

**BUDGET CYCLE OF LOCAL GOVERNMENTS**

1999 GENERAL SESSION

STATE OF UTAH

**Sponsor: David M. Jones**

AN ACT RELATING TO CITIES AND TOWNS AND COUNTIES; ALLOWING CITIES AND COUNTIES TO BUDGET ON A BIENNIAL BASIS; REQUIRING CITIES AND COUNTIES THAT ADOPT A BIENNIAL BUDGET TO IDENTIFY SEPARATELY THE TAXES EXPECTED TO BE COLLECTED DURING EACH YEAR OF THE BUDGET CYCLE AND TO CONTINUE TO HOLD ANNUAL BUDGET HEARING; AND MAKING TECHNICAL CHANGES.

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

AMENDS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**10-6-150**, as last amended by Chapter 119, Laws of Utah 1985

- 17-36-3, as last amended by Chapter 212, Laws of Utah 1996
- 17-36-8, as last amended by Chapter 212, Laws of Utah 1996
- 17-36-9, as last amended by Chapter 212, Laws of Utah 1996
- 17-36-10, as last amended by Chapter 212, Laws of Utah 1996
- 17-36-15, as enacted by Chapter 22, Laws of Utah 1975
- 17-36-16, as last amended by Chapter 212, Laws of Utah 1996
- 17-36-17, as enacted by Chapter 22, Laws of Utah 1975
- 17-36-22, as last amended by Chapter 212, Laws of Utah 1996
- 17-36-28, as last amended by Chapter 73, Laws of Utah 1983
- 17-36-32, as last amended by Chapter 73, Laws of Utah 1983
- 17-36-37, as last amended by Chapter 3, Laws of Utah 1988
- 17-36-38, as last amended by Chapter 73, Laws of Utah 1983
- 67-3-8, as last amended by Chapter 129, Laws of Utah 1971

ENACTS:

17-36-3.5, Utah Code Annotated 1953

17-36-26.5, Utah Code Annotated 1953

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

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

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

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

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

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

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

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

(2) (a) Notwithstanding Subsection (1), the legislative body of a city may, by ordinance, adopt for the city a fiscal period that is a biennial period beginning July 1 and ending June 30 of the second following calendar year.

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

(c) Each city that adopts a fiscal period that is a biennial period under Subsection (2)(a) shall:

(i) comply with Sections 59-2-912 through 59-2-926 as if it had adopted a fiscal period that is an annual period; and

(ii) allocate budgeted revenues and expenditures to each of the two annual periods in the biennial budget.

(d) The legislative body of each city that adopts a fiscal period that is a biennial period under Subsection (2)(a) shall, within ten days after the adoption of the ordinance adopting the biennial period, deliver a copy of the ordinance to the state auditor.

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

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

As used in this chapter:

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

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

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

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

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

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

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

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

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

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

~~[(16)]~~ (10) "Encumbrance system" means a method of budgetary control in which part of an appropriation is reserved to cover a specific expenditure by charging obligations, such as purchase orders, contracts, or salary commitments to an appropriation account at their time of origin. Such obligations cease to be encumbrances when paid or when the actual liability is entered on the city's books of account.

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

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

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

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

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

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

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

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

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

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

~~[(18)]~~ (21) "Warrant" means an order drawn upon the city treasurer, in the absence of sufficient money in the city's depository, by an authorized officer of a city for the purpose of paying a specified amount out of the city treasury to the person named or to the bearer as money becomes available.

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

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

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

- (a) the general fund, including the class "C" and collector road funds;
- (b) special revenue funds;

- (c) debt service funds; and
- (d) capital improvement funds.

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

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

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

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

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

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

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

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

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

(1) On or before the first regularly scheduled meeting of the governing body in the last May of ~~[each year]~~ the current period, the budget officer shall prepare for the ensuing [year] fiscal period, on forms provided by the state auditor, and file with the governing body, a tentative budget for each fund for which a budget is required. The tentative budget of each fund shall set forth in tabular form the following:

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

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

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

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

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

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

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

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

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

(b) Each tentative budget submitted by the budget officer to the governing body shall be accompanied by a budget message, which shall explain the budget, contain an outline of the proposed financial policies of the city for the budget [year] period, and shall describe the important features of the budgetary plan. It shall set forth the reasons for salient changes from the previous [year] fiscal period in appropriation and revenue items and shall explain any major changes in

financial policy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) There shall be included as an item of appropriation in each fund for any budget [year]

period any existing deficit as of the close of the last completed fiscal [year] period, not previously included in the budget of the current [year] period, to the extent of at least [~~five percent~~] 5% of the total revenue of [~~such~~] the fund in its last completed fiscal [year] period. If the total amount of the deficit is less than [~~five percent~~] 5% of the total revenue in the last completed fiscal [year] period, the entire amount of [~~such~~] the deficit shall be included.

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

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

Before the last June [22] 30 of each fiscal [year] period, or [~~August 17~~], in the case of a property tax increase under Sections 59-2-919 through 59-2-923, before August 31 of the year for which a property tax increase is proposed, the governing body shall by resolution or ordinance adopt a budget for the ensuing fiscal [year] period for each fund for which a budget is required under this chapter. A copy of the final budget for each fund shall be certified by the budget officer and filed with the state auditor within 30 days after adoption.

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

**10-6-119. Budgets in effect for budget period -- Amendment -- Filing for public inspection.**

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

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

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

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

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

(3) All encumbrances reported as outstanding as of the fiscal [year] period end shall be supported by a purchase order issued on or before the last day of the fiscal [year] period and

approved by the mayor in the council-mayor optional form of government or the governing body or its delegate in other cities, as provided under this chapter.

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

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

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

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

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

(1) (a) Upon the written request of one of the members of the governing body, or upon its own motion setting forth the reason therefor, the governing body may, at any time during the budget [~~year~~] period, review the individual budgets of the funds set forth in Section 10-6-109, for the purpose of determining if the total of any of them should be increased.

(b) If the governing body decides that the budget total of one or more of these funds should be increased, it shall follow the procedures set forth in Sections 10-6-113 and 10-6-114 for holding a public hearing.

(2) (a) In a city that has adopted a fiscal period that is a biennial period under Subsection 10-6-105(2), the governing body shall, in a public hearing before June 30 of the first year of the biennial period, review the individual budgets of the funds set forth in Sections 10-6-109 and 10-6-135 for the second year of the biennial period.

(b) In each review under Subsection (2)(a), the governing body shall follow the procedures of Sections 10-6-113 and 10-6-114 for holding a public hearing.

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

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

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

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

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

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

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

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

(1) On or before the time the governing body adopts budgets for the funds set forth in Section 10-6-109, it shall adopt for the ensuing [year] fiscal period an "operating and capital budget" for each enterprise fund and shall adopt [~~such~~] the type of budget for other special funds as required by the Uniform Accounting Manual for Utah Cities.

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

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

(a) On or before the first regularly scheduled meeting of the governing body in the last May of [~~each year~~] the current period, the budget officer shall prepare for the ensuing fiscal [year] period and file with the governing body a tentative operating and capital budget for each enterprise fund and

for other required special funds, together with specific work programs as submitted by the department head and any other supporting data required by the governing body.

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

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

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

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

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

(6) Before the last June [22] 30 of each fiscal [year] period, or ~~[August 17]~~, in the case of a property tax increase under Sections 59-2-919 through 59-2-923, before August 31 of the year for which a property tax increase is proposed, the governing body shall adopt an operating and capital budget for each applicable fund for the ensuing fiscal [year] period. A copy of the budget as finally adopted for each fund shall be:

- (a) certified by the budget officer;
  - (b) filed by the officer in the office of the city auditor or city recorder;
  - (c) available to the public during regular business hours; and
  - (d) filed with the state auditor within 30 days after adoption.
- (7) Upon final adoption, the operating and capital budget shall be in effect for the budget

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

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

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

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

Within 180 days after the close of each fiscal [year] period or, for a city that has adopted a fiscal period that is a biennial period, within 180 days after both the mid-point and the close of the fiscal period, the city recorder or other delegated person shall present to the governing body an annual financial report prepared in conformity with generally accepted accounting principles, as prescribed in the Uniform Accounting Manual for Utah Cities. This requirement may be satisfied by presentation of the audit report furnished by the independent auditor, if the financial statements included are appropriately prepared and reviewed with the governing body. Notwithstanding the acceptability of the audit report furnished by the independent auditor in substitution for financial statements prepared by an officer of the city, the governing body has the responsibility for those financial statements. The independent auditor has the responsibility of reporting whether the governing body's financial statements are prepared in conformity with generally accepted accounting principles. Copies of the annual financial report or the audit report furnished by the independent auditor shall be filed with the state auditor and shall be filed as a public document in the office of the city recorder.

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

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

As used in this chapter:

(1) "Accrual basis of accounting" means a method where revenues are recorded when earned

and expenditures recorded when they become liabilities notwithstanding that the receipt of the revenue or payment of the expenditure may take place in another accounting period.

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

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

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

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

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

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

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

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

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

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

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

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

(13) "Fiscal [year] period" means the annual or biennial period for recording county fiscal operations [~~beginning January 1 and ending December 31 of each year~~].

(14) "Fund" means an independent fiscal and accounting entity comprised of a sum of money

or other resources segregated for a specific purpose or objective.

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

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

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

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

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

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

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

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

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

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

(25) "Unappropriated surplus" means that part of a fund which is not appropriated for an ensuing budget [year] period.

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

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

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

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

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

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

(c) Each county that adopts a fiscal period that is a biennial period under Subsection (2)(a) shall:

(i) comply with Sections 59-2-912 through 59-2-926 as if it had adopted a fiscal period that is an annual period; and

(ii) allocate budgeted revenues and expenditures to each of the two annual periods in the biennial budget.

(d) The legislative body of each county that adopts a fiscal period that is a biennial period under Subsection (2)(a) shall, within ten days after the adoption of the ordinance adopting the biennial period, deliver a copy of the ordinance to the state auditor.

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

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

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

(1) general fund;

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

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

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

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

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

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

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

- (i) establish a special revenue fund, "Municipal Services Fund," and a capital projects fund, "Municipal Capital Projects Fund," or establish a special district to provide municipal services; and
- (ii) budget appropriations for municipal services and municipal capital projects from these funds.

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

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

projects fund.

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

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

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

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

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

(2) The tentative budget shall set forth in tabular form:

(a) actual revenues and expenditures in the last completed fiscal [year] period;

(b) estimated total revenues and expenditures for the current fiscal [year] period;

(c) the estimated available revenues and expenditures for the ensuing budget [year] period computed by determining:

(i) the estimated expenditure for each fund after review of each departmental budget request;

(ii) (A) the total revenue requirements of the fund;

(B) the part of the total revenue that will be derived from revenue sources other than property tax; and

(C) the part of the total revenue that must be derived from property taxes;

(d) if required by the governing body, actual performance experience to the extent available in work units, unit costs, man hours, and man years for each budgeted fund that includes an appropriation for salaries or wages for the last completed fiscal [year] period and the first eight months of the current fiscal [year] period if the county is on an annual fiscal period, or the first 20 months of the current fiscal period if the county is on a biennial fiscal period, together with the total estimated performance data of like character for the current fiscal [year] period and for the ensuing

budget [year] period.

(3) The budget officer may recommend modification of any departmental budget request under Subsection (2)(c)(i) before it is filed with the governing body, if each department head has been given an opportunity to be heard concerning [~~such~~] the modification.

(4) Each tentative budget shall contain the estimates of expenditures submitted by any department together with specific work programs and other supportive data as the governing body requests. The tentative budget shall be accompanied by a supplementary estimate of all capital projects or planned capital projects within the budget [year] period and within the next three succeeding years.

(5) (a) Each tentative budget submitted in a county with a population in excess of 25,000 determined pursuant to Section 17-36-4 shall be accompanied by a budget message in explanation of the budget.

(b) The budget message shall contain an outline of the proposed financial policies of the county for the budget [year] period and describe the important features of the budgetary plan. It shall also state the reasons for changes from the previous [year] fiscal period in appropriation and revenue items and explain any major changes in financial policy.

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

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

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

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

On or before the 15th day of the last month of each fiscal [year] period, the governing body by resolution shall adopt the budget which, subject to further amendment, shall thereafter be in effect for the next fiscal [year] period. A copy of the final budget, and of any subsequent amendment

thereof, shall be certified by the budget officer and filed with the state auditor not later than ~~[thirty]~~ 30 days after its adoption. A copy, similarly certified, shall be filed in the office of the budget officer for inspection by the public during business hours.

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

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

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

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

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

(c) to cover unanticipated deficits for future years.

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

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

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

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

(c) Disbursements from the reserves shall be made only by transfer to a revenue account

within a capital improvements fund pursuant to an appropriation for the fund.

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

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

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

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

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

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

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

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

Section 27. Section **17-36-26.5** is enacted to read:

**17-36-26.5. Review of second year's budget for biennial budgets.**

(1) In a county that has adopted a fiscal period that is a biennial period under Subsection 17-36-3.5(2), the governing body shall, in a public hearing before December 31 of the first year of the biennial period, review the individual budgets of the funds set forth in Sections 17-36-8 and 17-36-32 for the second year of the biennial period.

(2) In each review under Subsection (1), the governing body shall follow the procedures of Sections 17-36-12 and 17-36-13 for holding a public hearing.

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

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

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

Section 29. Section **17-36-32** is amended to read:

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

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

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

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

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

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

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

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

for the next fiscal [year] period.

(3) Upon final adoption, the operating and capital budget shall be in effect for the budget [year] period subject to amendment. A copy of the operating and capital budget for each fund shall be certified by the budget officer and made available to the public during business hours in the offices of the county auditor. A copy of the operating and capital budget shall be filed with the state auditor within 30 days after its adoption.

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

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

Section 30. Section **17-36-37** is amended to read:

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

(1) The budget officer of each county, within 180 days after the close of each fiscal [year] period or, for a county that has adopted a fiscal period that is a biennial period, within 180 days after both the midpoint and the close of the fiscal period, except as provided by Section 17-36-38, shall prepare and make available to the governing body an annual financial report which shall contain:

(a) a statement of revenues and expenditures and a comparison with the budget of the general fund, similar statements of all other funds for which budgets are required, and statements of revenues and expenditures or of income and expense, as the case may be, of all other operating funds of the county;

(b) a balance sheet of each fund and a combined balance sheet of all funds as of:

(i) for a county that has adopted a fiscal period that is a biennial period, the midpoint and the close of the fiscal period; and

(ii) for each other county, the close of the fiscal [year] period; or

(c) any other reports the governing body may require, including work performance data, tax levies, taxable values, details of bonded indebtedness, and historical facts of interest to the governing body and the public.

(2) Copies of the annual report shall be furnished to the state auditor and made a matter of public record in the office of the budget officer.

Section 31. Section **17-36-38** is amended to read:

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

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

Section 32. Section **67-3-8** is amended to read:

**67-3-8. Preparation and distribution of budget forms.**

The state auditor shall formulate and print [~~uniform~~] budget forms for cities of the first class, cities of the second class, cities of the third class, all counties, and all school districts. These budget forms shall be distributed at cost to each city, county, and school district.