A Key Pillar of State Government

FINANCIAL BUDGETING AND REPORTING

Office of the
Utah State Auditor

Your Oversight Responsibilities

- Budgeting
- Fee Increases
- Accounting
- Required Reports
- Internal Control
- Purchasing
- Fund Balance Limitation

BUDGETING

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Steps of the Budget Process

1. Tentative Budget Prepared
2. Budget Review by Governing Body
3. Public Hearing scheduled and noticed
4. Public Hearing Held
5. Further Review of the budget
6. Adoption and Public Posting of Budget
7. Amendment of Budget during year if needed

Budgeting

Utah Code 17B-1-605 to 611; 613 to 615; 630; 701 and 702.

- Public has opportunity to provide input.
- The budget constitutes spending authority.
- The district legally binds itself to spend this much and no more.
- Any expenditure in excess of the budget is illegal, even if the district has money available to spend.

1. Tentative Budget Prepared Each Year

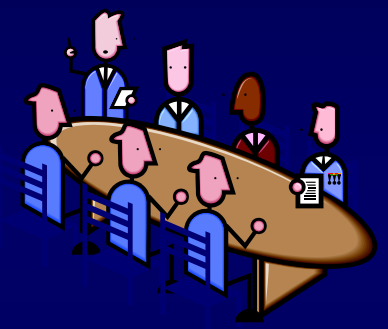
- The budget officer (Clerk or Treasurer) shall prepare for each budget year a budget.
- On or before the first regularly scheduled meeting in November
  - A tentative budget.

Budget

- The budget shall:
- Provide a financial plan.
- Specify:
  - Estimates of all anticipated revenues, and
  - All appropriations for expenditures.

2. Tentative Budget Reviewed by Governing Body (You!)

- The tentative budget shall be:
  - Reviewed,
  - Considered, and
  - Tentatively adopted by the governing body.



- The tentative budget may be amended or revised in any manner considered advisable prior to public hearings.

Tentative Budget - Public Record

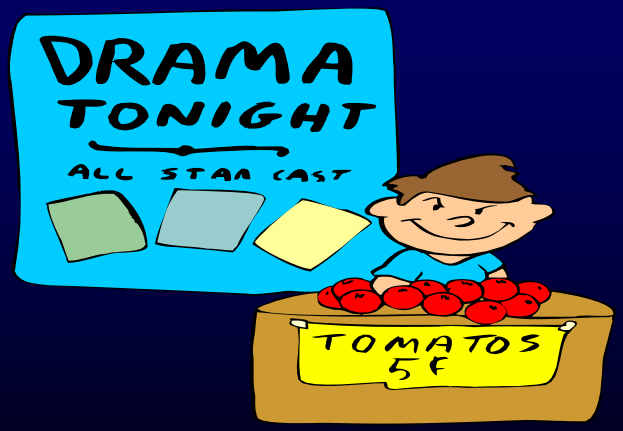
- Tentative Budgets:
- Are public records
- Must be available for public inspection for a period of at least <u>seven days prior</u> to the public hearing.

3. Public Hearing Scheduled and Noticed

- Establish the time and place of a public hearing
- Order the notice of the hearing be published at least seven days prior to the hearing,
  - In at least one issue of a newspaper of general circulation.
  - If no newspaper, the notice may be posted in three public places within the district.
- Order notice published on the Utah Public Notice Website

4. Public Hearing on Tentative Budget

- All interested persons in attendance shall be given an opportunity to be heard.
- After the conclusion of the public hearing, the governing body may continue to review the tentative budget.



5. Adoption and Public Posting of the Budget

- Budget adopted by the governing body
- A copy of the adopted budget shall be made available to the public.
- A copy of the adopted budget to be filed with the Office of the Utah State Auditor

Budget Details - Meeting Notice Requirements

- Regular meetings – give notice of meeting schedule once per year.
- If no regular meetings – give 24 hours public notice
- Meeting Agendas -- 24 hours notice.

Details -Notice Requirements – Public Hearing vs. Public Meeting

Requirement	Regular Meeting	Public Hearing
Media	Must notify at least one newspaper of general circulation within the district's boundaries, or a local media correspondent. The district does not need to pay for this notice if the newspaper chooses not to publish the notice.	Must publish notice in at least one issue of a newspaper of general circulation in which the district is located. If the newspaper requires payment to publish the notice, then the district must pay the fee. If no newspaper of general circulation is available, then post written notice in three public places within the district.

Details - Notice Requirements – Public Hearing vs. Public Meeting

Requirement	Regular Meeting	Public Hearing
Posting	Post written notice at the principal office of the public body, or if no such office exists, at the building where the meeting is to be held.	**(Same as Regular Meeting)** Post written notice at the principal office of the public body, or if no such office exists, at the building where the meeting is to be held.

Details - Notice Requirements – Public Hearing vs. Public Meeting

Requirement	Regular Meeting	Public Hearing
Number of Days	At least 24 hours before meeting	At least seven days prior to the hearing.

Details – Notice Requirements – Public Hearing vs. Pubic Meeting

- SB51 – Effective of May 13, 2014
  - Districts with an annual operating budget less than $250,000 can:
    - Direct mail notice of a public hearing for budget adoption; and
    - Post notice in three public places

Details - Budget Officer's Duties

- The budget officer (Clerk or Treasurer) shall require all expenditures to conform with the budget.

7. Amending the Budget

- New budgets may be adopted during the year
- Budgets may not be changed after the year end.
- Except for enterprise funds, new adoptions have to follow the same procedures as the adoption of the original budget.
- For enterprise funds no public notice and hearing is required; however, the board must still adopt the new budget.

IMPOSING OR INCREASING A FEE

Budgeting

Fee Increases

Accounting

Required Reports

Internal Control

Purchasing

Insurance

Fund Balance Limitation

Imposing or Increasing a Fee

Utah Code 17B-1-643

- Hold a public hearing after 6:00 pm.
- Publish Notice
  - Newspaper of general circulation within the district.
  - If no newspaper of general circulation, post at least one notice per 1,000 population within the district at locations most likely to provide actual notice.

Fee Change - Notice Requirement

- The notice must be:
  - no less than ¼ page in size;
  - no less than 18 point font;
  - surrounded by ¼ inch border;
  - published at least once each week for two weeks preceding the hearing;
  - published at least 7 days prior to the hearing.

Fee Change - Notice Requirements

- The notice <u>may not</u> be in the legal notices or classified section of the newspaper and shall state:
  - the district intends to impose or increase a fee;
  - the date, time, and place of the public hearing.

Legal Notice Options

Utah Code 45-1-101(9)

- All districts have the option of notifying voters through direct mailings.
- Provides an exemption for small districts with annual operating budgets under $250,000.
  - Direct Mail, or
  - Publish on the Legal Notice Website. If done, paper will publish notice in paper at no additional charge referencing Legal Notice Website, or
  - District may publish quarter-page ad

ACCOUNTING (AND STAFFING OF THE ACCOUNTING FUNCTION)

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Accounting

- Can be as simple as keeping a good checkbook:
  - Deposit all money into a single account.
  - All payments should be made by check.
  - All checkbook entries should be:
    - immediate, so nothing is forgotten
    - well explained
  - Reconcile account monthly.

Accounting Staffing Requirements

Utah Code 17B-1-631 to 17B-1-633

- Board Chair
- District Clerk
- District Treasurer

Who May Be District Clerk?

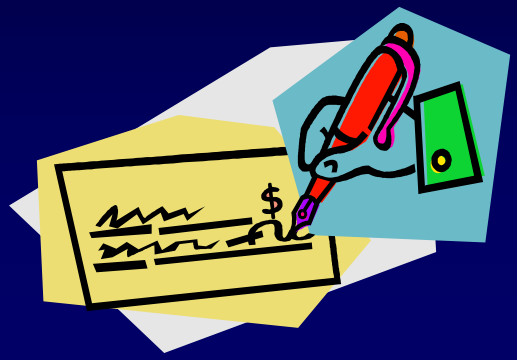
- May not also be the Treasurer.
- May not also be the Chairman.
- May or may not be a board member.

District Clerk Responsibilities

- Attend meetings and keep a record of the proceedings.
- Maintain the Financial Records.
- Prepare district checks.

District Clerk Responsibilities

- Prepare checks after determining the following:
  - The claim was properly authorized.
  - The claim does not exceed the budget.
  - The claim was approved in advance.



Who May Be District Treasurer

- May <u>not</u> be the chairman of the board.
- May <u>not</u> be the district clerk.
- May or may not be a board member.

Treasurer Responsibilities

- Custodian of district funds
  - Receive and deposit funds.
  - Keep an accurate detailed account of all monies received.

Treasurer Responsibilities

- Sign district checks.
- Determine that sufficient funds are available to honor the check.
- "In special districts with an expenditure budget of less than $50,000 per year, a member of the governing body shall also sign all checks." (UCA 17B-1-633 & 634)

District Expenditures

- Establish a purchasing policy and follow it. (UCA 17B-1-618)
- The district governing board shall approve all expenditures of the district except as otherwise provided in this section.

District Expenditures

- The governing body may authorize the district manager or other official to act as the financial officer for the purpose of approving:
  - payroll checks
  - routine expenditures, such as utility bills
- the governing body shall, at least quarterly, review all expenditures authorized by the financial officer.
- The governing body shall set a maximum sum over which all purchases may not be made without the approval of the governing body.

REQUIRED REPORTS

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Office of the
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Quarterly Reports

Utah Code 17B-1-638

- The governing body shall review detailed quarterly financial reports for that quarter and the year to date status.

Quarterly Reports

- Detail List of Receipts
- Detail List of Expenditures
- Cash balance in bank account.
- List of liabilities.
- Comparison to Bank Statements.
- Invoices supporting payments available for inspection.

Accounting Report Threshold

Utah Code 51-2a-201

- If Revenues or Expenses are:
- Over $500,000 – Audit
- $100,000 to $500,000 – Agreed-Upon Procedures report and On-line submission of financial data
- Below $100,000 – On-line submission of financial data

Agreed-Upon Procedures Report

- Communicates results of agreed-upon procedures (AUP) engagement
- Provided by a competent, independent CPA firm
- AUP provided by the Office of the Utah State Auditor

Required Reports

Report	When Due	Submission:
Adopted Budget	No later than 30 days after adoption (Usually in January)	**Uploaded to auditor.utah.gov** **Or sent to:** **State Auditor** PO Box 142310 Salt Lake City, UT 84114
Financial Report <u>or</u> Agreed-Upon Procedures Report	No later than 180 Days after Year End (Usually by June 30)	
UT or Survey of Local Government	No later than 180 Days after Year End (Usually by June 30)	
Investment Report	Bank balances as of June 30 and December 31 (Twice per Year)	**State Treasurer** PO Box 142315 Salt Lake City, UT 84114

Utah Transparency Website

Utah Code 63A-3-401 to 405

transparent.utah.gov

Utah Public Finance Website

- Applicable to all Local Districts with annual budgets of $1 million or more. Others are encouraged but not required.
- Detailed financial transactions in an electronic searchable format
- May be on your own website, but must be referenced here
- For questions, call State Finance at 801-538-3082

Financial Report Certifications

Utah Code 11-50-201

- Certification of annual financial reports by the chief administrative officer and chief financial officer required: (effective July 1, 2013)
  - "Under penalty of perjury, I, [officer's name] certify that the [annual financial report] of [political subdivision] for the year ended [date] fairly presents in all material respects the financial condition and results of operations of [political subdivision]."

How To Certify

- Electronic Signature through online submission
- Hard copy form
  - Form illustration on auditor.utah.gov

Financial Report will not be considered complete unless certification is submitted.

INTERNAL CONTROLS

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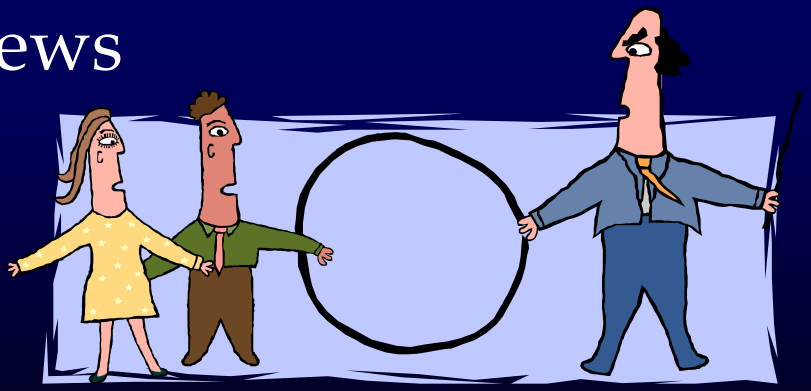
Internal Control

- Internal Control is a process designed to provide reasonable assurance regarding the achievement of objectives.
  - One employee reviews another's work.



Why Internal Controls are important

- They keep honest people… honest!
- They protect you against false accusations
- They ensure safeguarding of assets and resources
- They protect the public trust

Internal Control Limitations

- Human Judgment
  - Errors
  - Mistakes
- Management Override
- Collusion
- Cost Benefit
- Complexity of Controls

Perception of Detection

- ACFE Says:
  - Controls do little to forestall theft if their presence is not known by those at risk.
    - Employee education
    - Reporting programs
    - Hotlines
    - Rewards
    - Proactive audit policies

1. Fraud Triangle

Fraud Prevention Measures

1. Establish a "Tone at the Top" that encourages ethical conduct
2. Implement and enforce strong internal controls
3. Identify and mitigate risks in financial operations
4. Provide employee education and a fraud hotline
5. Address and follow-up on audit findings

Internal Control -Personnel Policy

- Utah Code requires:
- Districts with full or part-time employees to have a policy.
- Small districts (annual revenues less than $50,000) without full or part-time employees do not need a policy.

Personnel –
Utah Code 17B-1-801 to 803

A personnel policy should consider:

- Vacation, Sick and Holidays
- Reimbursement of expenses such as mileage, meals and lodging while traveling
- Grievance process
- Work hours, approval of leave and overtime pay
- Reporting of accidents
- Sexual Harassment
- Drugs

Governing Board Members

- Utah Code 17B-1-311 prohibits a member of a governing board from being a full or part time employee of a district.

Employee vs. Independent Contractor

- Affects how you pay:
  - federal income tax,
  - social security and Medicare taxes
  - and how a person files their t

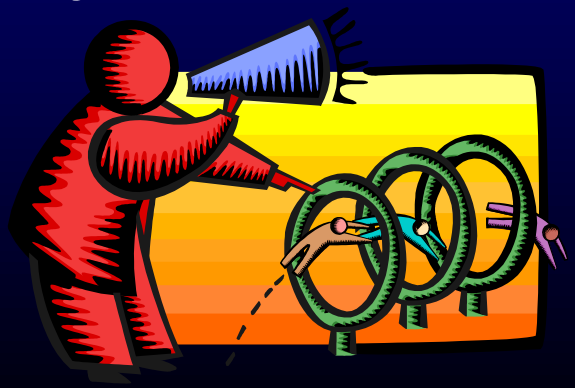
- Affects eligibility for:
  - Employer benefits
  - Social security and Medicare benefits
  - Workers compensation

Employee vs. Independent Contractor

- Behavioral Control
- Financial Control
- Relationship of the Parties

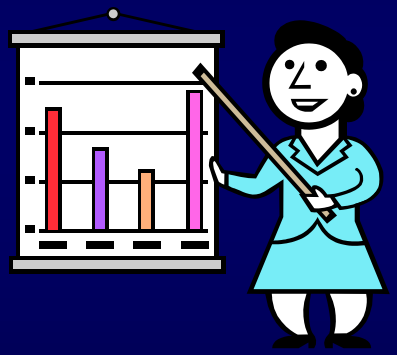
Behavioral Control

- Instructions:
  - How, when or where to do the work
  - What tools or equipment to use
  - What assistants to hire to help with the work
  - Where to purchase supplies and services
- Training



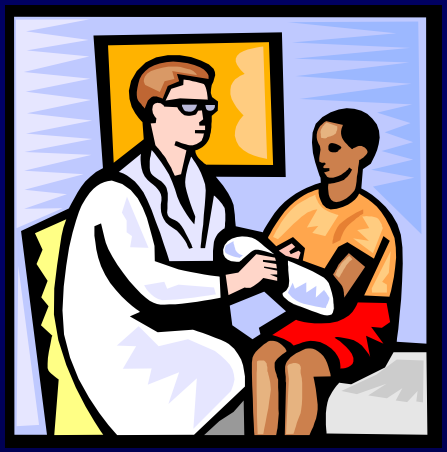
Financial Control

- Significant Investment
- Un-reimbursed business expenses
- Opportunity for profit or loss



Relationship of the Parties

- Employee Benefits – insurance, pension or paid leave
- Written contract



PURCHASING

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Office of the
Utah State Auditor

Purchasing

- Utah Code 17B-1-618 requires that all special districts:
  - have a purchasing policy and
  - specify who can make purchases.

- Essentially, a purchasing policy should:
  - establish a competitive procurement process
  - safeguards against conflicts of interest
  - balance the efficient operations of the district.

Purchasing Policy

- The following should be considered when developing a purchasing policy:
  - Amount under which competitive quotes are not required.
  - Amount over which verbal quotes will be obtained.
  - Amount over which written quotes will be obtained.

Purchasing Policy (cont.)

- Amount over which public advertising is required.
- Method of soliciting quotations.
- Purchases made from a single or sole source provider.
- Emergency Purchases.
- Cancellation and rejection of bids

INSURANCE

Budgeting

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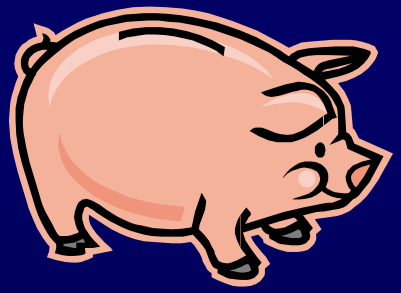
Insurance

- Public treasurers bond.
- Broad definition – A "Public Treasurer" includes … the official of any…political subdivision, or other public body who has the responsibility for the safekeeping and investment of any public funds."



Utah Code 51-7-3 (27)

Public Treasurer Bond

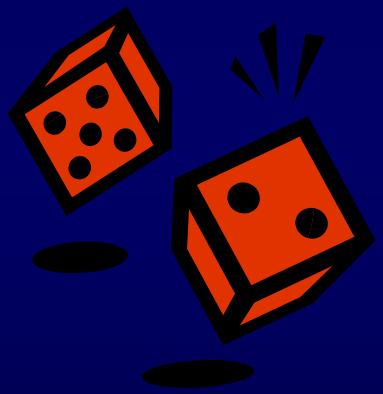
Rule 4 of the Utah Money Management Act

Budget	Percent For Bond	Minimum Bond
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

Utah Local Government Trust

The Utah Local Governments Trust

- Salt Lake City – (801) 936-6400.
- Toll-free – 1-800-748-4440.



FUND BALANCE LIMITATION

Budgeting

Fee Increases

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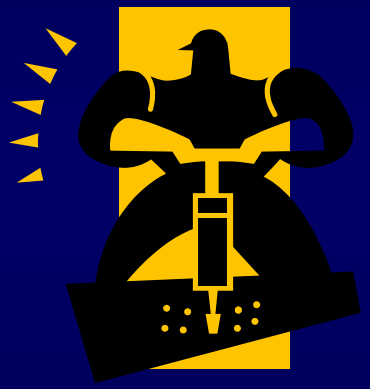
Fund Balance Limitation

Utah Code 17B-1-612

- General Fund only
- 100% of the current year's property tax; or
- 25% of the total general fund revenues for districts with annual general fund budgets greater than $100,000 or
- 50% of the total general fund revenues for districts with annual general fund budgets equal to or less than $100,000.

Fund Balance Limitation

- Governing boards may accumulate funds for financing future specific capital projects, including:
  - new construction,
  - capital repairs,
  - replacement, and maintenance,



- A formal long-range capital plan must be adopted by the governing body.

Fund Balance Concept

- Government should tax its constituents on a "pay as you go" basis.
  - Purchases which benefit taxpayers today should not be made with funds accumulated from prior taxpayers.
  - The Government should not issuing excessive debt that places the burden on future taxpayers.

Auditor.Utah.Gov

DISCUSSION