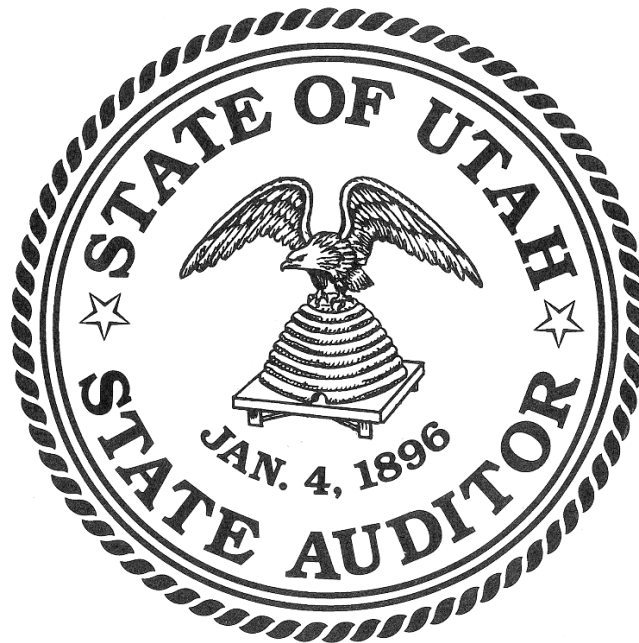


**LITTLE MANUAL  
for  
Local and Special Service Districts**

(Revised May 2020)



**OFFICE OF THE  
STATE AUDITOR**

## TABLE OF CONTENTS

INTRODUCTION .....	1
GOVERNING BOARD RESPONSIBILITIES.....	2
DISTRICT BOARD RESPONSIBILITIES CHECKLIST .....	3
BOARD MEMBER RESPONSIBILITIES.....	4
Ethics .....	6
Nepotism .....	6
MEETINGS.....	7
Meeting Minutes .....	8
Notice Requirements.....	10
Agendas .....	12
Emergency Meetings.....	13
BUDGETING .....	14
ACCOUNTING.....	17
REQUIRED REPORTS .....	18
INTERNAL CONTROL .....	21
PERSONNEL.....	22
PURCHASING .....	25
RECORDS (GRAMA).....	27
GRAMA Requests.....	29
Fees.....	30
INSURANCE / BONDING.....	32
FUND BALANCE LIMITATION .....	33
DISTRICT CONTACT INFORMATION.....	34
DISTRICT REGISTRATION.....	34
TRAINING.....	35
UTAH ASSOCIATION OF SPECIAL DISTRICTS .....	35
RESOURCES.....	36

## **INTRODUCTION**

The Office of the State Auditor has compiled this manual for local and special service districts (districts) to help districts comply with financial accounting and reporting requirements prescribed by Utah law and professional accounting standards. This manual is designed to provide a basic overview and ready reference to the most frequently asked questions regarding district governance and accountability.

Remind new board and staff members to download the latest annual version of this manual at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

Download the Reporting Requirements Manual at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

The Office of the State Auditor publishes a Uniform Accounting Manual (UAM) which is more comprehensive; it should be used for areas not covered by this manual. The UAM may be downloaded at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

If you have questions regarding this manual, contact Calvin Bergmann at: [cbergmann@utah.gov](mailto:cbergmann@utah.gov) or (801) 834-5413.

## **GOVERNING BOARD RESPONSIBILITIES**

Stephen J. Gauthier explains in his book entitled, *Governmental Accounting, Auditing and Financial Reporting*, that a governing board provides leadership needed for an entity to achieve its purpose. A board is not free to act in any way it chooses, and is ultimately judged based upon the following four criteria:

- Effectiveness – How well does the board achieve its objectives or purpose?
- Efficiency – Does the board make optimal use of the resources placed under its control?
- Compliance – Does the board comply with applicable policy, law, or regulation?
- Reporting – Does the board prepare regular financial reports made available to those who pay the tax or fee used to operate the district?

This manual will focus on compliance and reporting criteria noted above. As compliance and reporting requirements are presented in this manual, keep in mind that the underlying principle is that the governing board is accountable to its constituents for everything that happens within the district.

Board members do not serve indefinitely. Therefore, one of the most important things a board can do is establish good policies and procedures that will last beyond its service. Good policies and procedures will protect district resources in the event that a future board member does not maintain high ethical standards.

Generally, the following are areas of responsibility for governing boards:

- Meetings
- Budgeting
- Accounting
- Reporting
- Internal Control
- Personnel
- Purchasing
- Records (GRAMA)
- Insurance/Bonding
- Fund Balance Limitation
- District Contact Information/Registration
- Training

Each of the items noted above are discussed in their own sections of this manual. The remainder of this section addresses other governing board considerations.

## **DISTRICT BOARD RESPONSIBILITIES CHECKLIST**

### ***Effectiveness***

- Develop and communicate a district mission statement.
- Appoint District Officers (required):
  - Board Chair – conduct meetings.
  - District Treasurer – custodian of funds. All public treasurers must be bonded.
  - District Clerk – maintain financial records and prepare (not sign) disbursements.
- Establish written policies and procedures (i.e. Purchasing, Personnel, GRAMA, etc.).
- Appoint an Audit Committee (recommended) – This committee conducts risk assessments, helps establish internal control policy, and ensures audit findings are addressed.
- Develop a Disaster Response Plan and ensure employees are trained on how to respond.
- Be familiar with emerging technology affecting district operations.

### ***Efficiency***

- Regularly review current contracts – Rebid contracts every 5 years.
- Review budget-to-actual reports and bank statements, at least quarterly.
- Encourage innovation and cost saving among employees.

### ***Compliance***

- Obtain training ([training.auditor.utah.gov](http://training.auditor.utah.gov); [archives.utah.gov/rim/certification.html](http://archives.utah.gov/rim/certification.html)):
  - Board Member Training (within 1 year of every election/appointment)
  - Open and Public Meetings Act Training (annually)
  - GRAMA training for records officer (annually)
- Implement and enforce strong internal controls – (e.g. separation of duties, appropriate oversight of financial activities, bank statements).
- Hire competent staff – use clearly defined skills and qualifications, employee performance measures, and annual evaluations.
- Ensure meeting notice and agendas are posted to the Public Notice Website ([publicnotice.utah.gov](http://publicnotice.utah.gov)).
- Renew registration with Lieutenant Governor’s Office annually.

### ***Reporting***

- Adopt a budget before the end of the fiscal year.
- Ensure the board hires a CPA to perform an annual audit or AUP. Otherwise, complete a self-evaluation form (for entities with revenues or expenditures < \$350,000).
- Ensure transparency uploads are made on time.
- Ensure Deposit & Investment reports are submitted for June 30 and December 31 to the State Treasurer’s Office ([reporting.auditor.utah.gov/UtahTreasuryLogin](http://reporting.auditor.utah.gov/UtahTreasuryLogin))
- Ensure Impact Fee report is submitted with financial statements to the Office of the State Auditor, if applicable.

## **BOARD MEMBER RESPONSIBILITIES**

State law requires a governing board to appoint a chair, clerk, and treasurer. The board may elect other officers as the board considers necessary. ***The offices of chair, clerk, and treasurer may NOT be held by the same person.*** The clerk may be a board member, part-time staff, full-time staff, or contractor. The treasurer may be a board member, part-time staff, full-time staff, or contractor. The chair may only be a board member. Noted below are the specific responsibilities of each officer, as well as financial related governing board responsibilities specifically required by law (See *Utah Code* 17B-1-309 and 17B-1-631 through 17B-1-638).

### ***Chair***

- Conduct meetings.

### ***Clerk (or other designated person not performing treasurer duties)***

- Attend meetings and keep a record of the proceedings.
- Maintain financial records.
- Prepare checks after determining that the claim:
  - Was authorized by the board or financial officer,
  - Does not over expend the budget, and
  - Was approved in advance by the board or its designee.
- Present a detailed financial report at least quarterly to the board.
- May not sign a single signature check.

### ***Treasurer***

- Sign checks after determining that sufficient funds are available.
- Maintain custody of all money.
- Deposit and invest all money in accordance with the State Money Management Act (*Utah Code* 51-7).
- Receive all public funds and money payable to the district.
- Keep an accurate, detailed account of all money received.
- Issue receipts for money received.

### ***Entire Board***

- Approve all expenditures – however, the board may authorize a district manager or other official to act as the financial officer for the purpose of approving 1) payroll checks, if the checks are prepared in accordance with a schedule approved by the board, and 2) routine expenditures, such as utility bills, payroll-related expenses, supplies, and materials.
- Set a maximum sum over which all purchases may not be made without the board's approval.
- At least quarterly, review all expenditures authorized by the financial officer. (See *Utah Code* 17B-1-642)
- In a district with an expenditure budget of less than \$50,000 per year, a governing board member shall sign all checks. (See *Utah Code* 17B-1-635).

### ***Appointment / Election***

A board of trustees may be elected or appointed depending upon the *Utah Code* section under which the district was created and the law, ordinance, or resolution creating the district. It is important that governing boards remain fully staffed and that vacancies are filled in a timely manner. The number of governing board members varies based upon the *Utah Code* section under which the district was organized and the district's by-laws or organizing documents.

Generally, governing boards should consist of an odd number of members (at least three) who serve four-year terms which begin at noon on January 1 following the member's election or appointment.

*Utah Code* 17B-1-303 to 306 and *Utah Code* 20A-1-512 generally define appointing or electing board members. Specific appointment or election procedures may vary by the type of district. In nearly all situations, vacancies on boards should be advertised, and interested citizens should be given the opportunity to be considered for the vacancy.

The law also states that, "each board of trustees member shall serve until a successor is duly elected or appointed and qualified, unless the member earlier is removed from office or resigns or otherwise leaves office" (*Utah Code* 17B-1-303(2)(b)). In other words, if a board member's term expires and a new board member has not been appointed or elected, the existing board member should continue to serve.

### ***Compensation***

A board member of a district may receive compensation for their service as determined by the board. However, a board member may not receive over \$5,000 annually for the board member's service on the board. The \$5,000 limit does not include a board member's reimbursement for district expenditures incurred by the board member for such things as travel or other purchases made on behalf of the district (See *Utah Code* 17B-1-307).

### ***Qualification***

A district board member may not be employed by the district either as an employee or under a contract. There is an exception to this requirement when:

- fewer than 3,000 people live within 40 miles of the primary place of employment,
- the job opening has had reasonable public notice, and
- the person employed is the best qualified candidate for the position. (See *Utah Code* 17B-1-311).

A local district is not in violation of this provision if the district treats a board member as an employee for income tax purposes and complies with the applicable compensation limits.

A district board member must also be a registered voter and a resident within the boundaries of the district. There are two exceptions to the residency requirement: 1) for districts with a large number of part-time residents (seasonally occupied homes), and 2) for basic local districts with less than one residential dwelling per ten acres of land. (See *Utah Code* 17B-1-302)

### **Ethics**

*Utah Code* 67-16 addresses ethics and conflicts of interest. Generally, ethics prohibit the acceptance and solicitation of gifts, compensation, or loans by a public officer or employee. A public officer may accept an occasional non-cash gift having a value of \$50 or less. A conflict of interest may be allowed as long as full and proper disclosure is made. Please refer to *Utah Code* 67-16-7 and *Utah Code* 67-16-8 or your legal advisor for specific disclosure requirements.

It is important to understand this part of *Utah Code* because the penalties for violations can be significant.

### **Nepotism**

*Utah Code* 52-3 addresses nepotism. Generally, it means that no public officer may employ, appoint, vote for, or recommend a relative or household member for employment. Further, no public officer may directly supervise an appointee who is a relative or householder member. Relative means a father, mother, husband, wife, son, daughter, sister, brother, grandfather, grandmother, aunt, uncle, nephew, niece, grandson, granddaughter, first cousin, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law.

There are several exceptions addressed in *Utah Code* 52-3-1(2)(a). The most important exception is that the relative or household member may be employed if they are the only or best person available, qualified, or eligible for the position.



## MEETINGS

The Open and Public Meetings Act (*Utah Code* 52-4) regulates public meetings. The law recognizes that governing boards exist to conduct the people's business and contains provisions designed to help ensure a board's actions and deliberations are conducted openly.

In an effort to help ensure that meetings are conducted openly, *Utah Code* requires that the presiding officer of a governing board ensure that members of the governing board are provided with annual training on the requirements of the Open and Public Meetings Act. This training is also provided at [training.auditor.utah.gov](http://training.auditor.utah.gov). The following sections may assist you in providing this training:

### ***Open Meetings***

An open and public meeting is when a quorum (simple majority) of a governing board meets to discuss or act upon business of the district. A quorum does not include a meeting of two elected officials by themselves when no action, either formal or informal, is taken. Public meetings include workshops or executive sessions, but do not include chance or social meetings (See *Utah Code* 52-4-103, 52-4-201(2), and 52-4-208).

### ***Closed Meetings***

All meetings shall be open to the public, except for discussion of the following:

- The character, professional competence, or physical or mental health of an individual.
- Deployment of security personnel, devices, or systems.
- Collective bargaining issues.
- Pending or reasonably imminent litigation.
- Purchase, exchange, lease, or sale of real property, including any form of a water right or water shares, if such discussion prevents the district from completing a transaction on the best possible terms.
- Investigative proceedings regarding allegations of criminal misconduct.
- Information that is required to be maintained as private or protected by the Utah Procurement Code (*Utah Code* 63G-6a), including trade secrets.

In a closed meeting, a public body may not:

- Interview a person applying to fill an elected position;
- Discuss filling a midterm vacancy or temporary absence; or
- Discuss the character, professional competence, or physical or mental health of the person whose name was submitted for consideration to fill a midterm vacancy or temporary absence.

If a meeting is closed to discuss the character, professional competence, or health of an individual or the deployment of security personnel, devices, or systems, then the person presiding shall sign a sworn written statement affirming that the sole purpose for closing the meeting was to discuss these issues. No recorded or written minutes are required when a meeting is closed for these purposes (See *Utah Code 52-4-206(6)*).

If a meeting is closed for a purpose other than those mentioned in the paragraph above, the board *must* record the closed portion of the meeting and *may* keep detailed written minutes (See *Utah Code 52-4-206*). See the Meeting Minutes section below for required elements of minutes of a closed meeting.

Remember, no ordinance, resolution, rule, regulation, contract, or appointment may be approved in a closed meeting. Also, a closed meeting may be held only upon the affirmative vote of two-thirds of the board members present at a public meeting.

Recordings, transcripts, reports, and written minutes of closed meetings are protected records.

### ***Public Hearing***

A public hearing is a special type of open meeting and public meeting at which members of the public are provided a reasonable opportunity to comment on the subject of the hearing. Public hearings are required when a district imposes or increases a fee or adopts a budget.

### ***Electronic Meetings***

An electronic meeting is a public meeting convened or conducted by means of a conference using electronic communications. A district may convene an electronic meeting if they have adopted a resolution, rule, or ordinance governing the use of electronic meetings. See *Utah Code 52-4-207(2)(b)* for a list of items that the resolution or rule may include and *Utah Code 52-4-207(3)* for a list of steps the district must take in order to convene or conduct an electronic meeting.

### **Meeting Minutes**

Written minutes *and* an audio recording shall be kept of all open meetings except for the following where a recording is not required to be kept:

- During a site visit or traveling tour where no vote or action is taken.
- If the district's annual budgeted expenditures for all funds, excluding capital expenditures and debt service, are \$50,000 or less (See *Utah Code 52-4-203*).

When a meeting (whether open or closed) is required to be recorded, the recording shall be complete and unedited and include all portions of the meeting from the commencement of the meeting through adjournment of the meeting.

*Approved minutes* are written minutes of an open meeting that have been approved by the public body that held the open meeting. Approved minutes of an open meeting are the official record of the meeting.

*Pending minutes* are written minutes of an open meeting that have been prepared in draft form and are subject to change before being approved by the public body that held the open meeting. Pending minutes shall contain a clear indication that the public body has not yet approved the minutes or that the minutes are subject to change until the public body approves them.

Pending minutes, approved minutes, and recordings of public meetings are public records under GRAMA.

Districts shall:

- Make pending minutes available to the public within a reasonable time after holding the open meeting that is the subject of the pending minutes.
- *Within three business days* after approving written minutes, make the approved minutes available to the public, and
  - *Within three business days* after holding an open meeting, make an audio recording of the open meeting available to the public for listening.
- Establish and implement procedures for the public body's approval of the written minutes of each meeting.

### ***Content of Minutes***

Open meeting minutes shall include:

- Date, time and location of the meeting.
- Names of board members present and absent.
- Substance of all matters proposed, discussed, and decided.
- Votes taken by individual members of the public body.
- Names of each person who is not a member of the public body, and after being recognized by the presiding member of the public body, provided testimony or comments and the substance in brief of their testimony or comments.
- Any other information that is a record of the proceedings of the meeting that any member requests to be entered in the minutes or recording.

When a governing body closes a meeting, the following must be publicly announced and entered into the minutes of the open meeting at which the closed meeting was approved:

- Reason or reasons for holding the closed meeting.
- Location where the closed meeting will be held.
- Vote of each member of the board, either for or against the motion.

The recorded and any written minutes of a closed meeting shall include:

- Date, time and location of the meeting.
- Names of board members present and absent.
- Names of all others present except where the disclosure would infringe on the confidentiality necessary to fulfill the original purpose of closing the meeting.

## Notice Requirements

A district that holds regular meetings that are scheduled in advance over the course of a year shall give public notice at least once a year of its *meeting schedule*, giving dates, time, and place. If regular meetings are not held, the board shall give no less than 24 hours' public notice, specifying the date, time, and place.

All meetings, whether regularly scheduled in advance over the course of a year or scheduled as needed, must provide no less than 24 hours' notice of meeting agendas. The method of providing public notice for meetings and agendas depends upon whether the meeting is a regular meeting or a public hearing.

The table below contrasts notice requirements for a regular meeting and a public hearing held for the purpose of adopting a budget.

Requirement	Regular Meeting	Public Hearing
Media	Must <u>notify</u> 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 <u>publish</u> 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 a newspaper of general circulation is not available, then post written notice in three public places within the district.
Physical 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.	
Digital Posting	Must post on the Public Notice Website ( <a href="http://publicnotice.utah.gov">publicnotice.utah.gov</a> ).	
Timing	At least 24 hours before meeting.	At least 7 days prior to the hearing.

### ***Utah Public Notice Web-Site***

Public bodies are required to post notices for a public meeting on the Utah Public Notice Website (see [publicnotice.utah.gov](http://publicnotice.utah.gov) and *Utah Code 52-4-202(3)*). By posting on the website and providing the e-mail of the newspaper or local media correspondent, public bodies meet the requirement to *notify* a newspaper or local media correspondent; however, all other notice requirements for a public hearing, such as publishing notices in a newspaper, still apply.

The website allows the public to subscribe to the district's notices and receive notification of upcoming meetings and updates to current meetings. The website is designed to provide:

- Greater accessibility to public meeting information, which encourages greater participation by the public.
- A central source for all public meeting information statewide.
- Standardized format for publishing.

The website is administered by the Utah Division of Archives which has prepared a training manual and quick guide for owners and posters as well as training sessions that can be accessed on their website at [archives.utah.gov](http://archives.utah.gov). For questions regarding upcoming training opportunities, contact Glen Fairclough, Division of Archives, at: [upnw@utah.gov](mailto:upnw@utah.gov) or 801-531-3841.

For questions regarding using the website, posting a notice, or registering an individual to post notices on the website, contact Utah Interactive at: [support@utahinteractive.org](mailto:support@utahinteractive.org) or 801-983-0275.

### ***Imposing or Increasing a Fee***

If the district plans to impose or increase a fee, it must hold a public hearing in the evening no earlier than 6:00 p.m. The district must also publish notice of the public hearing in a newspaper of general circulation within the district. The notice must be:

- No less than ¼ page in size.
- No less than 18 point font.
- Surrounded by a ¼ inch border.
- Published at least once each week for two weeks preceding the hearing.
- Published at least 7 days prior to the hearing.

The notice may not be in the legal notices or classified section of the newspaper and shall state the following:

- The district intends to impose or increase a fee and will hold a public hearing.
- The date, time, and location of the public hearing.
- The purpose of the hearing will be to hear comments regarding the proposed imposition or fee increase.
- The reasons for the proposed fee imposition or increase.

If there is no newspaper of general circulation within the district, the district must post at least one notice per 1,000 population within the district at locations most likely to provide actual notice (See *Utah Code* 17B-1-643).

OR

In lieu of publishing notice in the newspaper as outlined above, a district may provide notice by mailing the notice to those within the district who:

- Will be charged the fee for a district service, if the fee is being imposed for the first time; or
- Are being charged a fee, if the fee is proposed to be increased (See *Utah Code* 17B-1-643(2)(d)).

The notice may accompany a bill for an existing fee or may be mailed separately, but must be delivered at least 7 days prior to the hearing.

In addition to the options listed above, for districts with an annual operating budget of \$250,000 or less, the legal notice requirement can also be met by publishing notice on the Legal Notice Website at [utahlegals.com](http://utahlegals.com) (See *Utah Code* 45-1-101(9)).

Whether notice is provided by publishing in the newspaper, public posting, or by mailing actual notice, *Utah Code* 17B-1-643(2)(g) provides that if no challenge is made to the notice given within 30 days after the date of the hearing, the notice is considered adequate and proper.

***Truth in Taxation***

Districts are subject to the "Truth in Taxation" process, which regulates tax increases. *Utah Code* 59-2-919 provides notice and public hearing requirements for tax increases. For assistance, contact Jennifer Hansen, Utah State Tax Commission, at 801-297-3636.

**Agendas**

As noted above, the board is required to give no less than 24 hours' notice of meeting agendas. Agenda requirements are as follows:

- Agendas must provide *reasonable specificity* to notify the public as to the topics to be considered.
- Each topic shall be listed under an agenda item on the meeting agenda.
- The board may not consider a topic in an open meeting that was not on the agenda.
- The board may discuss a topic raised by the public during an open meeting that was not on the agenda, but it may not take final action during that meeting.

## **Emergency Meetings**

The board may call an emergency meeting to discuss an *urgent* matter due to *unforeseen* circumstances. When an emergency meeting is determined necessary the following is required:

- Give the best notice practicable of the time, location and topics to be considered.
- Attempt to contact all board members.
- A majority of the board members must approve the meeting (See *Utah Code 52-4-202(5)*).

## **BUDGETING**

Budgets are required by law. The budget is how the public provides input on district expenditures and plans. Upon formal adoption, the budget constitutes spending authority for the district and a formal plan for spending. At adoption, the district has legally bound itself to spend no more than what was adopted in the budget. Any expenditure in excess of the budget is illegal, even if the district has money available to spend (*Utah Code 17B-1-617*).

### ***Budget Amendments***

Budget amendments may be made during the budget year to increase the original budget; however, budgets may not be changed after the budget year end. Generally, budget amendments must follow the same procedures as the adoption of the original budget (public notice and hearing); however, there are some exceptions.

A governing board may move budgeted expenditures from one budgeted line item to another without a public hearing. Adjusting line items is allowed as long as the adjustment is within the same fund and as long as the adjustment does not increase total expenditures or involve reducing the amount budgeted for debt retirement or reduction of a deficit (See *Utah Code 17B-1-620*).

*Utah Code 17B-1-620(1)* requires that a board of trustees establish policies for amending budgeted line items. For example, if a district operates a general fund and within the general fund are two departments (water and sewer), a policy may authorize a budget officer, with the approval of a General Manager, to move money from one budgeted line to another budgeted line *within the same department*.

When adjusting budgeted line items *between departments* within the same fund, the policy may require that the transfer be approved by the governing board. When the policy requires the approval of a governing board, the board should place the adjustment on the agenda of an open meeting and approve the adjustment in the meeting.

The budget of an enterprise fund may be amended by a resolution of the board of trustees at any regular or special meeting called for that purpose without a public hearing. This includes increasing total expenditures of the fund. (See *Utah Code 17B-1-630*).



## ***Budget Calendar***

The budget process must be completed before the budget year begins. The following is a suggested budget calendar for districts with a December 31 year end. For taxing entities undergoing the Truth-In-Taxation process, consult the budget calendars for entities with proposed tax increases.

### **October**

The budget officer prepares a tentative budget for the board to review at its first meeting in November.

### **November**

At its first meeting in November the board shall:

- Approve a tentative budget.
- Set a budget hearing date.

During November or December, but at least 7 days before the hearing date, public notice must be given of the hearing. *Public notice* means publication in at least one issue of a newspaper of general circulation. If the district's area has no newspaper of general circulation, then the notice may be posted in three public places and on the Utah Public Notice Website.

Districts with an annual operating budget of \$250,000 or less may satisfy the notice requirements by mailing a written notice to each voter in the district and posting the notice in three public places within the district.

The tentative budget must be available to the public for seven days prior to the public hearing for the adoption of the final budget.

### **December**

Hold the public hearing, formally adopt a final budget, and submit the final budget to the Office of the State Auditor within 30 days. Keep a copy of the budget for district use and public inspection. Download a budget form at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

*Utah Code* 17B-1-605 to 611, 613 to 615, 630, 701, and 702 all regulate budgeting.

**Budget Calendar for Dec. 31 entities with a proposed tax increase**

For December 31 fiscal year end entities with a proposed tax increase, the following changes to the budget calendar are applicable.

**October**

By October 1<sup>st</sup> notify the county governing body of your intent to raise property taxes and the date, time, and place of the first public meeting. Fourteen or more days before the general or municipal election, you must hold a public meeting containing a separate agenda item. This item must state the intent to increase property taxes, the dollar amount and the purpose for additional tax revenue and the approximate percentage of the property tax increase. In addition, seven or more days before the election you must provide a parcel specific notice by mail to each owner of property in accordance with *Utah Code 59-2-919(3)(c)*.

**November/December**

Two weeks prior to the public hearing to adopt the budget, place a newspaper advertisement for the hearing to appear *each* of the two weeks. Also, post a notice on the Utah Public Notice Website ([publicnotice.utah.gov](http://publicnotice.utah.gov)). Hold the public hearing on the specified date and adopt the property tax increase along with the budget. Submit the final budget to the Office of the State Auditor within 30 days. Retain a copy of the budget for entity use and public inspection.

**Budget Calendar for June 30 entities with a proposed tax increase**

For June 30 fiscal year end entities with a proposed tax increase, the following changes to the budget calendar are applicable.

**June**

On or before June 30, adopt a tentative budget (*Utah Code 59-2-924*). A taxing entity anticipating a tax increase may spend money prior to the final adoption of a budget based upon an adopted tentative budget (*Utah Code 59-2-923*).

**August**

Before September 1, hold a public hearing, formally adopt a final budget, and submit the final budget to the Office of the State Auditor within 30 days. Keep a copy of the budget for entity use and public inspection.

More details on the Truth in Taxation process for both calendar and fiscal year end entities can be found at: [propertytax.utah.gov](http://propertytax.utah.gov).

## ACCOUNTING

Accounting is the process of keeping track of money, other items of worth (assets), and what is owed to others (liabilities). It is important for the district to accurately keep track of such information not only for its own use, but also to be accountable to its constituents and to complete legally required reports.

Accounting need not be complicated. All it requires for small districts is a carefully kept, readable checkbook, which has been reconciled to the bank statements. The following should be done:

- All money coming into the district should be deposited into the district bank account and recorded in the accounting records.
- Payments should not be made using cash on hand unless the cash is part of a properly established petty cash fund.
- A running checkbook balance should be kept.
- All entries made in the checkbook should be:
  - Immediate, so nothing is forgotten.
  - Clearly written.
  - Well explained (for example, it is not necessary to write "Deposit" because that is obvious by the column it is placed in, but it is necessary to explain where it came from and what it was for).
- The checkbook should be reconciled monthly to the bank statement. Bank statements should be kept for four years and check registers should be kept for seven years.

For small districts, the checkbook could be the official financial record of the district and should be safeguarded. The balances, deposits, and check amounts in the checkbook should be used to complete the required annual financial statements.

## REQUIRED REPORTS

The following schedule shows which reports are required by law, when they are due, and where they should be sent:

	Report	When Due	Upload To:
1.	Adopted Budget	Within 30 days of adoption (usually in January).	<a href="http://reporting.auditor.utah.gov">reporting.auditor.utah.gov</a>  <i>You may mail your reports to Office of the State Auditor P.O. Box 142310 Salt Lake City, UT 84114</i> <b>ONLY if internet access is NOT available.</b>
2.	Audited Financial Statements (included in Financial Audit Reporting Package) or Small/Large Financial Survey	Within 6 months of fiscal year end (usually by June 30).	
3.	Financial Certification		
4.	Financial Audit Reporting Package, Agreed-Upon Procedures Report, or Self-Evaluation Form		
5.	Independence Documentation & Schedule of Adjusting Entries (only if your auditor prepared the financial statements before completing an audit)		
6.	Impact Fee Report (only if your district assesses impact fees)		
7.	Fraud Risk Assessment Questionnaire		
8.	Deposit and Investment Report	July 31 & January 31	

### ***Financial Report Requirements***

Detailed reporting requirements are available in Reporting Requirements Manual at [resources.auditor.utah.gov](https://resources.auditor.utah.gov). Thresholds are outlined below:

- Revenues or expenditures greater than \$1,000,000 – an audit and financial statement certification are required.
- Revenues or expenditures between \$350,000 and \$1,000,000 – an agreed-upon procedures report, large financial survey, and financial statement certification are required.
- Revenues and expenditures less than \$350,000 – a self-evaluation form, small financial survey, and financial statement certification are required.

The following describes the different types of financial reports:

- **Audit** – an examination completed by an independent certified public accountant (CPA). *Reasonable assurance* that the financial statements are fairly presented is provided.
- **Agreed-Upon Procedures** – an engagement by an independent CPA following procedures established by the Office of the State Auditor. *No assurance* is provided on the reliability of the financial information generated by the entity and submitted to the Office of the State Auditor.
- **Financial Survey** – Information regarding assets, liabilities, revenues and expenses is submitted using a financial survey form (downloaded at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov)) to the Office of the State Auditor.
- **Self-Evaluation Form** – A self-evaluation must be completed and certified by a member of the governing board annually. This form (downloaded at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov)) has been developed to help the governing board internally assess their district and determine if reasonable safeguards for compliance and proper fiscal management are implemented and functioning.

A district may choose to have a report prepared that exceeds the reporting requirements outlined above if the district desires to obtain greater assurance that its financial statements are accurate. For example, a district with \$500,000 in revenues may choose to undergo an audit, although only an agreed-upon procedures report is required.

### ***Financial Statement Certification***

*Utah Code 11-50-202* requires the annual financial report submitted to the Office of the State Auditor be certified by the district's Chief Administrative Officer (individual who supervises the day-to-day activities of the district) and the Chief Financial Officer (individual who has primary responsibility for preparing the annual financial report). This certification form is found at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

### ***Transparent Utah Website***

All entities are required to provide public financial information through the Utah Public Finance Website at [transparent.utah.gov](https://transparent.utah.gov). The Transparency Administrator login page is found at: [secure.utah.gov/transparency-admin](https://secure.utah.gov/transparency-admin). After June 2020, data will be uploaded to [reporting.auditor.utah.gov](https://reporting.auditor.utah.gov). All entities are required to upload:

- 1) Quarterly detailed revenue and expenditure transactions
  - a. Within 30 days after fiscal quarter end.
- 2) Annual employee compensation information
  - a. Within 90 days after fiscal year end (See *Utah Code* 63A-3-401 to 405).
  - b. If you do not have employees, you still must inform the individuals listed below.

For questions regarding *uploading*, contact Darrell Swensen at [dswensen@utah.gov](mailto:dswensen@utah.gov) or 801-538-3059. For questions regarding *uploading* or *enforcement*, contact Alex Nielson at [alexnielson@utah.gov](mailto:alexnielson@utah.gov) or 801-538-1041. To watch a videos on how to create an account and upload data to the Transparent Utah website, access the Office [YouTube Channel](#).

## INTERNAL CONTROL

An internal control is a process designed to provide reasonable assurance regarding the achievement of objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies. The guiding principle when it comes to internal control is that one individual is reviewing another individual's work.

Internal control is meant to keep honest people honest and to protect those who handle money and other assets. In order to properly design "checks and balances," several people are involved in the accounting process. In districts it is *critical* for board members to be involved in reviewing and approving financial transactions.

As the Office of the State Auditor has investigated entities, it has found *lack of internal controls, particularly separation of duties (explained earlier in this manual) is the **main contributing factor of public fund theft.***

The following procedures should be followed by board members:

- NEVER SIGN A BLANK CHECK. Signing blank checks is an open invitation for theft. Consider writing checks monthly; then check signers are only inconvenienced monthly.
- Require two signatures on checks. *Utah Code 17B-1-635(2)(b)* states that, "In a local district with an expenditure budget of less than \$50,000 per year, a member of the board of trustees shall *also* sign all checks." It is also recommended for districts with budgets larger than \$50,000. However, do not to rely on the bank to ensure proper payment. Banks will almost always process checks requiring dual signatures which only include a single signature.
- Deposits and disbursements should be reviewed by a governing board at least quarterly. Board members should ask questions if something is unclear or appears unusual.
- In small districts, the monthly reconciliation of the checkbook to the bank statement should be made, or at least reviewed, by a board member who does not sign checks. In larger districts, a review of the bank reconciliation by a board member is also an effective control.
- Board members should take a healthy interest in the finances of the district by reviewing the annual financial statements and physically inspecting other assets, such as pipes, trucks, lawnmowers, etc., to be sure they have not been lost or stolen and are in good condition.

## PERSONNEL

### *Personnel Policy*

Utah Code 17B-1-801 through 804 addresses personnel matters. Generally, this section does not apply to districts with annual revenues less than \$50,000. It does say, however, that each district which has full-time or part-time employees shall annually review its personnel policies to ensure that they conform to requirements of state and federal law.

In other words, smaller districts *without* full or part-time employees do not need a personnel policy. Districts *with* full or part-time employees must have a policy. Districts should contact their legal advisor (or another district that provides a similar service) for assistance in drafting a personnel policy.

Additionally, districts with full or part-time employees shall assign personnel responsibilities to an individual and ensure this individual receives training on his or her responsibilities. These responsibilities include complying with federal and state employment law, administering compensation and benefits, and ensuring employee safety.

Following is a list of items that should be considered when developing a personnel policy. The list is not all inclusive, but is intended to be a starting point:

- Vacation, sick leave, and holidays
- Reimbursement of expenses such as mileage, meals, and lodging while traveling
- Personal use of public property
- Grievance process
- Work hours
- Approval of leave and overtime pay
- Reporting of accidents (vehicle and workers' compensation)
- Sexual harassment
- Drugs

Note that unauthorized use of public money or property, in violation of Utah Code 76-8-402, carries various criminal penalties, ranging from class C, B, and A misdemeanors, to ***third and second degree felonies***. Adopting a policy helps protect public assets and helps protect employees from serious criminal charges.



### ***Independent Contractor or Employee?***

As a potential employer, you may choose to hire an employee to get a job done, or you may hire an independent contractor. You should consider the following factors in making your decision:

- In most cases, an employee must be granted all benefits, including health insurance, retirement, etc., that are provided generally for employees by the district. An independent contractor is not paid these benefits.
- An employer must withhold federal and state income taxes, pay social security taxes, pay workers' compensation contributions, and pay unemployment insurance for an employee. No taxes or unemployment insurance are paid for an independent contractor.
- Terminating an employee can be more difficult than canceling a contract with an independent contractor.
- You may specify the results desired, but may not control the performance of work of an independent contractor. An employee may be given explicit directions about how, when, and where to perform a job and may be closely supervised.
- Generally, the liability of an organization for its employees is much greater than the liability of an organization for an independent contractor.

The following is an excerpt from IRS *Publication 1779* regarding factors determining whether a worker is an employee or independent contractor. Understanding these factors is important because you may be able to design an agreement that meets your needs.

#### *IRS Publication 1779*

The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These relevant facts fall into three main categories: behavioral control, financial control, and relationship of the parties. In each case, it is very important to consider all the facts – no single fact provides the answer. Carefully review the following definitions.

#### *Behavioral Control*

These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done as long as the business has the *right* to direct and control the work. For example:

- Instructions – if you receive extensive instructions on how work is to be done, this suggests that you are an employee. Instructions can cover a wide range of topics, for example:
  - 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

- If you receive less extensive instructions about what should be done, but not how it should be done, you may be an independent contractor. For instance, instructions about time and place may be less important than directions on how the work is performed.
- Training – if the business provides you with training about required procedures and methods, this indicates that the business wants the work done in a certain way, and this suggests that you may be an employee.

### Financial Control

These facts show whether there is a right to direct or control the business part of the work. For example:

- Significant Investment – if you have a significant investment in your work, you may be an independent contractor. While there is no precise dollar test, the investment must have substance. However, a significant investment is not necessary to be an independent contractor.
- Expenses – if you are not reimbursed for some or all business expenses, then you may be an independent contractor, especially if your unreimbursed business expenses are high.
- Opportunity for Profit or Loss – if you can realize a profit or incur a loss, this suggests that you are in business for yourself and that you may be an independent contractor.

### *Relationship of the Parties*

These are facts that illustrate how the business and the worker perceive their relationship. For example:

- Employee Benefits – if you receive benefits, such as insurance, pension, or paid leave, this is an indication that you may be an employee. If you do not receive benefits, however, you could be either an employee or an independent contractor.
- Written Contracts – a written contract may show what both you and the business intend. This may be very significant if it is difficult, if not impossible, to determine the status based on other facts.

If you have a special situation, you should contact your legal advisor for assistance.

Each independent contractor that receives more than \$600 in rents or compensation from the district must be issued an IRS Form 1099-MISC at the end of the tax year. Employees must be issued an IRS Form W-2.

### Approved Vendor List

The Office has solicited bids from firms across the state for non-accounting services, such as bookkeeping, compliance reporting, and financial statement preparation. The intent of this solicitation is to increase the quality of financial reporting for compliance and decision-making, while improving the independence of external auditors. Find the Approved Vendor list at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

## PURCHASING

*Utah Code* 17B-1-618 requires that all purchases by a district be made according to the purchasing procedures established by each district by resolution and only on an order or approval of the person duly authorized by the board to do the purchasing. Therefore, without a written purchasing policy the district cannot legally spend money. The District's purchasing policy must conform to the Utah Procurement Code (*Utah Code* 63G-6a).

Essentially, a purchasing policy should establish a competitive procurement process which safeguards against bias or conflicts of interest. The policy should also consider the cost of soliciting or advertising bids with the benefits of competition among vendors.

A template purchasing policy is found at the Local Government Resource Center ([resources.auditor.utah.gov](http://resources.auditor.utah.gov)). Adapt it for your entity's needs and work with your legal advisor for assistance.

The following is a list of items that should be considered when developing a purchasing policy. The list is not all inclusive, but is intended to be a starting point:

- Amount under which competitive quotes are not required.
  - (Example – Purchases less than \$500 do not require competitive quotes.)
- Amount over which verbal quotes will be obtained.
  - (Example – Purchases between \$501 and \$2,000 require at least two verbal quotes.)
- Amount over which written quotes will be obtained.
  - (Example – Purchases between \$2,001 and \$50,000 require at least three written quotes.)
- Amount over which public advertising is required.
  - (Example – Purchases greater than \$50,000 will be publicly advertised and subject to competitive sealed bidding.)
- Purchases made from a single or sole source provider.
- Emergency purchases.
- Cancellation and rejection of bids.

Under the Utah Procurement Code, it is unlawful for a person to intentionally or knowingly divide a purchase into one or more smaller purchases to circumvent established thresholds.

### **Records Retention**

In accordance with *Utah Code* 63G-6a-2002 and 2003, documents associated with purchases of \$50 or more are to be kept and made available to the public, upon request, for a minimum of 6 years. In addition, the procurement officer shall maintain a record of all contracts made pertaining to small purchases, sole-source procurement, and emergency procurement in accordance with the district's record retention schedule.

### **Large Procurements and Construction Projects**

Procurements for construction projects are subject to the Utah Procurement Code (*Utah Code* 63G-6a) which, among other things, mandates bidding on most building and public works construction projects and specifies how the bidding and RFP process are to be conducted.

### **Multi-year Contracts**

In accordance with *Utah Code* 63G-6a-1204(7), a multi-year contract, including any renewal periods, may not exceed a period of 5 years unless the district determines in writing that:

- 1) A longer period is necessary in order to obtain the service or item purchased
- 2) A longer period is customary for industry standards; or
- 3) A longer period is in the best interest of the district.

However, the above circumstances would be considered exceptions, rather than the rule. Therefore, generally, all multi-year contracts should be rebid at least every 5 years.

### **Division of Purchasing**

Utah Division of Purchasing and General Services has entered into multiple contracts for a variety of products and services that *can be used by districts without having to go through the RFP and bidding process themselves*. This provides districts with access to high quality products at a lower price. In addition, State Purchasing offers assistance to districts undergoing the bidding and RFP process which lack experience and expertise in this area. For more information about state contracts and other purchasing assistance, visit [purchasing.utah.gov](http://purchasing.utah.gov) or call State Purchasing at 801-538-3026.

## RECORDS (GRAMA)

*Utah Code* 63G-2, Government Records Access and Management Act (GRAMA), addresses government records and the management of those records. It recognizes that the public has a right to access information regarding the conduct of the public's business and the right of privacy in relation to personal data gathered by governmental entities.

### ***Policy***

A district should adopt a records policy that is consistent with *Utah Code* and procedures established by the Division of Archives and Records Service.

### ***Record Series***

A record series means “a group of records that may be treated as a unit for purposes of designation, description, management, or disposition” (See *Utah Code* 63G-2-103(23)). Record series reflect the natural organization of groups of records and their relationships to each other. For example, “board meeting minutes” is a record series.

### ***Retention***

There are different retention requirements for each record series. Districts are to follow record retention schedules for municipalities which may be found at:

[archives.utah.gov/rim/retention-schedules.html](http://archives.utah.gov/rim/retention-schedules.html).

State Archives is available as a resource to help you comply with record retention requirements. Contact Rosemary Cundiff, Division of Archives and Records Service, at: 801-531-3858 or [rcundiff@utah.gov](mailto:rcundiff@utah.gov).

### ***Classification***

Classification indicates the level of access to your records. A classification is assigned to each record series. There are four classifications defined in the law: public, private, controlled and protected. Only public records are open to the public (note: most records are public). Some record series may have more than one classification. If you need help contact State Archives.

- Public records are records that are open to everyone. They include:
  - Minutes from open meetings
  - Compensation paid to a contractor
  - Names, gender, and gross compensation paid to public employees
  
- Private records are information about individuals that may only be accessed by those individuals and others specified in *Utah Code* 63G-2-302. They include:
  - Unemployment insurance, social service, and welfare benefits
  - Medical history, diagnosis, condition, treatment, and evaluation
  - Public employee home address, home telephone number, Social Security number, insurance coverage, marital status, or payroll deductions
  - Individual's email, phone number, and payment information maintained by a county for administering property taxes and property tax relief

- Controlled records are records that may only be released to certain individuals such as social workers and health care providers and may not be disclosed to the individual to whom they pertain. They include:
  - Medical, psychiatric, or psychological data
  - Information detrimental to the subject’s mental health or to the safety of any individual
  
- Protected records are non-personal data that may only be released to the person who submitted the information. They include:
  - Trade secrets
  - Closed meeting minutes
  - Records that would jeopardize the life or safety of an individual
  - Records that would jeopardize the security of a correctional facility
  - A candidate’s residential or mailing address, if the candidate provides another address where the candidate may be contacted

The following is a schedule of records a district may typically have; it includes the type of record, classification and retention requirements:

<u>Record</u>	<u>Classification</u>	<u>Retention</u>
Meeting Minutes	Public	Permanent
Meeting Agenda	Public	2 Years
Annual Financial Reports	Public	Permanent
Budgets	Public	Permanent
Bank Statements	Public	4 Years
General Ledger	Public	10 Years
Timesheets	Public	3 Years
Accounts Payable & Receivable	Public	4 Years
Deposit Slips	Public	4 Years
Check Register	Public	7 Years
Receipt Books	Public	3 Years
Fixed Asset Lists	Public	10 Years
Procurement Documents	Public	4 years

## **GRAMA Requests**

The following information is an excerpt from GRAMA training prepared by State Archives.

### ***Preparing for a GRAMA Request:***

- Make a policy within the district about who handles record requests.
  - Designating and training a records officer will help ensure that the response is consistent and complies with the law.
- Ensure everyone within the district knows who handles record requests.
- Create a standard GRAMA request form. A sample form can be found on the State Archives website at: [archives.utah.gov/rim/forms/forms-grama.html](http://archives.utah.gov/rim/forms/forms-grama.html). A well designed form will help collect information that will assist the district in properly responding to the request and minimize misunderstandings.
- Get advice from administration and legal counsel in responding to a request.

### ***Receiving a GRAMA Request (Utah Code 63G-2-204(1),(2)):***

- The law requires that the requester submit the request to the agency that prepares, owns, or retains the record. Records are subject to the classification and retention schedules of the originating entity. Releasing another entity's record, even if a copy is held by your district, could violate the records classification. A single records request may not be submitted to multiple government entities.
- The requester is also required to provide the following information in writing:
  - Name
  - Address
  - Phone Number
  - Email Address (if the requester desires communication via email)
  - Description which identifies the record requested with reasonable specificity.

### ***Responding to a GRAMA Request (Utah Code 63G-2-204(3),(4)):***

- The district must respond within 10 business days, or 5 business days for an expedited response, providing a referral if the district does not maintain the record.
- The district may deny the request, if necessary.
- Failure to respond is considered a denial.
- The district must notify the requester of extraordinary circumstances (see below).

### ***Extraordinary Circumstances Include (Utah Code 63G-2-204(5)):***

- Another agency is using the record.
- The district is processing a large quantity of records.
- The requester asks for a voluminous quantity of records.
- The records may be undergoing an audit by a government entity.

***Appropriate Response to Extraordinary Circumstances (Utah Code 63G-2-204(5)):***

- If only part of the records can be located, disclose a portion or provide the requester with an estimate of time required to respond.
- Provide the request as soon as reasonably possible.

***In Response to a Request, a District is Required to (Utah Code 63G-2-201(1),(11),(12)):***

- Allow every person the right to inspect a public record free of charge.
- Provide electronic copies in lieu of paper if requestor prefers an electronic copy and the district currently maintains the record in a reproducible electronic format.
- Avoid using a physical format to unreasonably hinder access.

***In Response to a Request, a District is not Required to (Utah Code 63G-2-201(8)):***

- Compile, format, manipulate, summarize, or tailor records.
- Provide a record in a format different than normally maintained.
- Fill the request if the record is available in a public publication.

**Fees**

The district is required to adopt a uniform fee schedule if it decides to charge for record requests. The following information will assist the district in preparing a policy that complies with the law.

***An Agency May Charge For (Utah Code 63G-2-203(2)):***

- The actual cost of providing a record when it is provided in a form other than normally maintained.
- Staff time for direct costs such as search, retrieval, summarization, and compilation, not to exceed the salary of the lowest paid, capable employee.

***An Agency May Not Charge For (Utah Code 63G-2-203(2)(c),(5)(b)):***

- The first 15 minutes of a search.
- Allowing the requestor to inspect the record.
- Reviewing a record to determine whether it is the subject of a request.

***An Agency is Encouraged to Fill the Request Without Charge When (Utah Code 63G-2-203(1),(4)):***

- Releasing the record will benefit the public.
- The requester is the subject of the record.
- The requester's legal rights are implicated, and they claim hardship.



***Denial of Request*** (*Utah Code* 63G-2-204(7), 63G-2-205(1),(2),(3)):

- If the agency denies a request in whole or in part, it must provide notice of denial to the requester in writing. A sample form can be found on the State Archives website at: [archives.utah.gov/rim/forms/forms-grama.html](http://archives.utah.gov/rim/forms/forms-grama.html)
- The notice of denial shall contain a description of the record, citations to the applicable provisions of GRAMA, and a statement that the requester can appeal the denial to the chief administrative officer (CAO) of the agency with the name and address of the CAO.
- An agency must maintain the record until time limits for appeals have expired.

***Access***

In the interest of security and keeping records in their proper place, district personnel should not allow individuals to thumb through records. Requests for copies of records from the public should be specific and consistent with district policy.

***Ombudsman***

A records ombudsman can assist government records officers who are responding to records requests. They can recommend solutions to difficult records access issues. Contact the records ombudsman at 801-531-3858.

***Training***

Designated records officers of each district are required to complete an annual online training course in order to certify in GRAMA. This training must be completed each year that they are the officially designated records officer per *Utah Code* 63G-2-108. This training can be accessed on-line at [archives.utah.gov/rim/training.html](http://archives.utah.gov/rim/training.html) or by visiting [archives.utah.gov](http://archives.utah.gov) and clicking the *Records Management* drop-down menu, then clicking *Attend Training/Certify*.

## INSURANCE / BONDING

All public treasurers are required to be bonded or insured in accordance with Rule 4 of the Utah Money Management Council. *Utah Code 51-7-3(28)* states that, “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.” This is a broad definition that includes the person or persons of a district with the responsibilities defined above.

The schedule below sets forth the amount for which each public treasurer should be bonded or insured according to the annual budget for the governmental unit. The basis used shall be budgeted gross revenue for the previous year. Budgeted gross revenue includes all funds collected or handled by the public treasurer.

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

Bonds must:

- Be issued by a corporate surety licensed to do business in Utah.
- Have a current A.M. Best Rating of “A” or better.
- Be effective as of the date the treasurer assumes the duties of the office or is sworn in.

Crime insurance must:

- Be issued by a corporate surety licensed to do business in Utah and have a current A.M. Best Rating of “A” or better.
  - OR
- Be issued by an interlocal agency created under Utah Code 11-13-101 operating as a joint self-insurance fund.

Additionally, it is wise to consider in which areas the district and its board members should be insured. Statute requires a district with an annual operating budget of at least \$50,000 to obtain liability insurance as considered appropriate by the board.

## FUND BALANCE LIMITATION

A common problem for districts is the accumulation of large fund balances or cash reserves. Large fund balances are inappropriate for governmental units and are generally a violation of state law.

*Utah Code* 17B-1-612 limits the amount that can be retained as unrestricted (sum of committed, assigned, and unassigned designations) fund balance in the *general fund*. The accumulation of a fund balance in the general fund may not exceed:

- The most recently adopted general fund budget  
PLUS
- 100% of the current year's property tax

Entities may accumulate funds for the purpose of financing specific capital projects, including new construction, capital repairs, replacement, and maintenance, *under a formal long-range capital plan adopted by the governing body*. The accumulation of these funds should be reported in a *capital projects fund*, which is not subject to the fund balance limitation.

The principle underlying the fund balance limitation is that a government should tax its constituents on a "pay as you go" basis. This means that purchases of economic resources which benefit taxpayers today should not be made with funds accumulated from prior taxpayers. Conversely, excessive debt should not be issued which places the burden of providing current benefits on future taxpayers. Essentially, taxpayers should be allowed to determine the best use of their funds while being taxed in a manner that allows a government to meet its current obligations.

## **DISTRICT CONTACT INFORMATION**

In accordance with *Utah Code* 17B-1-303, districts shall post the name, phone number, and email address of each member of the district's board of trustees to the Public Notice Website within 30 days of the board member taking office and whenever the contact information changes.

## **DISTRICT REGISTRATION**

On or before July 1, districts must register their local government with the Lieutenant Governor's Office. The district will provide the following:

- 1) The resolution or other legal or formal document creating the entity
- 2) A map or plat establishing the geographic boundaries of the entity
- 3) Entity name
- 4) Local government type
- 5) Governmental function
- 6) Website, physical address, and phone number, including the name and contact information for the primary contact
- 7) Board member names, email addresses, phone numbers, term begin and end dates , and the method by which they are appointed, elected, or otherwise designated
- 8) Source of revenue
- 9) Information regarding the creation, purpose, and boundaries of any assessment areas, as applicable

Register at: [entityregistry.utah.gov](http://entityregistry.utah.gov). Contact the Lieutenant Governor's Office at: [entities@utah.gov](mailto:entities@utah.gov) or (801) 538-1041.

All districts are required to renew this registration *annually*, ensuring the information provided is correctly and consistently updated. Districts are also required to notify the Lieutenant Governor's Office of any changes to this information within 30 days of such changes.

## **TRAINING**

The Office of the State Auditor, in cooperation with the Utah Association of Special Districts, provides occasional in-person training for district governing boards. This training is required for new board members by *Utah Code* 17B-1-312 which states that each member of a board of trustees of a local district shall, within one year after taking office, complete training developed by the Office of the State Auditor in cooperation with the Utah Association of Special Districts. A member of a board of trustees “takes office” each time the member is elected or appointed to a new term, which typically is every 4 years.

The training is designed to help governing boards increase their understanding of their role, functions, and responsibilities. The course covers this manual’s topics, as well emerging issues of which the Office of the State Auditor has become aware. An online training course that fulfills this requirement is available at [training.auditor.utah.gov](http://training.auditor.utah.gov).

It is the intention of the Legislature, the Office of the State Auditor, and the Utah Association of Special Districts, to encourage board members to participate in this training to enhance governance and accountability of local and special service districts. If you have questions regarding this training, contact Calvin Bergmann at [cbergmann@utah.gov](mailto:cbergmann@utah.gov) or 801-834-5413.

## **UTAH ASSOCIATION OF SPECIAL DISTRICTS**

This private sector association is dedicated to promoting the proper and efficient operation of all districts in our state. It assists districts in fulfilling their respective missions by informing governmental and public officials about districts; promoting district awareness; providing training to board members, management, and staff; and providing legislative input and advocacy, and updates of current laws and regulations. Membership is available for all districts. For more information please contact:

Mr. LeGrand W. Bitter, Executive Director  
Utah Association of Special Districts  
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## RESOURCES

Local governments are provided many resources to comply with law, rule, and professional standards:

**Local Government Resource Center:** Hosts Reporting Requirements Manual, report forms, auditor alerts, and publications. Also hosts policy templates, checklists for key processes, brief explanations of terms and concepts, *Fraud Risk Assessment Implementation Guide*, videos, and other related resources. Access at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

**Office of the State Auditor Website:** Hosts public, press, and state agency resources, as well as the [Local Government Resource Center](https://resources.auditor.utah.gov). Access at: [auditor.utah.gov](https://auditor.utah.gov).

**Office of the State Treasurer Online Tools:** Sister website to the State Reporting System. Upload Deposit and Investment Reports to State Treasurer's Office. Access at: [reporting.auditor.utah.gov/UtahTreasuryLogin](https://reporting.auditor.utah.gov/UtahTreasuryLogin).

**Online Training Portal:** Hosts introductory courses for different entity personnel. Also hosts the Board Member Training course (required for local and special service district board members within one year of every appointment/election) and Open and Public Meetings Act course (required for all public officials annually). Access at: [training.auditor.utah.gov](https://training.auditor.utah.gov).

**State Reporting System:** Upload budgets and financial reports, and edit contact information. Access at: [reporting.auditor.utah.gov](https://reporting.auditor.utah.gov).

**Transparent Utah Website:** Download quarterly revenue and expenditure data, as well as annual payroll data, for local governments. For questions regarding *uploading*, contact Darrell Swensen at [dswensen@utah.gov](mailto:dswensen@utah.gov) or 801-538-3059. For questions regarding *uploading* or *enforcement*, contact Alex Nielson at [alexnielson@utah.gov](mailto:alexnielson@utah.gov) or 801-538-1041. Following a system migration during June 2020, data will be uploaded to Transparent Utah ([transparent.utah.gov](https://transparent.utah.gov)) via the State Reporting System ([reporting.auditor.utah.gov](https://reporting.auditor.utah.gov)), unifying the upload destination for all Office of the State Auditor reports and data.

**Uniform Accounting Manual:** Contains requirements, across all entity types, with included Utah Code references. Access at: [resources.auditor.utah.gov](https://resources.auditor.utah.gov).

**Utah Code:** [Title 17B](https://le.utah.gov) contains requirements for local districts. [Title 17D](https://le.utah.gov) contains requirements for special service districts. Access at: [le.utah.gov](https://le.utah.gov).

**Utah Community Development Office:** Housed in the Department of Workforce Services, Housing and Community Development Division, the office provides rural

funding for infrastructure, alongside tools and resources to help communities with coordination, training, research and analysis, and planning and technical assistance (including regional planners). Access at: [cdotoolbox.wordpress.com](http://cdotoolbox.wordpress.com).

**Utah Division of Archives and Records Service:** Available as a resource to help you comply with record retention requirements. Contact Rosemary Cundiff, Division of Archives and Records Service, at: 801-531-3858 or [rcundiff@utah.gov](mailto:rcundiff@utah.gov). Districts are to follow record retention schedules for municipalities. Access at: [archives.utah.gov/rim/retention-schedules.html](http://archives.utah.gov/rim/retention-schedules.html).

**Utah Division of Purchasing and General Services:** Has entered into multiple contracts for a variety of products and services that *can be used by districts without having to go through the RFP and bidding process themselves*. This provides districts with access to high quality products at a lower price. In addition, State Purchasing offers assistance to districts undergoing the bidding and RFP process which lack experience and expertise in this area. Access at: 801-538-3026 or [purchasing.utah.gov](http://purchasing.utah.gov).

**Utah Public Notice Website:** Enables local governments to post required public meeting/hearing notices, agendas, minutes, and contact information. Administered by Division of Archives, which has prepared a training manual and quick guide for owners and posters, accessed at: [archives.utah.gov](http://archives.utah.gov). For questions regarding upcoming public notice training opportunities, access the training manual and quick guide for owners and posters, as well as training sessions, at: [archives.utah.gov/public-notice.html](http://archives.utah.gov/public-notice.html) or contact Glen Fairclough, Division of Archives, at: [upnw@utah.gov](mailto:upnw@utah.gov) or 801-531-3841. For questions regarding using the website, posting a notice, or registering an individual to post notices on the website, contact Utah Interactive at: [support@utahinteractive.org](mailto:support@utahinteractive.org) or 801-983-0275. Access at: [publicnotice.utah.gov](http://publicnotice.utah.gov).

**Utah State Tax Commission:** Districts are subject to the "Truth in Taxation" process, which regulates tax increases. *Utah Code 59-2-919* provides notice and public hearing requirements for tax increases. For assistance, contact Jennifer Hansen, Utah State Tax Commission, at 801-297-3636. Access tax increase requirements and calendars at: [propertytax.utah.gov/tax-increases](http://propertytax.utah.gov/tax-increases).

**YouTube Channel:** Hosts brief digital shorts for elected officials on basic topics such as Utah Public Finance Website data uploading, State Reporting System website, budgeting, separation of duties, reports, financial reporting roles, fund balance limits, and fraud risk assessments. Channel name: *Utah Office of the State Auditor Local Government Division*; Access at: [youtube.com](http://youtube.com).