impose limitations on the use of impact fees and standardize the procedures for establishing impact fees while still leaving a method for local governments to generate revenues for expanding capacity caused by development and growth.

The Impact Fees Act applies to all local political subdivisions with the exception of school districts. Impact fee activities for school districts are governed by *Utah Code*, Section 53A-20-100.5. Currently there is a moratorium prohibiting a county, city, town, local school board, or any other political subdivision from imposing or collecting a school impact fee.

Some of the significant compliance requirements of the Impact Fees Act are as follows:

1. Impact fees may only be imposed for the development of authorized “public facilities” as defined in *Utah Code*, Section 11-36a-102 (15). “Public facilities” means only the following capital facilities that have a life expectancy of ten or more years and are owned or operated by or on behalf of a local political subdivision:
 - a. water rights and water supply, treatment, and distribution facilities;
 - b. wastewater collection and treatment facilities;
 - c. storm water, drainage, and flood control facilities;
 - d. municipal power facilities;
 - e. roadway facilities;
 - f. parks, recreation facilities, open space, and trails;
 - g. public safety facilities (excluding jails, prisons, or other places of involuntary incarceration);
or
 - h. environmental mitigation.
2. Before imposing an impact fee, the local political subdivision must prepare a capital facilities plan and a written analysis of the impact fee. The local political subdivision must also pass an impact fee enactment. The plan, analysis and the enactment must comply with specific requirements in *Utah Code*, Section 11-36a. The plan and enactment must also have been subject to public notice and public hearing requirements defined by the Act.
3. The Impact Fees Act requires the local political subdivision to separately account for the receipts and disbursements of each type of impact fee. Interest earned on impact fees must remain in the account of the appropriate impact fee. Impact fee expenditures must only be for authorized “public facilities”

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.12
Page: 2 of 2
Subject: Impact Fees
Effective Date: 1 April 1997
Revision Date: 1 January 2012

which have been identified in the capital facilities plan and for the specific public facility type for which the fee was collected.

4. The local political subdivision must expend or encumber the impact fees collected within six years. The fees may be held for longer than six years if the local political subdivision documents in writing the extraordinary and compelling reasons why the fees should be held longer than six years and an absolute date by which the fees will be expended.
5. A local political subdivision must refund any impact fees paid by a developer, plus interest earned, when:
 - a. the developer does not proceed with the development activity and has filed a written request for a refund;
 - b. the fees have not been spent or encumbered; and
 - c. no impact has resulted.

The information presented above is a summary of the Impact Fees Act. Before imposing an impact fee, a local government should carefully consider the detailed requirements of the Impact Fees Act (*Utah Code*, Section 11-36a) and should consult with their attorney to ensure compliance with all aspects of the Act.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.13
Page: 1 of 1
Subject: Chart of Accounts
Effective Date: 1 April 1987
Revision Date: 1 January 2012

A chart of accounts is used to identify and appropriately classify financial transactions, balances, etc. A chart of accounts is available upon request from the State Auditor's Office.

Various sections of the Uniform Fiscal Procedures Act set forth the legislative intent for uniform accounting, budgeting and financial reporting for governmental entities and the State Auditor's responsibility in that regard.

It is recognized that there are differences in size, complexity and organizational structure of governmental entities. The master chart of accounts, or the optional simplified chart of accounts, is available for use if desired. Modification of the account codes may be made where necessary to facilitate variances in organizational structure, need for greater detail, performance measurement criteria, etc.

The budget forms submitted to the State Auditor's Office must account for revenues and expenditures in the categories provided on the forms. Also, year end financial reports must conform to the basic fund structure provided by generally accepted governmental accounting principles.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14
Page: 1 of 4
Subject: Governmental Records Access and Management Act (GRAMA)
Effective Date: 1 October 1992
Revision Date: 1 January 2012

The “Governmental Records Access and Management Act” (GRAMA) provides for the control and disposition of public records. The State Archivist, under the direction of the State Records Committee, has prepared standard “Records Retention Schedules” which provide guidance to state and local governmental officials in the disposition and retention of public records. Copies of all forms and retention schedules are available from State Archives by calling (801) 531-3848.

Errors or recommended changes in the schedules should be forwarded to Rosemary Cundiff, Local Government Records Archivist, Bureau of Records Analysis, Division of State Archives. The Bureau is located in the Rio Grande Building, 346 S. Rio Grand, Salt Lake City, Utah 84101. To have retention schedules determined for records not listed in the Records Retention Schedule, obtain and complete a Records Series Inventory worksheet in the Forms section online at www.archives.utah.gov/recordsmanagement/forms/forms.html. A retention and disposition policy will be established and returned to you. All approved retention schedules and forms are available on the State Archives website (www.archives.utah.gov).

LEGISLATIVE INTENT OF GRAMA

In enacting this act, the Legislature recognized two constitutional rights:

- (1) the public’s right to access information concerning the conduct of the public’s business; and
- (2) the right of privacy in relation to personal data gathered by governmental entities.

The Legislature also recognized a public policy interest in allowing a government to restrict access to certain records, as specified by this chapter, for the public good.

It is the intent of the Legislature to:

- (1) promote the public’s right of easy and reasonable access to unrestricted public records.
- (2) specify those conditions under which the public interest in allowing restrictions on access to records may outweigh the public’s interest in access;
- (3) prevent abuse of confidentiality by governmental entities by permitting confidential treatment of records only as provided in this chapter.
- (4) provide guidelines for both disclosure and restrictions on access to government records, which are based on the equitable weighing of the pertinent interests and which are consistent with nationwide standards of information practices;
- (5) favor public access when, in the application of this act, countervailing interests are of equal weight; and
- (6) established fair and reasonable records management practices.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14
Page: 2 of 4
Subject: Governmental Records Access and Management Act (GRAMA)
Effective Date: 1 October 1992
Revision Date: 1 January 2012

Definitions

Record means a book, letter, document, paper, map, plan, photograph, film, card, tape, recording, electronic data, or other documentary material regardless of physical form or characteristics, that is prepared, owned, received, or retained by a governmental entity or political subdivision (*Utah Code* Section 63G-2-103(22)).

Record series means a group of records that may be treated as a unit for purposes of designation, description, management, or disposition (*Utah Code* Section 63G-2-103(23)).

Applicability to political subdivisions

A political subdivision may adopt an ordinance or a policy applicable throughout its jurisdiction relating to information practices (see *Utah Code* Section 63G-2-701). If a political subdivision does not adopt and maintain an ordinance or policy, it is subject to this act. However, ordinances or policies adopted by local governmental units must not be inconsistent with the Act. Every ordinance, policy, or amendment to the ordinance or policy shall be filed with the State Archives no later than 30 days after its effective date.

Relationship of the political subdivisions with the State Archives

The Archives will assist political subdivisions by:

- (1) providing advice on the collection, management, retention, preservation, classification and disclosure of records;
- (2) establishing standards, procedures, and techniques for the physical care of records and the orderly disposal of records no longer valuable;
- (3) advising on the microfilming of records and provide the lab facilities and quality control for the film;
- (4) providing physical care for those records that have long-term and historical value; and
- (5) providing training to assist records officers and other interested officers and employees to manage their records.

Other GRAMA Information

A record shall be presumed to be public 75 years after its creation; except a record that contains information about an individual 21 years old or younger at the time of the records creation shall be presumed to be public 100 years after its creation (*Utah Code* Section 63G-2-310).

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14
Page: 3 of 4
Subject: Governmental Records Access and Management Act (GRAMA)
Effective Date: 1 October 1992
Revision Date: 1 January 2012

GUIDELINES FOR RECORDS OFFICERS

A **records officer** is “the individual appointed by the chief administrative officer of each governmental entity, or political subdivision to work with state archives in the care, maintenance, scheduling, designation, classification, disposal, and preservation of records” (*Utah Code* Section 63G-2-103(25)). A records officer is someone in the office that is knowledgeable about the office’s records and who has been authorized to make decisions concerning them. The responsibilities of a records officer include:

- developing and providing oversight of record management programs
- serving as the contact person with Archives
- inventorying agency records, developing agency retention schedules, obtain agency approvals
- implementing approved records retention schedules and documenting authorized destructions of obsolete records
- maintaining information on what records series have been scheduled and conducting periodic reviews to update information as changes occur
- reporting agency’s classification designations on record series that it maintains
- maintaining information on record series that have been transferred to the State Records Center to allow for their efficient retrieval

RECORD CLASSIFICATIONS

PUBLIC: **RECORDS OPEN FOR PUBLIC REVIEW**

Records that contain certain identifying information about public employees; laws; final interpretations of the laws or rules; transcripts, minutes, or reports of open meeting, private data on individuals where the individual consents to public release; and others as outlined in *Utah Code* Section 63G-2-301(2)

Records normally publicly provided but not otherwise properly classified:

Staff manuals and instructions, policy statement; compliance records with government contracts; chronological logs and initial contact reports; correspondence where government determines or states an opinion; original data in a computer program; arrest warrants after issuance; search warrants after execution, and other as outlined in *Utah Code* Section 63G-2-301(3).

This is not a total list and should not limit access *Utah Code* Section 63G-2-301(4).

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14
Page: 4 of 4
Subject: Governmental Records Access and Management Act (GRAMA)
Effective Date: 1 October 1992
Revision Date: 1 January 2012

PRIVATE: **RECORDS OPEN ONLY TO THE INDIVIDUAL TO WHOM THE RECORD PERTAINS, AND OTHER AUTHORIZED PERSONS OR AGENCIES**

Records of an individual's eligibility for certain government benefits; medical records; certain information on public employees, and others as outlined in *Utah Code* Section 63G-2-302(1).

These records are private if properly classified:

Performance evaluation and personal status information concerning public employees; records where disclosure would be a clearly unwarranted invasion of personal privacy; and others as outlined in *Utah Code* Section 63G-2-302(2).

CONTROLLED: **RECORDS OPEN TO AUTHORIZED PERSONS OR AGENCIES, BUT NOT OPEN TO THE INDIVIDUAL TO WHOM THE RECORD PERTAINS**

Records that contain medical, psychiatric, or psychological data on the individual when the governmental entity believes that disclosure would:

1. be detrimental to the subject's mental health or to the safety of any individual, or;
2. releasing would violate professional practice and medial ethics as stated in *Utah Code* Section 63G-2-304.

PROTECTED: **RECORDS USUALLY CONTAINING NON-PERSONAL DATA THAT ARE OPEN TO THE PERSON SUBMITTING THE INFORMATION AND AUTHORIZED PERSONS OR AGENCIES**

Records which contain trade secrets; records where disclosure would jeopardize the life or safety of an individual, the security of government property, or programs; the security or safety of a correctional facility or their records; attorney's work product; drafts unless classified as public; the identity of a donor or prospective donor who requests anonymity in writing; and other as outlined in *Utah Code* Section 63G-2-305.

EXEMPT: **RECORDS WHERE DISCLOSURE IS LIMITED EXPRESSLY BY STATUTE**

Records to which access is restricted by court rule, another state, federal statute, or federal regulation, including records for which access is restricted as a condition of participation in a state or federal program or for receiving state or federal funds *Utah Code* Section 63G-2-201(3)(b).

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 14.01
Page: 1 of 1
Subject: Records Retention
Effective Date: 1 October 1992
Revision Date: 1 January 2012

The Utah State Archives prepares general records retention schedules and the State Records Committee approves those schedules to provide assistance to state and local governments in the retention and disposition of common public record series.

General schedules are prepared as models for state agencies, counties, municipalities, and special districts. A complete General Records Retention Schedule can be obtained by going to the State Archives website at www.archives.utah.gov or by calling State Archives at 801-531-3848. State schedules are reviewed every three years, county and municipal schedules will be reviewed every four to five years. Errors or recommended changes to the schedules should be forwarded to State Archives, Records Analysis Section. All approved retention schedules are available on the internet.

To have retention schedules prepared for record series not listed in the general schedule you would need to prepare an inventory worksheet and send it to State Archives. A records analyst from the Archives will work with individual government entities to schedule those record series specific to your own office. For more information call the State Archives 531-3848. Records management and GRAMA Training Sessions are held annually throughout Utah and are available on-line at www.archives.utah.gov.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.02
Page: 1 of 1
Subject: Purpose of Classification Worksheet
Effective Date: 1 October 1992
Revision Date: 1 January 2012

The Designation and Classification Worksheet was developed to allow for the reporting of record series classifications. Local government entities may use this form to report to the Utah State Archives classifications and to indicate which general schedule items exist in their office. It is important that this sheet be completed and returned to the Utah State Archives to report your entity's designated classification. Copies of the Classification Worksheet can be obtained on the State Archives website at www.archives.utah.gov. For further information about this form call the Utah State Archives at 531-3848.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.03
Page: 1 of 6
Subject: GRAMA - Index to Classifications
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Archaeological records	
jeopardize security of locations	63G-2-305 (26)
Attorneys' records	
privileged communications	63G-2-305 (18)
work product	63G-2-305(17)
Appraisals, real estate	
prior to government acquisition	63G-2-305 (7)
Audit records	
final report	63G-2-301 (3)(q)
disclose audit techniques/procedures	63G-2-305 (9)(e)
disclose would interfere with	63G-2-305 (9)(b)
identify audit, collection procedures	
of Utah Tax Commission	63G-2-305 (14)
ongoing or planned audit	63G-2-305 (15)
workpapers (Utah Tax Commission)	63G-2-305 (14)
Benefits	
determination of	63G-2-302 (1)(a)
unemployment, eligibility for	63G-2-302 (1)(a)
welfare, eligibility for	63G-2-302 (1)(a)
Business relocation records	
government assistance to	63G-2-301 (3)(f)
publicly disclosed incentives	63G-2-301 (3)(f)
result in actual economic harm	63G-2-305 (35)
reveal negotiations regarding	63G-2-305 (35)
Collective bargaining records	
strategy concerning	63G-2-305 (23)
Commercial information	
cause commercial injury	63G-2-305 (4)
cause financial speculation	63G-2-305 (3)
cause substantial financial injury	63G-2-305 (3)
confer competitive advantage	63G-2-305 (4)
interfere with planned transactions	63G-2-305 (3)
unfair competitive injury	63G-2-305 (2)(a)
Computer programs	
original date in	63G-2-301 (3)(l)
Contractor records	
compliance records	63G-2-301 (3)(c)
contracts	63G-2-301 (2)(j)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.03
Page: 2 of 6
Subject: GRAMA - Index to Classifications
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
expenditure of government funds	63G-2-301 (3)(e)
reveal recommendations to Dept. of Corrections, Board of Pardons, etc.	63G-2-305 (13)
Contracts	
contractor	63G-2-301 (2)(j)
government	63G-2-301 (3)(d)
private provider	63G-2-301 (2)(j)
Correctional facilities (prisons, jails)	
interfere with control and supervision	63G-2-305 (12)
jeopardize security or safety	63G-2-305 (12)
Drafts	
circulated	63G-2-301 (3)(j)
empirical data contained in	63G-2-301 (3)(i)
never finalized but relied upon	63G-2-301 (3)(k)
protected information	63G-2-305 (22)
Empirical data in drafts	63G-2-301 (3)(i)
Employee records	
(See public employee information)	
Employer's Reinsurance Fund	
loss occurrence investigations	63G-2-305 (24)
Fiduciary obligations	
conflicts with	63G-2-305 (27)
independent state agencies	63G-2-302 (2)(c)
Financial information	
cause financial speculation	63G-2-305 (3)
cause substantial injury	63G-2-305 (3)
invasion of personal privacy	63G-2-302 (2)(d)
on individuals	63G-2-302 (2)(d)
nonindividual	63G-2-305 (2)
Forestry, Fire and State Lands, the Schools and Instructional Trust lands	
Administration, Division of	63G-2-301 (3)(p)
Governor's office records	
contemplated policies	63G-2-305 (29)
Higher education records	
appointments	63G-2-305 (28)
creative works in progress	63G-2-305 (40)
donors or prospective donors	63G-2-305 (37)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.03
Page: 3 of 6
Subject: GRAMA - Index to Classifications
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
promotions	63G-2-305 (28)
retention decisions	63G-2-305 (28)
scholarly correspondence	63G-2-305 (40)
tenure evaluations	63G-2-305 (28)
unpublished lecture notes	63G-2-305 (40)
unpublished research notes and data	63G-2-305 (40)
Incorporations	63G-2-301 (2)(h)
Instructions, staff	63G-2-301 (3)(a)
Insurance records	
investigations	63G-2-305 (24)
Interpretations, final	63G-2-301 (2)(d)
Investigation records (civil, criminal, or administrative)	
deprive person of fair trial	63G-2-305 (9)(c)
disclose investigative procedures	63G-2-305 (9)(e)
hinder investigation	63G-2-305 (9)(a)
identify unknown source	63G-2-305 (9)(d)
jeopardize life or safety of individual	63G-2-305 (10)
loss occurrences	63G-2-305 (24)
Judicial records	63G-2-301 (2)(f)
Law enforcement records	
chronological logs	63G-2-301 (3)(g)
interfere with enforcement proceedings	63G-2-305 (9)(b)
initial contact reports	63G-2-301 (3)(g)
(see also investigation records and Correctional facilities)	
Laws	63G-2-301 (2)(a)
Legislative records	
ethics committee meetings (closed)	63G-2-302 (1)(d)
fiscal analysts preliminary records	63G-3-305 (30)
investigation records	63G-2-302 (1)(e)
legislators' personal files	63G-2-305 (19)
request for legislation	63G-2-305 (20)(b)
research requests/Leg. Research	63G-2-305 (21)
Senate confirmation committee records	63G-2-302 (1)(e)
unencumbered bills	63G-2-305 (20)
Library (public) patron records	63G-2-302 (1)(c)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.03
Page: 4 of 6
Subject: GRAMA - Index to Classifications
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Licenses	
Business	63G-2-301 (3)(s)
occupation and professional	63G-2-301 (3)(r)
Litigation records	
anticipated	63G-2-305 (16)
pending	63G-2-305 (23)
settlement negotiations	63G-2-305 (33)
logs, chronological	63G-2-301 (3)(g)
Manuals,	
administrative staff	63G-2-301 (3)(a)
Medical records	63G-2-302 (1)(b)
disclosure detrimental to subject	63G-2-304
Memoranda	
administrative law judge	63G-2-305 (34)
Board of Pardons	63G-2-305 (34)
quasi-judicial body	63G-2-305 (34)
Minutes and transcripts	
closed meetings	63G-2-305 (32)
open meetings	63G-2-301 (2)(e)
Notices	
of violation	63G-2-301 (3)(t)
Oil, Gas, and Mining records	63G-2-301 (3)(p)
Opinions, final	63G-2-301 (2)(c)
Policy statements	63G-2-301 (3)(a)
Privacy, unwarranted invasion of	63G-2-302 (2)(d)
Private provider records	63G-2-301 (3)(c)
services provided	63G-2-301 (3)(c)
compensation to	63G-2-301 (2)(j)
Probation records	
interfere with control and supervision	63G-2-305 (12)
recommendations of Board of Pardons	63G-2-305 (13)
Procurement records	
disclosure would impair government	63G-2-305 (6)
unfair advantage	63G-2-305 (6)
Psychiatric data	
disclosure detrimental to subject	63G-2-304
Psychological data	
disclosure detrimental to subject	63G-2-304

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.03
Page: 5 of 6
Subject: GRAMA - Index to Classifications
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Public employee information	
collective bargaining strategy	63G-2-305 (23)
charges (sustained)	63G-2-301 (3)(o)
disciplinary actions (completed)	63G-2-301 (3)(o)
gross salary information	63G-2-301 (2)(b)
performance evaluations	63G-2-302 (2)(a)
personal status information	63G-2-302 (2)(a)
private information	63G-2-302 (1)(f)
public information	63G-2-301 (2)(b)
(See also Higher education records)	
Real estate/real property records	
appraisals, prior to public acquisition	63G-2-305 (7)
contemplation of sale, exchange, lease, rental, etc,	63G-2-305 (8)
restrictions on use	63G-2-301 (2)(g)(ii)
take or convey title	63G-2-301 (2)(g)(iii)
tax status	63G-2-301 (2)(g)(iv)
titles of encumbrances	63G-2-301 (2)(g)(i)
Regulated industries/persons	
discipline or sanction records	63G-2-301 (3)(t)
Recommendations	
Board of Pardons	63G-2-305 (13)
Dept. of Human Services	63G-2-305 (13)
personal	63G-2-305 (25)
Record-keeping system records	
disclosure would jeopardize security	63G-2-305 (11)
Reports	
initial contact	63G-2-301 (3)(g)
Risk Management Fund	
investigations	63G-2-305 (24)
Security	
biological resources	63G-2-305 (26)
correctional facilities	63G-2-305 (12)
government property	63G-2-305 (11)
historic locations	63G-2-305 (26)
prehistoric locations	63G-2-305 (26)
paleontological locations	63G-2-305 (26)
record keeping systems	63G-2-305 (11)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.03
Page: 6 of 6
Subject: GRAMA - Index to Classifications
Effective Date: 1 April 1997
Revision Date: 1 January 2012

Classification

Code Section

Shared records from U.S. government or outside state agency with promise of private handling with promise of protected handling	63G-2-302 (2)(e) 63G-2-305 (31)
Summary data	63G-2-301 (2)(k)
Test questions and answers	63G-2-305 (5)
Trade secrets	63G-2-305 (1)
Uniform commercial filings	63G-2-301 (2)(h)
Uninsured Employer ' s Fund	63G-2-305 (24)
Warrants	
arrest	63G-2-301 (3)(m)
search	63G-2-301 (3)(n)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.04
Page: 1 of 6
Subject: GRAMA - Subject Index to Law
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Access to records, controlled	63G-2-202 (2)
Access to records, private,	63G-2-202 (1)
Notarized releases	63G-2-202 (1)(d)(ii)
Records made public after 75 years	63G-2-310
(see also Disclosure; Liability;	
and Rights of individuals.)	
Access to records, protected	63G-2-202 (4)
Access to records, public	63G-2-201
Agencies not required to	
create new records in	
response to request	63G-2-201 (8)
Certified copies	63G-2-201 (7)
Physical form, deny or hinder for	63G-2-201 (11)
Format, providing record in	
particular	63G-2-201 (8)(b)
Photocopies (over 50 copies)	63G-2-201 (9)
Unreasonable request	63G-2-201 (8)(a)
(see also Rights, public	
records and Disclosure.)	
Access to records, restricted by statute	63G-2-201 (3)(b)
Disclosure of	63G-2-201 (6)(a)
Accuracy of records	
Non-applicability of rights to	
amend a record	63G-2-603 (8)
Request to amend a record	63G-2-603 (2)(a)
Rights of individuals on whom data	
is maintained	63G-2-601
Subject of records allowed to	
inspect private records	63G-2-601
Administrative Procedures Act,	
Non-applicability	63G-2-104
Agencies (see Governmental entity.)	
Amending a record (see Accuracy of records.)	
Appeals,	
to Amend a record	63G-2-603
District court	63G-2-404 (1)
(see also Judicial review.)	
to head of governmental	

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.04
Page: 2 of 6
Subject: GRAMA - Subject Index to Law
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Appeals (cont'd)	
Governmental entity	63G-2-401
Judiciary, establishment of process	63G-2-702 (4)(b)
Notice of appeal to agency	63G-2-401 (2)
Notice of appeal to Records Committee	63G-2-403 (1)
Option for appealing a denial	63G-2-402
Order of Records Committee	63G-2-403 (12)
Disclosure	
Controlled records	63G-2-202 (2)
Court order	63G-2-202 (7)
Exempt records	63G-2-201 (3)(b)
Liability, government entity	63G-2-803
Medical records	63G-2-202 (d)(iii)
Public employee information	63G-2-301 (2)
Public records that must be disclosed	63G-2-301
Private records	63G-2-202 (1)
Protected records	63G-2-202 (4)
Records made public after 75 years	63G-2-310
State Records Committee order to health care provider	63G-2-202 (9)(b)
to Researcher	63G-2-202 (1)(d)(iii)
(see also Access to records, private; controlled; and protected.)	63G-2-202 (8)
Discovery (see Records committee and also Subpoenas)	
Drafts, disclosure of	63G-2-301 (3)(j)
Empirical data contain in	63G-2-301 (3)(i)
Employees (see Public employees.)	
Executive Secretary of Records	
Committee, duties	63G-2-403 (4)
Exempt records	
Fee waiver	63G-2-203 (4)
appeal	63G-2-203 (6)
denial	63G-2-203 (6)
Fees	
Actual Costs	63G-2-203 (2)
Charging	63G-2-203

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.04
Page: 3 of 6
Subject: GRAMA - Subject Index to Law
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Dedicated credits	63G-2-203 (7)(a)
Fulfilling a request without charge	63G-2-203 (5)
Guidelines for fees	63G-2-701 (2)(c)
	63G-2-203 (3)
Judiciary, rules	63G-2-203 (3)(d)
Political subdivision by ordinance	63G-2-203 (3)(c)
Prepayment of	63G-2-203 (8)(b)
Prohibition of	63G-2-203 (5)
Final opinions, disclosure of	63G-2-301 (2)(c)
Format, records (see Access to records and Record, defined.)	63G-3-201 (11)
Governmental entity, defined	63G-2-103 (11)
Duties of	63G-2-307
Gross compensation, defined	63G-2-103 (12)
Disclosure of	63G-2-301 (2)(b)
Identity, proof of requester's	63G-2-202 (6)
Individual, defined	63G-2-103 (13)
Initial contact report, defined	63G-2-103 (14)
Intellectual property right	63G-2-201 (10)
Political subdivision	63G-2-701
Judicial review	63G-2-404
Judiciary, applicability to	63G-2-702
Legislative intent	63G-2-102
Legislature	63G-2-703
Liability, governmental entity	63G-2-803
Limited records	63G-2-201(6)(a)
Notarized releases	63G-2-202 (1)(d)(ii)
Oil, Gas and Mining, Div. of	
Sharing records, non-applicability	63G-2-206 (8)(a)
Records that must be disclosed	63G-2-301 (2)(g)
Ordinances or policies, political subdivisions	63G-2-701
Access criteria procedures	63G-2-701 (3)
Adoption of	63G-2-701 (1)
Appeals process	63G-2-701 (4)
Classification standards	63G-2-701 (2)(a)
Fees, establishment of	63G-2-701 (2)(c)
Management standards	63G-2-701 (2)(d)
Report designations, retentions, etc. to State Archives	63G-2-701 (1)(f)
Required classification	63G-2-701 (2)(b)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.04
Page: 4 of 6
Subject: GRAMA - Subject Index to Law
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Time limits	63G-2-701 (3)
Patents (see Intellectual property right)	
Person, defined	63G-2-103 (17)
Personal data on individuals	
Collection and use of, statement on	63G-2-601
Misuse or abuse of	63G-2-601 (3)
(see also Public employees.)	
Photocopies (over 50 copies)	63G-2-201 (9)
Policies (see Ordinances and policies.)	
Political Subdivisions	
Duties	63G-2-307
Governmental entity, defined	63G-2-103 (11)
Sharing records with	63G-2-206
Submit retention schedules, designations, classifications to State Archives	63G-2-701 (1)(g)
(see also Governmental entity and Ordinances and policies.)	
Preservation of records (see Right to replevin and Micrographics.)	
Private provider, defined	63G-2-103 (18)
Private record, defined	63G-2-103 (19)
(see also Access to records, private)	
Protected record, defined	63G-2-103 (20)
Public record, defined	63G-2-103 (22)
(See also Access to records, public.)	
Public employees, information on	63G-2-301 (2)(b)
Disciplinary action	63G-2-804
Public interest, disclosure in the	63G-2-202 (7)(c)(iii)
Record, defined	63G-2-103 (22)
Record series defined	63G-2-103 (23)
Records Committee,	
Appeals to	63G-2-403
Created/membership	63G-2-501
Defined	63G-2-103 (24)
Disclosure required	
(private, controlled, protected)	63G-2-202 (9)(b)
Discovery prohibited	63G-2-403 (10)(a)
Duties of Executive secretary	63G-2-502 (3)
Hearings	63G-2-403 (7)
Judicial review, party to	63G-2-404 (1)(c)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.04
Page: 5 of 6
Subject: GRAMA - Subject Index to Law
Effective Date: 1 April 1997
Revision Date: 1 January 2012

<u>Classification</u>	<u>Code Section</u>
Notice of judicial appeal served	63G-2-404 (1)(d)
Orders	63G-2-403 (12)
Political subdivisions submit to State Archives	63G-2-701 (1)(g)
Quorum, members needed for a	63G-2-502 (4)
Reimbursement, per diem	63G-2-501 (5)
Review of disputed records	63G-2-403 (9)(a)
Rulemaking	63G-2-502 (2)(a)
State Archives provide staff	63G-2-502 (5)
Weighing various interests	63G-2-403 (11)(b)
Records officer, defined	63G-2-103 (25)
Request to amend a record	63G-2-603 (2)(a)
Retention schedules	
Office of Attorney General to review	63G-2-502 (8)
Records Committee to review and approve	63G-2-502 (1)(b)
Submit to State Archives	63G-2-701 (1)(g)
(see also Schedule)	
Rights of individuals	63G-2-601
Public records:	
to inspect	63G-2-201 (1)
to receive copies of	63G-2-201 (1)
(see also Disclosure; Access to records, public; and Access to records, private.)	
Schedule, defined	63G-2-103 (26)
(see also Retention schedules)	
Segregation of records	63G-2-308
Sharing records	
Governmental entities	63G-2-206
Non-applicability	63G-2-206 (8)
State archives	
Defined	63G-2-103 (28)
Staff support to Records Committee	63G-2-502 (5)
State archivist, defined	63G-2-103 (29)
Judiciary, provide assistance to	63G-2-702 (6)
Subpeonas	63G-2-207
Records Committee	63G-2-403 (10)(a)
Summary data, defined	63G-2-103 (30)
Time limits,	
Appeal to head of agency	63G-2-401 (1)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.14.04
Page: 6 of 6
Subject: GRAMA - Subject Index to Law
Effective Date: 1 April 1997
Revision Date: 1 January 2012

Classification

Code Section

Appeal to Records Committee	63G-2-403 (1)
Records request:	63G-2-204 (3)
Expedited release of record	63G-2-204 (3)
Extraordinary circumstances	
that cause delay	63G-2-204 (5)
time limits for	
Failure to meet	63G-2-204 (7)
Receiving a records request	63G-2-204 (3)
Records Committee hearing	63G-2-403 (7)
Releasing committee order	63G-2-403 (13)
Response to appeal	63G-2-401 (5)
Response to request to amend	63G-2-603 (3)
Unreasonable request (see Access to records)	
Weighing interests	
by chief administrative officer	63G-2-401 (6)
by district court	63G-2-404 (8)(a)
by State Records Committee	63G-2-403 (11)(b)
legislative intent concerning	63G-2-102(3)(d)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.15
Page: 1 of 2
Subject: Lease-Purchase Agreements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Governmental units frequently obtain needed assets through lease-purchase agreements. These agreements need to contain a “fiscal funding” or cancellation clause which permits the governmental unit to terminate the agreement on an annual basis to ensure the debt restrictions set forth in Article XIV Section 3 of the State constitution are not violated. Also, governmental units sometimes create public authorities, such as building authorities, to construct or purchase assets that are leased back to the governmental unit.

In both cases, these lease purchase agreements should be reflected in the financial statements of the local governmental units if certain criteria are met. (In most cases these criteria are met). A complete discussion of this concept is contained in the GASB Codification Section L20, Section 1400, Reporting Capital Assets, and Section 1500, Reporting Liabilities. In summary:

Leases that transfer title at the end of the lease term, or contain a bargain purchase option, or cover 75% of the useful life of the asset, or equal 90% more of the fair market value of the asset, are capital leases.

In governmental funds, capital leases, even if they contain fiscal funding clauses, should be reported as assets in the government-wide statements.

When a governmental unit contracts with a public authority that has been created by the governmental unit for the purpose of purchasing or acquiring to be leased to the governmental unit, these agreements should be treated as long-term contracts for accounting and financial reporting purposes.

In determining the accounting and financial reporting treatment for lease agreements of state and local governments, consideration must be given to the accounting and reporting of capital assets and long-term liabilities in both the fund and the government-wide financial statements. Section 1400 provides that:

A clear distinction should be made between general capital assets and capital assets of proprietary and fiduciary funds. Capital assets of proprietary funds should be reported in both the government-wide and fund financial statements. Capital assets of fiduciary funds (and similar component units) should be reported only in the statement of fiduciary net assets. All other capital assets of the government unit are general capital assets. They should not be reported as assets in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

Similarly, Section 1500, “Reporting Liabilities,” provides that:

A clear distinction should be made between fund long-term liabilities and general long-term liabilities. Long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net assets and in the government-wide statement of net assets. Long-term liabilities directly related to and expected to be paid from fiduciary funds (and similar component

STATE OF UTAH
UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.15
Page: 2 of 2
Subject: Lease-Purchase Agreements
Effective Date: 1 April 1986
Revision Date: 1 January 2012

units) should be reported in the statement of fiduciary net assets. All other unmatured general long-term liabilities of the governmental unit should not be reported as liabilities in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E.16
Page: 1 of 1
Subject: Interest Allocation Between Funds
Effective Date: 1 April 1986
Revision Date: 1 January 2012

Local governmental units generally pool available resources from all funds for investment and money management practices. While this practice is encouraged as a means of effective money management, questions arise as to whether the interest earnings should be allocated to all funds or retained in the general fund.

There are no state statutes that address this question specifically. There are some statutes that may be looked to for guidance such as *Utah Code* Section 10-6-132 which allows the governing body of a city to “authorize interfund loans from one fund to another at such interest rates and upon such repayment terms and conditions as it may prescribe.” *Utah Code* Section 10-6-135 requires special advertising and a public hearing to be held when the resources of an enterprise fund are used to subsidize other funds. In some cases, such as B and C Road funds or Cemetery Perpetual Care Funds, interest must be credited to the appropriate fund. Also, there are some regulations for federal and state grants requiring that a reasonable allocation of interest be made to them.

It is recommended that interest earnings be allocated to the various funds based on their contribution to the investment pool. The most significant factor to consider is that the governing body has that authority, unless otherwise specified by law, to make this decision. A formal approval of the governmental unit’s policy regarding interest allocation should be made.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: E. 17
Page: 1 of 1
Subject: Unclaimed Property
Effective Date: 1 April 1986
Revision Date: 1 January 2012

The 1992 State Legislature refined the disposition of certain classes of property which are left unclaimed. Briefly, "Custodial property" is any tangible property: (a) that comes into the possession of a peace officer through execution of a search warrant; (b) that comes into possession of a peace officer pursuant to an arrest of a person, with or without a warrant; or (c) that he received or took as evidence in connection with any public offense. If custodial or tangible property is not claimed by the owner before the expiration of three months from the receipt of notice, or if the owner is unknown and no claim of ownership has been made, the agency having possession may either: (1) appropriate the property for public use; or (2) sell the property at public auction and appropriate the proceeds to its own use. Tangible property is defined as any property that is not intangible property.

Intangible property is defined as: (a) money, checks, drafts, deposits, interest, dividend and income; (b) credit balances, customer over payments, gift certificate, security deposits, refunds, credit memos, unpaid wages, unused airline tickets and unidentified remittances; (c) stocks and other intangible ownership interests in business associations; (d) money deposited to redeem stocks, bonds, coupons, and other securities or to make distributions; (e) amounts due and payable under the terms of insurance policies; and (f) amounts distributable from a trust or custodial fund established under a plan to provide health, welfare, pension, vacation, severance, retirement, death, stock purchase, profit sharing, employee savings, supplemental unemployment insurance, or similar benefits.

Intangible property held by a local government and left unclaimed for over one year must be remitted to the State Treasurer's Office for deposit in the Uniform School Fund. The local government should attempt to notify the owner of the intangible property prior to remitting the property to the State.

In summary, an attempt should be made by the governmental units to locate the owners of unclaimed property. Details of the law regulating the disposition of unclaimed property can be found in *Utah Code*, Section 77-24. If questions still remain, call the Unclaimed Property Division at the State Treasurer's Office. Their telephone number is (801) 320-5360. They are located at 341 South Main, 5th Floor, SLC, UT 84101.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: F.01
Page: 1 of 3
Subject: Fiscal Procedures Act for Utah Towns (Summary)
Effective Date: 1 April 1986
Revision Date: 1 July 2009

The Utah Municipal Code for towns is contained in *Utah Code*, Title 10, Chapter 5, *Uniform Fiscal Procedures Act for Towns*. The Act can be accessed online at <http://le.utah.gov/UtahCode/section.jsp?code=10-5>. It can also be downloaded and printed from that site. Below is a summary of each section of the Act.

UTAH CODE
SECTION

SUMMARY

10-5-101	Title of Act.
10-5-102	Act applicable to all towns.
10-5-103	State Auditor responsible for enforcing budgeting and financial reporting provisions of the act.
10-5-104	Fiscal year of all towns is July 1 through June 30.
10-5-105	Towns to follow generally accepted accounting principles prescribed by the State Auditor.
10-5-106	Mayor shall prepare budget each year for general, special revenue, debt service, capital improvements and enterprise funds.
10-5-107	Tentative budget prepared by mayor on forms provided by the State Auditor's Office, shall be available for public inspection at least 7 days prior to adoption. The budget should include: 1) Actual revenues and expenditures in the last completed fiscal year; 2) Estimated revenues and expenditures for the current year, and 3) mayor's estimate of revenues and expenditures for the budget year. In addition to the budget, the proposed tax levy will be disclosed. Public hearing to be held if enterprise fund is supporting other funds. Requirements of notice specified.
10-5-108	Public comment on the budget will be heard by the town council on or before June 7 each year. Notice of this meeting will be published or posted. (See note in IV. C.02)
10-5-109	The council shall adopt a budget by June 15 th of each year. A copy of this budget shall be filed with the State Auditor's Office. (See note in IV. C.02)
10-5-110	Adopted budget shall be in effect for budget year subject to later amendment. Copy shall be available for public inspection.
10-5-111	Estimated revenue from property taxes is the basis for determining property tax levy.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: F.01
Page: 2 of 3
Subject: Fiscal Procedures Act for Utah Towns (Summary)
Effective Date: 1 April 1986
Revision Date: 1 July 2009

UTAH CODE
SECTION

SUMMARY

- 10-5-112 Property tax levy shall be adopted by the town council not later than June 22. Combined levy shall not exceed .007. Town clerk to certify and send the ordinance or resolution setting the levy to the county auditor not later than the 15th day of June.
- 10-5-113 Towns may accumulate fund balance or retained earnings as appropriate in any fund.
- Fund balance in general fund is limited to 75% of the total estimated revenue of the general fund.
- Council may appropriate the general fund balance to the capital projects fund to finance future specified capital projects.
- 10-5-114 No appropriation for expenditures can be made in excess of estimated expendable revenue.
- 10-5-115 No expenditures or encumbrances can be made in excess of appropriation for any department. Any such contracted obligations are not enforceable against town.
- 10-5-116 Council may transfer excess appropriation from one department to another in the same fund.
- 10-5-117 Council may increase budget by following procedures set forth in section 10-5-108.
- 10-5-118 Approval given for emergency expenditures. Expenditures from local funds prohibited if town has created fund under Disaster Recovery Funding Act.
- 10-5-119 Disposition of unused amounts remaining in special revenue, special assessment, capital improvements or trust funds.
- 10-5-120 Council may authorize loans from one fund to another.
- 10-5-121 Town clerk to keep minutes of council meetings.
- 10-5-122 Town clerk shall countersign all contracts.
- 10-5-123 Town clerk to maintain books for the town, pre-audit claims and prepare checks.
- 10-5-124 Warrants for payment of claims to be drawn when funds are unavailable to pay claims.
- 10-5-125 Duties of town treasurer defined.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL FOR TOWNS

Reference: F.01
Page: 3 of 3
Subject: Fiscal Procedures Act for Utah Towns (Summary)
Effective Date: 1 April 1986
Revision Date: 1 July 2009

UTAH CODE
SECTION

SUMMARY

- | | |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 10-5-126 | Town treasurer to issue receipts. |
| 10-5-127 | Town treasurer shall sign all checks prepared by town clerk. Council may designate town officer to countersign checks. |
| 10-5-128 | Town treasurer shall promptly deposit all town funds in town bank account.
Commingling of town funds with personal funds prohibited. |
| 10-5-129 | Town clerk to present annual financial report to council within 180 days after close of each fiscal year. |
| 10-5-130 | Town fiscal committee created. Duties of committee defined. |
| 10-5-131 | Duties of State Auditor in connection with town fiscal committee defined. |