

1 **BUDGET CYCLE OF LOCAL GOVERNMENTS**

2 1999 GENERAL SESSION

3 STATE OF UTAH

4 **Sponsor: David M. Jones**

5 AN ACT RELATING TO CITIES AND TOWNS AND COUNTIES; ALLOWING CITIES AND
6 COUNTIES TO BUDGET ON A BIENNIAL BASIS; REQUIRING CITIES AND COUNTIES
7 THAT ADOPT A BIENNIAL BUDGET TO IDENTIFY SEPARATELY THE TAXES
8 EXPECTED TO BE COLLECTED DURING EACH YEAR OF THE BUDGET CYCLE; AND
9 MAKING TECHNICAL CHANGES.

10 This act affects sections of Utah Code Annotated 1953 as follows:

11 AMENDS:

12 **10-6-104**, as enacted by Chapter 26, Laws of Utah 1979

13 **10-6-105**, as enacted by Chapter 26, Laws of Utah 1979

14 **10-6-106**, as last amended by Chapter 119, Laws of Utah 1985

15 **10-6-109**, as last amended by Chapter 52, Laws of Utah 1981

16 **10-6-110**, as enacted by Chapter 26, Laws of Utah 1979

17 **10-6-111**, as last amended by Chapter 389, Laws of Utah 1997

18 **10-6-116**, as last amended by Chapter 119, Laws of Utah 1985

19 **10-6-117**, as enacted by Chapter 26, Laws of Utah 1979

20 **10-6-118**, as last amended by Chapter 118, Laws of Utah 1989

21 **10-6-119**, as enacted by Chapter 26, Laws of Utah 1979

22 **10-6-121**, as last amended by Chapter 119, Laws of Utah 1985

23 **10-6-124**, as enacted by Chapter 26, Laws of Utah 1979

24 **10-6-127**, as enacted by Chapter 26, Laws of Utah 1979

25 **10-6-128**, as enacted by Chapter 26, Laws of Utah 1979

26 **10-6-130**, as last amended by Chapter 119, Laws of Utah 1985

27 **10-6-135**, as last amended by Chapter 118, Laws of Utah 1989

28 **10-6-150**, as last amended by Chapter 119, Laws of Utah 1985
 29 **17-36-3**, as last amended by Chapter 212, Laws of Utah 1996
 30 **17-36-8**, as last amended by Chapter 212, Laws of Utah 1996
 31 **17-36-9**, as last amended by Chapter 212, Laws of Utah 1996
 32 **17-36-10**, as last amended by Chapter 212, Laws of Utah 1996
 33 **17-36-15**, as enacted by Chapter 22, Laws of Utah 1975
 34 **17-36-16**, as last amended by Chapter 212, Laws of Utah 1996
 35 **17-36-17**, as enacted by Chapter 22, Laws of Utah 1975
 36 **17-36-22**, as last amended by Chapter 212, Laws of Utah 1996
 37 **17-36-28**, as last amended by Chapter 73, Laws of Utah 1983
 38 **17-36-32**, as last amended by Chapter 73, Laws of Utah 1983
 39 **17-36-37**, as last amended by Chapter 3, Laws of Utah 1988
 40 **17-36-38**, as last amended by Chapter 73, Laws of Utah 1983

41 ENACTS:

42 **17-36-3.5**, Utah Code Annotated 1953

43 *Be it enacted by the Legislature of the state of Utah:*

44 Section 1. Section **10-6-104** is amended to read:

45 **10-6-104. Withholding of state money from cities not filing budget or complying with**
 46 **reporting or auditing requirements.**

47 (1) The state auditor [~~is authorized to~~] may withhold state money allocated to a city for its
 48 failure to [~~annually~~] file a copy of a formally adopted budget when required or its failure to comply
 49 substantially [~~comply~~] with the [~~annual~~] financial reporting or independent auditing requirements
 50 required under this chapter[~~; provided, that upon~~].

51 (2) Upon the city's compliance with the requirement, the state auditor shall distribute the
 52 money [~~shall be distributed~~] to [~~such~~] the city.

53 Section 2. Section **10-6-105** is amended to read:

54 **10-6-105. Fiscal period -- Annual or biennial.**

55 [~~The fiscal year of all cities~~] (1) Except as provided in Subsection (2), the fiscal period for
 56 each city shall [begin] be an annual period beginning July 1 of each year and [shall end] ending
 57 June 30 of the following year.

58 (2) (a) Notwithstanding Subsection (1), the legislative body of a city may, by ordinance,

59 adopt for the city a fiscal period that is a biennial period beginning July 1 and ending June 30 of
60 the second following calendar year.

61 (b) Each city adopting an ordinance under Subsection (2)(a) shall separately specify in its
62 budget the amount of ad valorem property tax it intends to levy and collect during both the first
63 half and the second half of the budget period.

64 Section 3. Section **10-6-106** is amended to read:

65 **10-6-106. Definitions.**

66 As used in this chapter:

67 [(7)] (1) "Account group" is defined by generally accepted accounting principles as
68 reflected in the Uniform Accounting Manual for Utah Cities.

69 [(15)] (2) "Appropriation" means an allocation of money by the governing body for a
70 specific purpose.

71 [(10)] (3) (a) "Budget" means a plan of financial operations for a fiscal [year] period which
72 embodies estimates of proposed expenditures for given purposes and the proposed means of
73 financing them.

74 (b) "Budget" may refer to the budget of a particular fund for which a budget is required
75 by law or it may refer collectively to the budgets for all such funds.

76 [(12)] (4) "Budgetary fund" means a fund for which [~~an annual~~] a budget is required.

77 [(11)] (5) "Budget officer" means the city auditor in cities of the first and second class, the
78 mayor or some person appointed by the mayor with the approval of the city council in cities of the
79 third class, the mayor in the council-mayor optional form of government, or the person designated
80 by the charter in charter cities.

81 [(2)] (6) "Budget [year] period" means the fiscal [year] period for which a budget is
82 prepared.

83 [(17)] (7) "Check" means an order in a specific amount drawn upon a depository by an
84 authorized officer of a city.

85 [(3)] (8) "Current [year] period" means the fiscal [year] period in which a budget is
86 prepared and adopted, i.e., the fiscal [year] period next preceding the budget [year] period.

87 [(13)] (9) "Department" means any functional unit within a fund [which] that carries on
88 a specific activity, such as a fire or police department within a General Fund.

89 [(16)] (10) "Encumbrance system" means a method of budgetary control in which part of

90 an appropriation is reserved to cover a specific expenditure by charging obligations, such as
91 purchase orders, contracts, or salary commitments to an appropriation account at their time of
92 origin. Such obligations cease to be encumbrances when paid or when the actual liability is
93 entered on the city's books of account.

94 ~~[(14)]~~ (11) "Estimated revenue" means the amount of revenue estimated to be received
95 from all sources during the budget [year] period in each fund for which a budget is being prepared.

96 ~~[(20)]~~ (12) "Financial officer" means the mayor in the council-mayor optional form of
97 government or the city official as authorized by Section 10-6-158.

98 ~~[(1)]~~ (13) "Fiscal [year] period" means the annual or biennial period for accounting for
99 fiscal operations in each city.

100 ~~[(5)]~~ (14) "Fund" is as defined by generally accepted accounting principles as reflected in
101 the Uniform Accounting Manual for Utah Cities.

102 ~~[(8)]~~ (15) "Fund balance," "retained earnings," and "deficit" have the meanings commonly
103 accorded such terms under generally accepted accounting principles as reflected in the Uniform
104 Accounting Manual for Utah Cities.

105 ~~[(19)]~~ (16) "Governing body" means a city council, or city commission, as [appropriate;
106 however,] the case may be, but the authority to make any appointment to any position created by
107 this chapter is vested in the mayor in the council-mayor optional form of government.

108 ~~[(9)]~~ (17) "Interfund loan" means a loan of cash from one fund to another, subject to future
109 repayment[; it] and does not constitute an expenditure or a use of retained earnings or fund balance
110 of the lending fund or revenue to the borrowing fund.

111 ~~[(4)]~~ (18) "Last completed fiscal [year] period" means the [year] fiscal period next
112 preceding the current [year] period.

113 ~~[(21)]~~ (19) "Public funds" means any money or payment collected or received by an officer
114 or employee of the city acting in an official capacity and includes money or payment to the officer
115 or employee for services or goods provided by the city, or the officer or employee while acting
116 within the scope of employment or duty. Public funds do not include money or payments collected
117 or received by an officer or employee of a city for charitable purposes if the mayor or city council
118 has consented to the officer's or employee's participation in soliciting contributions for a charity.

119 ~~[(6)]~~ (20) "Special fund" means any fund other than the General Fund.

120 ~~[(18)]~~ (21) "Warrant" means an order drawn upon the city treasurer, in the absence of

121 sufficient money in the city's depository, by an authorized officer of a city for the purpose of
122 paying a specified amount out of the city treasury to the person named or to the bearer as money
123 becomes available.

124 Section 4. Section **10-6-109** is amended to read:

125 **10-6-109. Budget required for certain funds -- Capital projects fund budget.**

126 (1) The budget officer shall prepare for each budget [year] period a budget for each of the
127 following funds:

128 (a) the general fund, including the class "C" and collector road funds;

129 (b) special revenue funds;

130 (c) debt service funds; and

131 (d) capital improvement funds.

132 (2) Major capital improvements financed by general obligation bonds, capital grants, or
133 interfund transfers, shall use a capital projects fund budget. The term of the budget shall coincide
134 with the term of the individual project or projects. To the extent appropriate, the requirements for
135 preparation, adoption, and execution of the budgets of the funds enumerated in Subsection (1)
136 above, as set forth in this chapter, shall apply to budgets of capital projects funds.

137 Section 5. Section **10-6-110** is amended to read:

138 **10-6-110. Budget -- Contents -- Total of revenues to equal expenditures.**

139 (1) The budget for each fund set forth in Subsection 10-6-109(1) shall provide a complete
140 financial plan for the budget [year] period. Each budget shall specify in tabular form:

141 (a) estimates of all anticipated revenues, classified by the account titles prescribed in the
142 Uniform Accounting Manual for Utah Cities; and

143 (b) all appropriations for expenditures, classified by the account titles prescribed in the
144 Uniform Accounting Manual for Utah Cities.

145 (2) The total of the anticipated revenues shall equal the total of appropriated expenditures.

146 Section 6. Section **10-6-111** is amended to read:

147 **10-6-111. Tentative budget to be prepared -- Contents -- Estimate of expenditures**
148 **-- Budget message -- Review by governing body.**

149 (1) On or before the first regularly scheduled meeting of the governing body in the last
150 May of [each-year] the current period, the budget officer shall prepare for the ensuing [year] fiscal
151 period, on forms provided by the state auditor, and file with the governing body, a tentative budget

152 for each fund for which a budget is required. The tentative budget of each fund shall set forth in
153 tabular form the following:

154 (a) Actual revenues and expenditures in the last completed fiscal [year] period.

155 (b) Budget estimates for the current fiscal [year] period.

156 (c) Actual revenues and expenditures for a period of six to [~~nine~~] 21 months, as
157 appropriate, of the current fiscal [year] period.

158 (d) Estimated total revenues and expenditures for the current fiscal [year] period.

159 (e) The budget officer's estimates of revenues and expenditures for the budget [year]
160 period, computed in the following manner:

161 (i) The budget officer shall estimate, on the basis of demonstrated need, the expenditures
162 for the budget [year] period after a review of the budget requests and estimates of the department
163 heads. Each department head shall be heard by the budget officer prior to making of the final
164 estimates, but the officer may revise any department's estimate as the officer [~~deems~~] considers
165 advisable for the purpose of presenting the budget to the governing body.

166 (ii) The budget officer shall estimate the amount of revenue available to serve the needs
167 of each fund, estimate the portion to be derived from all sources other than general property taxes,
168 and estimate the portion that must be derived from general property taxes. From the latter estimate
169 the officer shall compute and disclose in the budget the lowest rate of property tax levy that will
170 raise the required amount of revenue, calculating the levy upon the latest taxable value.

171 (f) If the governing body elects, actual performance experience to the extent established
172 by Section 10-6-154 and available in work units, unit costs, man hours, or man years for each
173 budgeted fund on an actual basis for the last completed fiscal [year] period, and estimated for the
174 current fiscal [year] period and for the ensuing budget [year] period.

175 (2) (a) Each tentative budget, when filed by the budget officer with the governing body,
176 shall contain the estimates of expenditures submitted by department heads, together with specific
177 work programs and such other supporting data as this chapter requires or the governing body may
178 request. First and second-class cities shall, and third-class cities may, submit a supplementary
179 estimate of all capital projects which each department head believes should be undertaken within
180 the next three succeeding years.

181 (b) Each tentative budget submitted by the budget officer to the governing body shall be
182 accompanied by a budget message, which shall explain the budget, contain an outline of the

183 proposed financial policies of the city for the budget [year] period, and shall describe the important
184 features of the budgetary plan. It shall set forth the reasons for salient changes from the previous
185 [year] fiscal period in appropriation and revenue items and shall explain any major changes in
186 financial policy.

187 (3) Each tentative budget shall be reviewed, considered, and tentatively adopted by the
188 governing body in any regular meeting or special meeting called for the purpose and may be
189 amended or revised in such manner as is [~~deemed~~] considered advisable prior to public hearings,
190 except that no appropriation required for debt retirement and interest or reduction of any existing
191 deficits pursuant to Section 10-6-117, or otherwise required by law or ordinance, may be reduced
192 below the minimums so required.

193 (4) In the event the municipality is acting pursuant to Section 10-2-120, the tentative
194 budget shall be submitted to the governing body 60 days prior to the intended filing of the articles
195 of incorporation and shall cover each fund for which a budget is required from the date of
196 incorporation to the end of the fiscal year. The governing body shall substantially comply with all
197 other provisions of this act, and the budget shall be passed upon incorporation.

198 Section 7. Section **10-6-116** is amended to read:

199 **10-6-116. Accumulated fund balances -- Limitations -- Excess balances --**
200 **Unanticipated excess of revenues -- Reserves for capital improvements.**

201 (1) Cities are permitted to accumulate retained earnings or fund balances, as appropriate,
202 in any fund. With respect to the General Fund only, any accumulated fund balance is restricted
203 to the following purposes:

204 (a) to provide working capital to finance expenditures from the beginning of the budget
205 [year] period until general property taxes, sales taxes, or other applicable revenues are collected,
206 thereby reducing the amount which the city must borrow during the period, but this Subsection
207 (1)(a) does not permit the appropriation of any fund balance for budgeting purposes except as
208 provided in Subsection (4);

209 (b) to provide a resource to meet emergency expenditures under Section 10-6-129; and

210 (c) to cover a pending year-end excess of expenditures over revenues from an unavoidable
211 shortfall in revenues. This provision does not permit the appropriation of any fund balance to
212 avoid an operating deficit during any budget [year] period except as provided under Subsection
213 (4), or for emergency purposes under Section 10-6-129.

214 (2) The accumulation of a fund balance in the General Fund shall not exceed 18% of the
215 total estimated revenue of the General Fund.

216 (3) If the fund balance at the close of any fiscal [year] period exceeds the amount permitted
217 under Subsection (2), the excess shall be appropriated in the manner provided in Section 10-6-117.

218 (4) Any fund balance in excess of 5% of the total revenues of the General Fund may be
219 utilized for budget purposes.

220 (5) (a) Within a capital improvements fund the governing body may, in any budget [year]
221 period, appropriate from estimated revenue or fund balance to a reserve for capital improvements
222 for the purpose of financing future specific capital improvements, under a formal long-range
223 capital plan adopted by the governing body.

224 (b) The reserves may accumulate from [year] fiscal period to [year] fiscal period until the
225 accumulated total is sufficient to permit economical expenditure for the specified purposes.

226 (c) Disbursements from these reserves shall be made only by transfer to a revenue or
227 transfer account within the capital improvements fund, under a budget appropriation in a budget
228 for the fund adopted in the manner provided by this chapter.

229 (d) Expenditures from the above appropriation budget accounts shall conform to all
230 requirements of this chapter relating to execution and control of budgets.

231 Section 8. Section **10-6-117** is amended to read:

232 **10-6-117. Appropriations not to exceed estimated expendable revenue --**
233 **Determination of revenue -- Appropriations for existing deficits.**

234 (1) The governing body of any city [shall] may not make any appropriation in the final
235 budget of any fund in excess of the estimated expendable revenue for the budget [year] period of
236 [such] the fund.

237 (2) In determining the estimated expendable revenue of the general fund for the budget
238 [year] period, there shall be included therein as an appropriation from the fund balance that portion
239 of the fund balance at the close of the last completed fiscal [year] period, not previously included
240 in the budget of the current [year] period, that exceeds the amount permitted in Section 10-6-116.

241 (3) There shall be included as an item of appropriation in each fund for any budget [year]
242 period any existing deficit as of the close of the last completed fiscal [year] period, not previously
243 included in the budget of the current [year] period, to the extent of at least [five percent] 5% of the
244 total revenue of [such] the fund in its last completed fiscal [year] period. If the total amount of the

245 deficit is less than [~~five percent~~] 5% of the total revenue in the last completed fiscal [~~year~~] period,
246 the entire amount of [~~such~~] the deficit shall be included.

247 Section 9. Section **10-6-118** is amended to read:

248 **10-6-118. Adoption of final budget -- Certification and filing.**

249 Before the last June 22 of each fiscal [~~year~~] period, or [~~August 17~~], in the case of a property
250 tax increase under Sections 59-2-919 through 59-2-923, before August 17 of the year for which
251 a property tax increase is proposed, the governing body shall by resolution or ordinance adopt a
252 budget for the ensuing fiscal [~~year~~] period for each fund for which a budget is required under this
253 chapter. A copy of the final budget for each fund shall be certified by the budget officer and filed
254 with the state auditor within 30 days after adoption.

255 Section 10. Section **10-6-119** is amended to read:

256 **10-6-119. Budgets in effect for budget year -- Amendment -- Filing for public**
257 **inspection.**

258 Upon final adoption, the budgets shall be in effect for the budget [~~year~~] period, subject to
259 later amendment. A certified copy of the adopted budgets shall be filed in the office of the city
260 auditor or city recorder and shall be available to the public during regular business hours.

261 Section 11. Section **10-6-121** is amended to read:

262 **10-6-121. Departmental expenditures -- Encumbrances -- Purchase order.**

263 (1) The budget officer shall require all expenditures by any department to conform with
264 the departmental budget.

265 (2) No appropriation may be encumbered and no expenditure may be made against any
266 departmental appropriation unless there is sufficient unencumbered balance in the department's
267 appropriation, except in cases of emergency as provided by this chapter.

268 (3) All encumbrances reported as outstanding as of the fiscal [~~year~~] period end shall be
269 supported by a purchase order issued on or before the last day of the fiscal [~~year~~] period and
270 approved by the mayor in the council-mayor optional form of government or the governing body
271 or its delegate in other cities, as provided under this chapter.

272 Section 12. Section **10-6-124** is amended to read:

273 **10-6-124. Transfer of appropriation balance between accounts -- Excess expenditure**
274 **within departments.**

275 With the consent of the budget officer, or [~~such~~] the approval in charter cities as required

276 by charter, the head of any department may transfer any unencumbered or unexpended
277 appropriation balance or any portion thereof from one expenditure account to another within the
278 department during the budget [year] period, or an excess expenditure of one or more line items
279 may be permitted by any department head with the consent of the budget officer, or his equivalent
280 in charter cities, provided the total of all excess expenditures or encumbrances do not exceed total
281 unused appropriations within the department at the close of the budget [year] period.

282 Section 13. Section **10-6-127** is amended to read:

283 **10-6-127. Review of individual fund budgets -- Hearing.**

284 Upon the written request of one of the members of the governing body, or upon its own
285 motion setting forth the reason therefor, the governing body may, at any time during the budget
286 [year] period, review the individual budgets of the funds set forth in Section 10-6-109, for the
287 purpose of determining if the total of any of them should be increased. If the governing body
288 decides that the budget total of one or more of these funds should be increased, it shall follow the
289 procedures set forth in Sections 10-6-113 and 10-6-114 for holding a public hearing.

290 Section 14. Section **10-6-128** is amended to read:

291 **10-6-128. Amendment and increase of individual fund budgets.**

292 After the conclusion of the hearing, the governing body, by resolution or ordinance, may
293 amend the budgets of the funds proposed to be increased, so as to make all or part of the increases
294 therein, both estimated revenues and appropriations, which were the proper subject of
295 consideration at the hearing. Final amendments in the current [year] period to the budgets of any
296 of the funds set forth in Section 10-6-109 shall be adopted by the governing body on or before the
297 last day of the fiscal [year] period.

298 Section 15. Section **10-6-130** is amended to read:

299 **10-6-130. Lapse of appropriations -- Exceptions.**

300 All unexpended or unencumbered appropriations except capital projects fund
301 appropriations shall lapse at the end of the budget [year] period.

302 Section 16. Section **10-6-135** is amended to read:

303 **10-6-135. Operating and capital budgets.**

304 (1) On or before the time the governing body adopts budgets for the funds set forth in
305 Section 10-6-109, it shall adopt for the ensuing [year] fiscal period an "operating and capital
306 budget" for each enterprise fund and shall adopt [such] the type of budget for other special funds

307 as required by the Uniform Accounting Manual for Utah Cities.

308 (2) An "operating and capital budget," for purposes of this section, means a plan of
309 financial operation for an enterprise or other required special fund, embodying estimates of
310 operating resources and expenses and other outlays for a fiscal [year] period. Except as otherwise
311 expressly provided, the reference to "budget" or "budgets" and the procedures and controls relating
312 to them in other sections of this chapter do not apply or refer to the "operating and capital budgets"
313 provided for in this section.

314 (3) "Operating and capital budgets" shall be adopted and administered in the following
315 manner:

316 (a) On or before the first regularly scheduled meeting of the governing body in the last
317 May of [each year] the current period, the budget officer shall prepare for the ensuing fiscal [year]
318 period and file with the governing body a tentative operating and capital budget for each enterprise
319 fund and for other required special funds, together with specific work programs as submitted by
320 the department head and any other supporting data required by the governing body.

321 (b) First and second-class cities shall, and third-class cities may, submit a supplementary
322 estimate of all capital projects which the department head believes should be undertaken within
323 the three next succeeding fiscal years.

324 (c) The budget officer shall prepare estimates in cooperation with the appropriate
325 department heads. Each department head shall be heard by the budget officer prior to making final
326 estimates, but thereafter the officer may revise any department's estimate for the purpose of
327 presenting the budget to the governing body.

328 (d) If within any enterprise fund, allocations or transfers which cannot be defined as a
329 reasonable allocation of costs between funds are included in a tentative budget, a written notice
330 as to date, time, place, and purpose of [such] the hearing is to be mailed to utility fund customers
331 at least seven days prior to the hearing.

332 (4) The tentative budget or budgets shall be reviewed and considered by the governing
333 body at any regular meeting or special meeting called for that purpose. The governing body may
334 make changes in the tentative budgets.

335 (5) Budgets for enterprise or other required special funds shall comply with the public
336 hearing requirements established in Sections 10-6-113 and 10-6-114.

337 (6) Before the last June 22 of each fiscal [year] period, or [~~August 17~~], in the case of a

338 property tax increase under Sections 59-2-919 through 59-2-923, before August 17 of the year for
339 which a property tax increase is proposed, the governing body shall adopt an operating and capital
340 budget for each applicable fund for the ensuing fiscal [year] period. A copy of the budget as
341 finally adopted for each fund shall be:

342 (a) certified by the budget officer;

343 (b) filed by the officer in the office of the city auditor or city recorder;

344 (c) available to the public during regular business hours; and

345 (d) filed with the state auditor within 30 days after adoption.

346 (7) Upon final adoption, the operating and capital budget shall be in effect for the budget
347 [year] period, subject to later amendment. During the budget [year] period the governing body
348 may, in any regular meeting or special meeting called for that purpose, review any one or more of
349 the operating and capital budgets for the purpose of determining if the total of any of them should
350 be increased. In the event the governing body decides that the budget total of one or more of these
351 funds should be increased, the procedures set forth in Section 10-6-136 shall be followed.

352 (8) Expenditures from operating and capital budgets shall conform to the requirements
353 relating to budgets specified in Sections 10-6-121, 10-6-122, 10-6-123, 10-6-124, 10-6-125, and
354 10-6-126.

355 Section 17. Section **10-6-150** is amended to read:

356 **10-6-150. Annual financial reports -- Independent audit reports.**

357 Within 180 days after the close of each fiscal [year] period, the city recorder or other
358 delegated person shall present to the governing body an annual financial report prepared in
359 conformity with generally accepted accounting principles, as prescribed in the Uniform
360 Accounting Manual for Utah Cities. This requirement may be satisfied by presentation of the audit
361 report furnished by the independent auditor, if the financial statements included are appropriately
362 prepared and reviewed with the governing body. Notwithstanding the acceptability of the audit
363 report furnished by the independent auditor in substitution for financial statements prepared by an
364 officer of the city, the governing body has the responsibility for those financial statements. The
365 independent auditor has the responsibility of reporting whether the governing body's financial
366 statements are prepared in conformity with generally accepted accounting principles. Copies of
367 the [annual] financial report or the audit report furnished by the independent auditor shall be filed
368 with the state auditor and shall be filed as a public document in the office of the city recorder.

369 Section 18. Section **17-36-3** is amended to read:

370 **17-36-3. Definitions.**

371 As used in this chapter:

372 (1) "Accrual basis of accounting" means a method where revenues are recorded when
373 earned and expenditures recorded when they become liabilities notwithstanding that the receipt
374 of the revenue or payment of the expenditure may take place in another accounting period.

375 (2) "Appropriation" means an allocation of money for a specific purpose.

376 (3) (a) "Budget" means a plan for financial operations for a fiscal [year] period, embodying
377 estimates for proposed expenditures for given purposes and the means of financing the
378 expenditures.

379 (b) "Budget" may refer to the budget of a fund for which a budget is required by law, or
380 collectively to the budgets for all those funds.

381 (4) "Budgetary fund" means a fund for which [~~an annual~~] a budget is required, such as
382 those described in Section 17-36-8.

383 (5) "Budget officer" means the county auditor as provided in Section 17-19-19.

384 (6) "Budget [year] period" means the fiscal [year] period for which a budget is prepared.

385 (7) "Check" means an order in a specific amount drawn upon the depository by any
386 authorized officer in accordance with Section 17-19-3 or 17-24-1.

387 (8) "Countywide service" means a service provided in both incorporated and
388 unincorporated areas of a county.

389 (9) "Current [year]" period means the fiscal [year] period in which a budget is prepared
390 and adopted.

391 (10) "Department" means any functional unit within a fund which carries on a specific
392 activity.

393 (11) "Encumbrance system" means a method of budgetary control where part of an
394 appropriation is reserved to cover a specific expenditure by charging obligations, such as purchase
395 orders, contracts, or salary commitments to an appropriation account. An expenditure ceases to be
396 an encumbrance when paid or when the actual liability is entered in the books of account.

397 (12) "Estimated revenue" means any revenue estimated to be received during the budget
398 [year] period in any fund for which a budget is prepared.

399 (13) "Fiscal [year] period" means the annual or biennial period for recording county fiscal

400 operations [~~beginning January 1 and ending December 31 of each year~~].

401 (14) "Fund" means an independent fiscal and accounting entity comprised of a sum of
402 money or other resources segregated for a specific purpose or objective.

403 (15) "Fund balance" means the excess of the assets over liabilities, reserves, and
404 contributions, as reflected by its books of account.

405 (16) "Fund deficit" means the excess of liabilities, reserves, and contributions over its
406 assets, as reflected by its books of account.

407 (17) "General Fund" means the fund used to account for all receipts, disbursements, assets,
408 liabilities, reserves, fund balances, revenues, and expenditures not required to be accounted for in
409 other funds.

410 (18) "Interfund loan" means a loan of cash from one fund to another, subject to future
411 repayment; but it does not constitute an expenditure or a use of retained earnings, fund balance,
412 or unappropriated surplus of the lending fund.

413 (19) "Last completed fiscal [year] period" means the [year] fiscal period next preceding
414 the current [year] period.

415 (20) "Modified accrual basis of accounting" means a method under which expenditures
416 other than accrued interest on general long-term debt are recorded at the time liabilities are
417 incurred and revenues are recorded when they become measurable and available to finance
418 expenditures of the current period.

419 (21) "Municipal capital project" means the acquisition, construction, or improvement of
420 capital assets that facilitate providing municipal service.

421 (22) "Municipal service" means a service not provided on a countywide basis and not
422 accounted for in an enterprise fund, and includes police patrol, fire protection, culinary or irrigation
423 water retail service, water conservation, local parks, sewers, sewage treatment and disposal,
424 cemeteries, garbage and refuse collection, street lighting, airports, planning and zoning, local
425 streets and roads, curb, gutter, and sidewalk maintenance, and ambulance service.

426 (23) "Retained earnings" means that part of the net earnings retained by an enterprise or
427 internal service fund which is not segregated or reserved for any specific purpose.

428 (24) "Special fund" means any fund other than the General Fund, such as those described
429 in Section 17-36-6.

430 (25) "Unappropriated surplus" means that part of a fund which is not appropriated for an

431 ensuing budget [year] period.

432 (26) "Warrant" means an order in a specific amount drawn upon the treasurer by the
433 auditor.

434 Section 19. Section **17-36-3.5** is enacted to read:

435 **17-36-3.5. Fiscal period -- Annual or biennial.**

436 (1) Except as provided in Subsection (2), the fiscal period for each county shall be an
437 annual period beginning on January 1 of each year and ending December 31 of the same calendar
438 year.

439 (2) (a) Notwithstanding Subsection (1), the legislative body of a county may, by ordinance,
440 adopt for the county a fiscal period that is a biennial period beginning January 1 and ending
441 December 31 of the following calendar year.

442 (b) Each county adopting an ordinance under Subsection (2)(a) shall separately specify in
443 its budget the amount of ad valorem property tax it intends to levy and collect during both the first
444 half and the second half of the budget period.

445 Section 20. Section **17-36-8** is amended to read:

446 **17-36-8. Preparation of budgets.**

447 The budget officer of each county shall prepare each budget [year] period, on forms
448 provided pursuant to Section 17-36-4, a budget for each of the following funds which are included
449 in its system of accounts:

- 450 (1) general fund;
- 451 (2) special revenue funds;
- 452 (3) debt service funds;
- 453 (4) capital project funds; and
- 454 (5) any other fund or funds for which a budget is required by the uniform system of
455 budgeting, accounting, and reporting.

456 Section 21. Section **17-36-9** is amended to read:

457 **17-36-9. Budget -- Financial plan -- Contents -- Municipal services and capital**
458 **projects funds.**

459 (1) (a) The budget for each fund shall provide a complete financial plan for the budget
460 [year] period and shall contain in tabular form classified by the account titles as required by the
461 uniform system of budgeting, accounting, and reporting:

462 (i) estimates of all anticipated revenues;
463 (ii) all appropriations for expenditures; and
464 (iii) any additional data required by Section 17-36-10 or by the uniform system of
465 budgeting, accounting, and reporting.

466 (b) The total of appropriated expenditures shall be equal to the total of anticipated
467 revenues.

468 (2) (a) Each first-, second-, and third-class county that provides municipal-type services
469 under Section 17-34-1 shall:

470 (i) establish a special revenue fund, "Municipal Services Fund," and a capital projects
471 fund, "Municipal Capital Projects Fund," or establish a special district to provide municipal
472 services; and

473 (ii) budget appropriations for municipal services and municipal capital projects from these
474 funds.

475 (b) The Municipal Services Fund is subject to the same budgetary requirements as the
476 county's general fund.

477 (c) (i) Except as provided in Subsection (2)(c)(ii), the county may deposit revenue derived
478 from any taxes otherwise authorized by law, income derived from the investment of money
479 contained within the municipal services fund and the municipal capital projects fund, the
480 appropriate portion of federal money, and fees collected into a municipal services fund and a
481 municipal capital projects fund.

482 (ii) The county may not deposit revenue derived from a fee, tax, or other source based
483 upon a countywide assessment or from a countywide service or function into a municipal services
484 fund or a municipal capital projects fund.

485 (d) The maximum accumulated unappropriated surplus in the municipal services fund, as
486 determined prior to adoption of the tentative budget, may not exceed an amount equal to the total
487 estimated revenues of the current fiscal [year] period.

488 Section 22. Section **17-36-10** is amended to read:

489 **17-36-10. Preparation of tentative budget.**

490 (1) On or before the first day of the next to last month of every fiscal [year] period, the
491 budget officer shall prepare for the next budget [year] period and file with the governing body a
492 tentative budget for each fund for which a budget is required.

- 493 (2) The tentative budget shall set forth in tabular form:
- 494 (a) actual revenues and expenditures in the last completed fiscal [year] period;
- 495 (b) estimated total revenues and expenditures for the current fiscal [year] period;
- 496 (c) the estimated available revenues and expenditures for the ensuing budget [year] period
- 497 computed by determining:
- 498 (i) the estimated expenditure for each fund after review of each departmental budget
- 499 request;
- 500 (ii) (A) the total revenue requirements of the fund;
- 501 (B) the part of the total revenue that will be derived from revenue sources other than
- 502 property tax; and
- 503 (C) the part of the total revenue that must be derived from property taxes;
- 504 (d) if required by the governing body, actual performance experience to the extent
- 505 available in work units, unit costs, man hours, and man years for each budgeted fund that includes
- 506 an appropriation for salaries or wages for the last completed fiscal [year] period and the first eight
- 507 months of the current fiscal [year] period if the county is on an annual fiscal period, or the first 16
- 508 months of the current fiscal period if the county is on a biennial fiscal period, together with the
- 509 total estimated performance data of like character for the current fiscal [year] period and for the
- 510 ensuing budget [year] period.
- 511 (3) The budget officer may recommend modification of any departmental budget request
- 512 under Subsection (2)(c)(i) before it is filed with the governing body, if each department head has
- 513 been given an opportunity to be heard concerning [such] the modification.
- 514 (4) Each tentative budget shall contain the estimates of expenditures submitted by any
- 515 department together with specific work programs and other supportive data as the governing body
- 516 requests. The tentative budget shall be accompanied by a supplementary estimate of all capital
- 517 projects or planned capital projects within the budget [year] period and within the next three
- 518 succeeding years.
- 519 (5) (a) Each tentative budget submitted in a county with a population in excess of 25,000
- 520 determined pursuant to Section 17-36-4 shall be accompanied by a budget message in explanation
- 521 of the budget.
- 522 (b) The budget message shall contain an outline of the proposed financial policies of the
- 523 county for the budget [year] period and describe the important features of the budgetary plan. It

524 shall also state the reasons for changes from the previous [year] fiscal period in appropriation and
525 revenue items and explain any major changes in financial policy.

526 (c) A budget message for counties with a population of less than 25,000 is recommended
527 but not incumbent upon the budget officer.

528 (6) The tentative budget shall be reviewed, considered, and tentatively adopted by the
529 governing body in a regular or special meeting called for that purpose. It may thereafter be
530 amended or revised by the governing body prior to public hearings thereon, except that no
531 appropriation required for debt retirement and interest or reduction, pursuant to Section 17-36-17,
532 of any deficits which exist may be reduced below the required minimum.

533 Section 23. Section **17-36-15** is amended to read:

534 **17-36-15. Adoption of budget.**

535 On or before the 15th day of the last month of each fiscal [year] period, the governing body
536 by resolution shall adopt the budget which, subject to further amendment, shall thereafter be in
537 effect for the next fiscal [year] period. A copy of the final budget, and of any subsequent
538 amendment thereof, shall be certified by the budget officer and filed with the state auditor not later
539 than [thirty] 30 days after its adoption. A copy, similarly certified, shall be filed in the office of the
540 budget officer for inspection by the public during business hours.

541 Section 24. Section **17-36-16** is amended to read:

542 **17-36-16. Retained earnings -- Accumulation -- Restrictions -- Disbursements.**

543 (1) A county may accumulate retained earnings in any enterprise or internal service fund
544 or a fund balance in any other fund; but with respect to the General Fund, its use shall be restricted
545 to the following purposes:

546 (a) to provide cash to finance expenditures from the beginning of the budget [year] period
547 until general property taxes, sales taxes, or other revenues are collected;

548 (b) to provide a fund or reserve to meet emergency expenditures; and

549 (c) to cover unanticipated deficits for future years.

550 (2) The maximum accumulated unappropriated surplus in the General Fund, as determined
551 prior to adoption of the tentative budget, may not exceed an amount equal to the estimated
552 revenues from property taxes of the current fiscal [year] period, except that in counties with a
553 taxable value of \$750,000,000 or more and a population of 100,000 or more, the accumulated
554 surplus shall be limited to 20% of the total revenues of the General Fund for the current fiscal

555 [year] period. Any surplus balance in excess of the above computed maximum shall be included
556 in the estimated revenues of the General Fund budget for the next fiscal [year] period.

557 (3) Any fund balance exceeding 5% of the total General Fund revenues may be used for
558 budgetary purposes.

559 (4) (a) A county may appropriate funds from estimated revenue in any budget [year] period
560 to a reserve for capital improvements within any capital improvements fund which has been duly
561 established by ordinance or resolution.

562 (b) Money in the reserves shall be allowed to accumulate from [year] fiscal period to [year]
563 fiscal period until the accumulated total is sufficient to permit economical expenditure for the
564 specified purposes.

565 (c) Disbursements from the reserves shall be made only by transfer to a revenue account
566 within a capital improvements fund pursuant to an appropriation for the fund.

567 (d) Expenditures from the capital improvement budget accounts shall conform to all
568 requirements of this act as it relates to the execution and control of budgets.

569 Section 25. Section **17-36-17** is amended to read:

570 **17-36-17. Appropriations in final budget -- Limitations.**

571 (1) The governing body of a county shall not make any appropriation in the final budget
572 of any fund in excess of the estimated expendable revenue of [such] the fund for the budget [year]
573 period.

574 (2) There shall be included as an item of appropriation in the budget of each fund for any
575 fiscal [year] period any existing deficit as of the close of the last completed fiscal [year] period to
576 the extent of at least 5% of the total revenue of [such] the fund in the last completed fiscal [year]
577 period or if the deficit is less than 5% of the total revenue, an amount equal to the deficit.

578 Section 26. Section **17-36-22** is amended to read:

579 **17-36-22. Transfer of unexpended appropriation balance by department.**

580 With the consent of the budget officer, any department may transfer any unencumbered or
581 unexpended appropriation balance or any part from one expenditure account to another within the
582 department during the budget year, or an excess expenditure of one or more line items may be
583 permitted; provided, that the total of all excess expenditures or encumbrances does not exceed the
584 total unused appropriation within the department at the close of the budget [year] period.

585 Section 27. Section **17-36-28** is amended to read:

586 **17-36-28. Lapse of appropriations.**

587 All appropriations shall lapse following the close of the budget [year] period to the extent
588 that they are unexpended or encumbered.

589 Section 28. Section **17-36-32** is amended to read:

590 **17-36-32. Operating and capital budget -- Expenditures.**

591 Before or at the time the governing body adopts budgets for the budgetary funds specified
592 in Section 17-36-8, it shall adopt an "operating and capital budget" for the next fiscal [year] period
593 for each enterprise fund and for any other special nonbudgetary fund for which operating and
594 capital budgets are prescribed by the uniform system of budgeting, accounting, and reporting.

595 "Operating and capital budget," for purposes of this section, means a plan of financial
596 operation for an enterprise or other special fund embodying estimates of operating and
597 nonoperating resources and expenses and other outlays for a fiscal [year] period. Except as
598 otherwise expressly provided, "budget" or "budgets" and the procedures and controls relating
599 thereto in other sections of this act are not applicable to the "operating and capital budgets"
600 provided in this section.

601 Operating and capital budgets shall be adopted and administered in the following manner:

602 (1) On or before the first day of the [~~11~~th] next to last month of each fiscal [year] period,
603 the budget officer shall prepare for the next fiscal [year] period on forms provided pursuant to
604 Section 17-36-4, and file with the governing body a tentative operating and capital budget for each
605 enterprise fund and for any other special fund which requires an operating and capital budget.

606 The tentative operating and capital budget shall be accompanied by a supplementary
607 estimate of all capital projects or planned capital projects within the next fiscal [year] period and
608 within the [~~three~~] next succeeding fiscal [years] period.

609 The budget officer shall prepare all [~~such~~] the estimates after review and consultation, if
610 requested, with the concerned department, but thereafter the budget officer has authority to revise
611 any departmental estimate before it is filed with the governing body.

612 (2) The tentative operating and capital budget shall be reviewed by the governing body at
613 any regular or special meeting called for that purpose. It may make any changes it [~~deems~~]
614 considers advisable. Prior to the close of the fiscal [year] period, it shall adopt an operating and
615 capital budget for the next fiscal [year] period.

616 (3) Upon final adoption, the operating and capital budget shall be in effect for the budget

617 [year] period subject to amendment. A copy of the operating and capital budget for each fund shall
618 be certified by the budget officer and made available to the public during business hours in the
619 offices of the county auditor. A copy of the operating and capital budget shall be filed with the
620 state auditor within 30 days after its adoption.

621 The governing body may during the budget [year] period amend the operating and capital
622 budget of an enterprise or other special fund by resolution. A copy of the operating and capital
623 budget as amended shall be filed with the state auditor.

624 (4) Any expenditure from an operating and capital budget shall conform to the
625 requirements for budgets specified by Sections 17-36-20, 17-36-22, 17-36-23, and 17-36-24.

626 Section 29. Section **17-36-37** is amended to read:

627 **17-36-37. Budget officer -- Annual financial statement -- Contents.**

628 The budget officer of each county, within 180 days after the close of each fiscal [year]
629 period, except as provided by Section 17-36-38, shall prepare and make available to the governing
630 body [~~an annual~~] a financial report which shall contain a statement of revenues and expenditures
631 and a comparison with the budget of the general fund, similar statements of all other funds for
632 which budgets are required, and statements of revenues and expenditures or of income and
633 expense, as the case may be, of all other operating funds of the county; a balance sheet of each
634 fund and a combined balance sheet of all funds as of the close of the fiscal [year] period; or any
635 other reports the governing body may require, including work performance data, tax levies, taxable
636 values, details of bonded indebtedness, and historical facts of interest to the governing body and
637 the public. Copies of the annual report shall be furnished to the state auditor and made a matter
638 of public record in the office of the budget officer.

639 Section 30. Section **17-36-38** is amended to read:

640 **17-36-38. Presentation of annual report by independent auditor.**

641 The [annual] report required by Section 17-36-37 may be satisfied by a county by the
642 presentation of the report of the independent auditor on the results of operations for the [year]
643 fiscal period and financial condition at the close of the [year] fiscal period if it is prepared in
644 conformity with the uniform system of budgeting, accounting, and reporting.

Legislative Review Note

as of 2-4-99 2:13 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel