

Chapter 5

Funds Consolidation Act

51-5-1 Short title.

This chapter is known as the "Funds Consolidation Act."

Amended by Chapter 4, 1993 General Session

51-5-2 Legislative policy -- General requirements.

- (1) Each administrative unit of state government shall comply with this chapter, which establishes the state's fiscal procedures for state government funds.
- (2) Except when in conflict with constitutional and statutory provisions, each administrative unit of state government shall apply generally accepted accounting principles and fiscal procedures.
- (3) The Legislature may establish funds in addition to those required by the Constitution.
- (4) Federal grants and other revenues, which must remain restricted according to the terms under which they are received, are governed by the specific provisions in this chapter.
- (5) The Division of Finance shall establish procedures applicable to the administration and collection of taxes, licenses, fees, and all other forms of revenue to allow them to be credited directly into the funds for which they are designated.
- (6) The Division of Finance and each administrative unit of state government shall account for general government revenues and functions in the governmental funds.
- (7) The Legislature shall review all general governmental programs and functions, regardless of the sources of revenue available to the various departments, institutions, or agencies.

Amended by Chapter 14, 1991 General Session

51-5-3 Definitions.

As used in this chapter:

- (1) "Account groups" means a self-balancing set of accounts used to establish accounting control and accountability for the state's general fixed assets and general long-term obligations.
- (2) "Accrual basis" means the basis of accounting under which revenues are recorded when earned and expenditures are recorded when they result in liabilities for benefits received, even though the receipt of the revenue or payment of the expenditures may take place, in whole or in part, in another accounting period.
- (3) "Activity" means a specific and distinguishable line of work performed by one or more organizational components of a governmental unit to accomplish a function for which the governmental unit is responsible.
- (4) "Appropriation" means a legislative authorization to make expenditures and to incur obligations for specific purposes.
- (5) "Budgetary accounts" means those accounts necessary to reflect budgetary operations and conditions, such as estimated revenues, appropriations, and encumbrances.
- (6) "Cash basis" means the basis of accounting under which revenues are recorded when received in cash and expenditures are recorded when paid.
- (7) "Dedicated credit" means:
 - (a) revenue that is required by law or by the contractual terms under which the revenue is accepted, to be expended for specified activities; and

- (b) revenue that is appropriated by provisions of law to the department, institution, or agency that assessed the revenue, to be expended for the specified activities.
- (8) "Encumbrances" means obligations in the form of purchase orders, contracts, or salary commitments that are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances cease when paid or when the actual liability is set up.
- (9)
 - (a) "Expenditures" means decreases in net financial resources from other than interfund transfers, refundings of general long-term capital debt, and other items indicated by GASB.
 - (b) "Expenditures" may include current operating expenses, debt service, capital outlays, employee benefits, earned entitlements, and shared revenues.
- (10)
 - (a) "Financial resources" means assets that are obtained or controlled as a result of past transactions or events that in the normal course of operations will become cash.
 - (b) "Financial resources" includes cash, claims to cash such as taxes receivable, and claims to goods or services such as prepaids.
- (11) "Fiscal period" means any period at the end of which a governmental unit determines its financial position and the results of its operations.
- (12) "Function" means a group of related activities aimed at accomplishing a major service or regulatory program for which a governmental unit is responsible.
- (13) "Fund" means an independent fiscal and accounting entity with a self-balancing set of accounts, composed of financial resources and other assets, all related liabilities and residual equities or balances and changes in those resources, assets, liabilities, and equities that, when recorded, are segregated for the purpose of carrying on specific activities or attaining certain objectives, according to special regulations, restrictions, or limitations.
- (14) "Fund accounts" means all accounts necessary to set forth the financial operations and financial position of a fund.
- (15) "GASB" means the Governmental Accounting Standards Board that is responsible for accounting standards used by public entities.
- (16)
 - (a) "Governmental fund" means funds used to account for the acquisition, use, and balances of expendable financial resources and related liabilities using a measurement focus that emphasizes the flow of financial resources.
 - (b) "Governmental fund" includes the following types: General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.
- (17) "Lapse," as applied to appropriations, means the automatic termination of an unexpended appropriation.
- (18) "Liabilities" are the probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future.
- (19) "Net financial resources" means:
 - (a) the difference between the amount of a governmental fund's financial resources and liabilities; and
 - (b) the fund balance of a governmental fund.
- (20) "Postemployment" means that period of time following:
 - (a) the last day worked by an employee as a result of his long-term disability; or
 - (b) the date that an employee identifies as the date on which the employee intends to retire or terminate from state employment.

- (21) "Postemployment benefits" means benefits earned by employees that will not be paid until postemployment, including unused vacation leave, unused converted sick leave, sick leave payments, and health and life insurance benefits as provided in Section 67-19-14.
- (22) "Proprietary funds" means those funds or subfunds that show actual financial position and the results of operations, such as actual assets, liabilities, reserves, fund balances, revenues, and expenses.
- (23) "Restricted revenue" means revenue that is required by law to be expended only:
 - (a) for specified activities; and
 - (b) to the amount of the legislative appropriation.
- (24) "Revenue" means the increase in ownership equity during a designated period of time that is recognized as earned.
- (25) "Subfund" means a restricted account, established within an independent fund, that has a self-balancing set of accounts to restrict revenues, expenditures, or the fund balance.
- (26) "Surplus" means the excess of the assets of a fund over its liabilities and restricted fund equity.
- (27) "Unappropriated surplus" means that portion of the surplus of a given fund that is not segregated for specific purposes.
- (28) "Unrestricted revenue" means revenue of a fund that may be expended by legislative appropriation for functions authorized in the provisions of law that establish each fund.

Amended by Chapter 175, 2001 General Session

51-5-4 Funds established -- Titles of funds -- Fund functions.

- (1)
 - (a)
 - (i) The funds enumerated in this section are established as major fund types.
 - (ii) All resources and financial transactions of Utah state government shall be accounted for within one of these major fund types.
 - (b)
 - (i) All funds or subfunds shall be consolidated into one of the state's major fund types.
 - (ii) Where a specific statute requires that a fund or account be established, that fund or account shall be accounted for as an individual fund, subfund, or account within the major fund type to meet generally accepted accounting principles.
 - (iii) Existing and new activities of state government authorized by the Legislature shall be accounted for within the framework of the major fund types established in this section.
 - (c) The Division of Finance shall determine the accounting classification that complies with generally accepted accounting principles for all funds, subfunds, or accounts created by the Legislature.
 - (d)
 - (i) Major fund types shall be added by amending this chapter.
 - (ii) Whenever a new act creates or establishes a fund, subfund, or account without amending this chapter, the reference to a fund, subfund, or account in the new act shall be classified within one of the major fund types established by this section.
- (2) Major Fund Type Titles:
 - (a) General Fund;
 - (b) Special Revenue Funds;
 - (c) Capital Projects Funds;
 - (d) Debt Service Funds;

- (e) Permanent Funds;
 - (f) Enterprise Funds;
 - (g) Internal Service Funds;
 - (h) Trust and Agency Funds; and
 - (i) Discrete Component Unit Funds.
- (3) The General Fund shall receive all revenues and account for all expenditures not otherwise provided for by law in any other fund.
- (4) Special Revenue Funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to be expended for a specified purpose.
- (a) The Education Fund is a Special Revenue Fund that:
 - (i) receives all revenues from taxes on intangible property or from a tax on income; and
 - (ii) is designated for public and higher education.
 - (b) The Transportation Fund is a Special Revenue Fund that accounts for all revenues that are required by law to be expended for highway purposes.
 - (c)
 - (i) An Expendable Special Revenue Fund is a Special Revenue Fund created by legislation or contractual relationship with parties external to the state that:
 - (A) identifies specific revenues collected from fees, taxes, dedicated credits, donations, federal funds, or other sources;
 - (B) defines the use of the money in the fund for a specific function of government or program within an agency; and
 - (C) delegates spending authority or authorization to use the fund's assets to a governing board, administrative department, or other officials as defined in the enabling legislation or contract establishing the fund.
 - (ii) An Expendable Special Revenue Fund may only be created by contractual relationship with external parties when the sources of revenue for the fund are donated revenues or federal revenues.
 - (iii) Expendable Special Revenue Funds are subject to annual legislative review by the appropriate legislative appropriations subcommittee.
- (5)
- (a) Capital Projects Funds account for financial resources to be expended for the acquisition or construction of capital outlays, including the acquisition or construction of a capital facility and other capital assets. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
 - (b) The Transportation Investment Fund of 2005 is a Capital Projects Fund that accounts for revenues that are required by law to be expended for the maintenance, construction, reconstruction, or renovation of certain state and federal highways.
- (6) Debt Service Funds account for the accumulation of resources for, and the payment of, the principal and interest on general long-term obligations.
- (7) Permanent Funds account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for a specific purpose.
- (8) Enterprise Funds are designated to account for the following:
- (a) operations, financed and operated in a manner similar to private business enterprises, where the Legislature intends that the costs of providing goods or services to the public are financed or recovered primarily through user charges;
 - (b) operations where the Legislature requires periodic determination of revenues earned, expenses incurred, and net income;

- (c) operations for which a fee is charged to external users for goods or services; or
 - (d) operations that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the operations.
- (9) Internal Service Funds account for the financing of goods or services provided by one department, division, or agency to other departments, divisions, or agencies of the state, or to other governmental units, on a cost-reimbursement basis.
- (10)
- (a) Trust and Agency Funds account for assets held by the state as trustee or agent for individuals, private organizations, or other governmental units.
 - (b) Pension Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds are Trust and Agency Funds.
- (11) Discrete Component Unit Funds account for the financial resources used to operate the state's colleges and universities and other discrete component units.

Amended by Chapter 400, 2013 General Session

51-5-4.5 Housing Corporation exempt.

The Utah Housing Corporation is exempt from this chapter.

Amended by Chapter 71, 2005 General Session

51-5-5 Authority to establish funds or subfunds.

The Division of Finance shall, when necessary, establish funds or subfunds, including budgetary and proprietary accounting funds or subfunds within the framework of the major fund types established by this chapter.

Amended by Chapter 154, 1986 General Session

51-5-6 Accounting principles and specific accounting and financial reporting procedures.

- (1) The Division of Finance shall:
- (a) use generally accepted accounting principles applicable to governmental units in:
 - (i) its accounting procedures; and
 - (ii) its reports of the state's financial position and results of operations in each fiscal period; and
 - (b) note any deviation for budget purposes in the state's financial statements.
- (2) Unless otherwise required by generally accepted accounting principles, the following specific procedures shall be implemented:
- (a) The Division of Finance shall use the basis of accounting established by GASB for financial reporting of each fund type.
 - (b) The Division of Finance shall:
 - (i) calculate the liabilities associated with postemployment benefits by applying:
 - (A) GASB standards as they become available; or
 - (B) appropriate standards available for private business if GASB standards are not available;
 - (ii) recognize all liabilities associated with postemployment benefits in a separate fund for budget purposes and in the General Fund or other funds as required by GASB for reporting purposes;
 - (iii) provide for an ongoing labor additive beginning in the budget request for fiscal year 1995 to charge all federal, state, or other programs at a rate sufficient to cover the annual change in the postemployment benefits liabilities of the separate budget fund; and

- (iv) provide for ongoing payments against the postemployment liabilities budget fund as employees qualify for receiving the postemployment benefits.
- (c) The Division of Finance shall post receipts of revenues and other resources of each fund when collected directly to the fund designated to receive them.
- (d) The Division of Finance shall use budgetary accounts to:
 - (i) account for budgetary funds to the extent necessary to reflect the budget position and budget operations; and
 - (ii) account for the remaining funds when administrative expenses of the remaining funds are subject to appropriations, in order to fully reflect the various budgetary commitments as provided by law.
- (e) The Division of Finance shall prepare statements of revenues and expenditures in a form that accurately reflects the results of operations for a particular fiscal period.
- (f) The Division of Finance shall determine:
 - (i) all costs associated with all internal service funds that are eligible for federal reimbursement; and
 - (ii) all costs that are required to be included in the funds to comply with generally accepted accounting principles.
- (g)
 - (i) All costs currently borne by a fund or an account that is not an internal service fund that should be allocated to an internal service fund may be charged as an expense to the internal service fund, paid to the fund bearing the costs, and recorded as interfund revenue in that fund.
 - (ii) The Division of Finance may transfer the interfund revenue recorded in funds or accounts that are not internal service funds to the internal service fund as contributed working capital.
- (h) The Division of Finance shall record revenue in the various funds and accounts in accordance with generally accepted accounting principles.
- (i)
 - (i) The Division of Finance and each administrative unit of state government shall record accrued revenue net of any liabilities for revenue refunds as required by Division of Finance policy.
 - (ii) Accrued revenue may be used to offset postemployment benefit liabilities and other liabilities of the state.

Amended by Chapter 85, 1993 General Session
Amended by Chapter 128, 1993 General Session
Amended by Chapter 212, 1993 General Session

51-5-7 Revenues and other resources of governmental funds subject to legislative review and appropriation.

The revenues and other resources of the governmental funds are subject to legislative review and appropriation for each fiscal period.

Amended by Chapter 430, 2014 General Session

51-5-8 Construction of terms and provisions relating to funds in other statutes.

- (1) Direct or indirect references to the word "fund," or any other synonymous word contained in the Utah Code Annotated 1953, that is used to identify a separate accounting entity, means a fund

account or subfund except where that fund meets the definition of a major fund type according to generally accepted accounting principles.

- (2) The following terms and all other terms similar in meaning, except when they meet the definition of a fund in accordance with generally accepted accounting principles, mean a subfund or account within the funds established by this chapter: "special funds"; "separate funds"; "departmental funds"; "association funds"; "trust," such as "in trust" or "held in trust"; "deposits," such as "security deposits" or "certificates of deposit"; "reserves," such as "special reserves," "contingent reserves," and "reserve funds"; "accounts," such as "special accounts" or "clearing accounts"; and "collections," such as "departmental collections" or "dedicated credits."
- (3) Provisions of law governing the assessment and collection of the state's various taxes, licenses, permits, fees, and other charges and provisions controlling the expenditures of those revenues remain in force and are undisturbed by the provisions of this chapter.
- (4) Provisions of law that specify that the balance in a fund reverts or is closed out to another fund means that the balance in that fund reverts to the unappropriated surplus account of the governmental fund in which that fund is placed.
- (5) Provisions of law that specify that the balance in a fund does not lapse or otherwise become part of the state General Fund means that the balance in that fund does not lapse or otherwise become part of the unappropriated surplus account of the fund in which that fund is placed.

Amended by Chapter 175, 2001 General Session