

**Senator D. Edgar Allen** proposes to substitute the following bill:

**BUDGET CYCLE OF LOCAL GOVERNMENTS**

1999 GENERAL SESSION

STATE OF UTAH

**Sponsor: David M. Jones**

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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 TO CONTINUE TO HOLD ANNUAL BUDGET HEARING; AND MAKING TECHNICAL  
10 CHANGES.

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

12 AMENDS:

13 **10-6-104**, as enacted by Chapter 26, Laws of Utah 1979

14 **10-6-105**, as enacted by Chapter 26, Laws of Utah 1979

15 **10-6-106**, as last amended by Chapter 119, Laws of Utah 1985

16 **10-6-109**, as last amended by Chapter 52, Laws of Utah 1981

17 **10-6-110**, as enacted by Chapter 26, Laws of Utah 1979

18 **10-6-111**, as last amended by Chapter 389, Laws of Utah 1997

19 **10-6-116**, as last amended by Chapter 119, Laws of Utah 1985

20 **10-6-117**, as enacted by Chapter 26, Laws of Utah 1979

21 **10-6-118**, as last amended by Chapter 118, Laws of Utah 1989

22 **10-6-119**, as enacted by Chapter 26, Laws of Utah 1979

23 **10-6-121**, as last amended by Chapter 119, Laws of Utah 1985

24 **10-6-124**, as enacted by Chapter 26, Laws of Utah 1979

25 **10-6-127**, as enacted by Chapter 26, Laws of Utah 1979

- 26           **10-6-128**, as enacted by Chapter 26, Laws of Utah 1979
- 27           **10-6-130**, as last amended by Chapter 119, Laws of Utah 1985
- 28           **10-6-135**, as last amended by Chapter 118, Laws of Utah 1989
- 29           **10-6-150**, as last amended by Chapter 119, Laws of Utah 1985
- 30           **17-36-3**, as last amended by Chapter 212, Laws of Utah 1996
- 31           **17-36-8**, as last amended by Chapter 212, Laws of Utah 1996
- 32           **17-36-9**, as last amended by Chapter 212, Laws of Utah 1996
- 33           **17-36-10**, as last amended by Chapter 212, Laws of Utah 1996
- 34           **17-36-15**, as enacted by Chapter 22, Laws of Utah 1975
- 35           **17-36-16**, as last amended by Chapter 212, Laws of Utah 1996
- 36           **17-36-17**, as enacted by Chapter 22, Laws of Utah 1975
- 37           **17-36-22**, as last amended by Chapter 212, Laws of Utah 1996
- 38           **17-36-28**, as last amended by Chapter 73, Laws of Utah 1983
- 39           **17-36-32**, as last amended by Chapter 73, Laws of Utah 1983
- 40           **17-36-37**, as last amended by Chapter 3, Laws of Utah 1988
- 41           **17-36-38**, as last amended by Chapter 73, Laws of Utah 1983
- 42           **67-3-8**, as last amended by Chapter 129, Laws of Utah 1971

43 ENACTS:

- 44           **17-36-3.5**, Utah Code Annotated 1953
- 45           **17-36-26.5**, Utah Code Annotated 1953

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

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

48           **10-6-104. Withholding of state money from cities not filing budget or complying with**  
49 **reporting or auditing requirements.**

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

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

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

57 **10-6-105. Fiscal period -- Annual or biennial.**

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

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

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

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

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

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

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

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

77 **10-6-106. Definitions.**

78 As used in this chapter:

79 ~~[(7)]~~ (1) "Account group" is defined by generally accepted accounting principles as  
80 reflected in the Uniform Accounting Manual for Utah Cities.

81 ~~[(15)]~~ (2) "Appropriation" means an allocation of money by the governing body for a  
82 specific purpose.

83 ~~[(10)]~~ (3)(a) "Budget" means a plan of financial operations for a fiscal ~~[year]~~ period which  
84 embodies estimates of proposed expenditures for given purposes and the proposed means of  
85 financing them.

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

88           ~~[(12)]~~ (4) "Budgetary fund" means a fund for which ~~[an annual]~~ a budget is required.

89           ~~[(11)]~~ (5) "Budget officer" means the city auditor in cities of the first and second class, the  
90 mayor or some person appointed by the mayor with the approval of the city council in cities of the  
91 third class, the mayor in the council-mayor optional form of government, or the person designated  
92 by the charter in charter cities.

93           ~~[(2)]~~ (6) "Budget [year] period" means the fiscal [year] period for which a budget is  
94 prepared.

95           ~~[(17)]~~ (7) "Check" means an order in a specific amount drawn upon a depository by an  
96 authorized officer of a city.

97           ~~[(3)]~~ (8) "Current [year] period" means the fiscal [year] period in which a budget is  
98 prepared and adopted, i.e., the fiscal [year] period next preceding the budget [year] period.

99           ~~[(13)]~~ (9) "Department" means any functional unit within a fund ~~[which]~~ that carries on  
100 a specific activity, such as a fire or police department within a General Fund.

101           ~~[(16)]~~ (10) "Encumbrance system" means a method of budgetary control in which part of  
102 an appropriation is reserved to cover a specific expenditure by charging obligations, such as  
103 purchase orders, contracts, or salary commitments to an appropriation account at their time of  
104 origin. Such obligations cease to be encumbrances when paid or when the actual liability is  
105 entered on the city's books of account.

106           ~~[(14)]~~ (11) "Estimated revenue" means the amount of revenue estimated to be received  
107 from all sources during the budget [year] period in each fund for which a budget is being prepared.

108           ~~[(20)]~~ (12) "Financial officer" means the mayor in the council-mayor optional form of  
109 government or the city official as authorized by Section 10-6-158.

110           ~~[(1)]~~ (13) "Fiscal [year] period" means the annual or biennial period for accounting for  
111 fiscal operations in each city.

112           ~~[(5)]~~ (14) "Fund" is as defined by generally accepted accounting principles as reflected in  
113 the Uniform Accounting Manual for Utah Cities.

114           ~~[(8)]~~ (15) "Fund balance," "retained earnings," and "deficit" have the meanings commonly  
115 accorded such terms under generally accepted accounting principles as reflected in the Uniform  
116 Accounting Manual for Utah Cities.

117           ~~[(19)]~~ (16) "Governing body" means a city council, or city commission, as ~~[appropriate;~~  
118 ~~however,]~~ the case may be, but the authority to make any appointment to any position created by

119 this chapter is vested in the mayor in the council-mayor optional form of government.

120 ~~[(9)]~~ (17) "Interfund loan" means a loan of cash from one fund to another, subject to future  
121 repayment~~[-it]~~ and does not constitute an expenditure or a use of retained earnings or fund balance  
122 of the lending fund or revenue to the borrowing fund.

123 ~~[(4)]~~ (18) "Last completed fiscal [year] period" means the [year] fiscal period next  
124 preceding the current [year] period.

125 ~~[(21)]~~ (19) "Public funds" means any money or payment collected or received by an officer  
126 or employee of the city acting in an official capacity and includes money or payment to the officer  
127 or employee for services or goods provided by the city, or the officer or employee while acting  
128 within the scope of employment or duty. Public funds do not include money or payments collected  
129 or received by an officer or employee of a city for charitable purposes if the mayor or city council  
130 has consented to the officer's or employee's participation in soliciting contributions for a charity.

131 ~~[(6)]~~ (20) "Special fund" means any fund other than the General Fund.

132 ~~[(18)]~~ (21) "Warrant" means an order drawn upon the city treasurer, in the absence of  
133 sufficient money in the city's depository, by an authorized officer of a city for the purpose of  
134 paying a specified amount out of the city treasury to the person named or to the bearer as money  
135 becomes available.

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

137 **10-6-109. Budget required for certain funds -- Capital projects fund budget.**

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

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

141 (b) special revenue funds;

142 (c) debt service funds; and

143 (d) capital improvement funds.

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

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

150 **10-6-110. Budget -- Contents -- Total of revenues to equal expenditures.**

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

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

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

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

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

159 **10-6-111. Tentative budget to be prepared -- Contents -- Estimate of expenditures**  
160 **-- Budget message -- Review by governing body.**

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

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

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

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

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

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

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

178 (ii) The budget officer shall estimate the amount of revenue available to serve the needs  
179 of each fund, estimate the portion to be derived from all sources other than general property taxes,  
180 and estimate the portion that must be derived from general property taxes. From the latter estimate

181 the officer shall compute and disclose in the budget the lowest rate of property tax levy that will  
182 raise the required amount of revenue, calculating the levy upon the latest taxable value.

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

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

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

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

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

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

211 **10-6-116. Accumulated fund balances -- Limitations -- Excess balances --**

212 **Unanticipated excess of revenues -- Reserves for capital improvements.**

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

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

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

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

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

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

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

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

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

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

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



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

244 **10-6-117. Appropriations not to exceed estimated expendable revenue --**

245 **Determination of revenue -- Appropriations for existing deficits.**

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

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

253 (3) There shall be included as an item of appropriation in each fund for any budget [year]  
254 period any existing deficit as of the close of the last completed fiscal [year] period, not previously  
255 included in the budget of the current [year] period, to the extent of at least [five percent] 5% of the  
256 total revenue of [such] the fund in its last completed fiscal [year] period. If the total amount of the  
257 deficit is less than [five percent] 5% of the total revenue in the last completed fiscal [year] period,  
258 the entire amount of [such] the deficit shall be included.

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

260 **10-6-118. Adoption of final budget -- Certification and filing.**

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

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

268 **10-6-119. Budgets in effect for budget year -- Amendment -- Filing for public**  
269 **inspection.**

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

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

274 **10-6-121. Departmental expenditures -- Encumbrances -- Purchase order.**275 (1) The budget officer shall require all expenditures by any department to conform with  
276 the departmental budget.277 (2) No appropriation may be encumbered and no expenditure may be made against any  
278 departmental appropriation unless there is sufficient unencumbered balance in the department's  
279 appropriation, except in cases of emergency as provided by this chapter.280 (3) All encumbrances reported as outstanding as of the fiscal [year] period end shall be  
281 supported by a purchase order issued on or before the last day of the fiscal [year] period and  
282 approved by the mayor in the council-mayor optional form of government or the governing body  
283 or its delegate in other cities, as provided under this chapter.284 Section 12. Section **10-6-124** is amended to read:285 **10-6-124. Transfer of appropriation balance between accounts -- Excess expenditure**  
286 **within departments.**287 With the consent of the budget officer, or [such] the approval in charter cities as required  
288 by charter, the head of any department may transfer any unencumbered or unexpended  
289 appropriation balance or any portion thereof from one expenditure account to another within the  
290 department during the budget [year] period, or an excess expenditure of one or more line items  
291 may be permitted by any department head with the consent of the budget officer, or his equivalent  
292 in charter cities, provided the total of all excess expenditures or encumbrances do not exceed total  
293 unused appropriations within the department at the close of the budget [year] period.294 Section 13. Section **10-6-127** is amended to read:295 **10-6-127. Review of individual fund budgets -- Hearing.**296 (1) (a) Upon the written request of one of the members of the governing body, or upon its  
297 own motion setting forth the reason therefor, the governing body may, at any time during the  
298 budget [year] period, review the individual budgets of the funds set forth in Section 10-6-109, for  
299 the purpose of determining if the total of any of them should be increased.300 (b) If the governing body decides that the budget total of one or more of these funds should  
301 be increased, it shall follow the procedures set forth in Sections 10-6-113 and 10-6-114 for holding  
302 a public hearing.303 (2) (a) In a city that has adopted a fiscal period that is a biennial period under Subsection  
304 10-6-105(2), the governing body shall, in a public hearing before June 30 of the first year of the

305 biennial period, review the individual budgets of the funds set forth in Sections 10-6-109 and  
306 10-6-135 for the second year of the biennial period.

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

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

310 **10-6-128. Amendment and increase of individual fund budgets.**

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

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

318 **10-6-130. Lapse of appropriations -- Exceptions.**

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

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

322 **10-6-135. Operating and capital budgets.**

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

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

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

335 (a) On or before the first regularly scheduled meeting of the governing body in the last

336 May of ~~[each year]~~ the current period, the budget officer shall prepare for the ensuing fiscal ~~[year]~~  
337 period and file with the governing body a tentative operating and capital budget for each enterprise  
338 fund and for other required special funds, together with specific work programs as submitted by  
339 the department head and any other supporting data required by the governing body.

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

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

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

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

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

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

361 (a) certified by the budget officer;

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

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

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

365 (7) Upon final adoption, the operating and capital budget shall be in effect for the budget  
366 ~~[year]~~ period, subject to later amendment. During the budget ~~[year]~~ period the governing body

367 may, in any regular meeting or special meeting called for that purpose, review any one or more of  
368 the operating and capital budgets for the purpose of determining if the total of any of them should  
369 be increased. In the event the governing body decides that the budget total of one or more of these  
370 funds should be increased, the procedures set forth in Section 10-6-136 shall be followed.

371 (8) Expenditures from operating and capital budgets shall conform to the requirements  
372 relating to budgets specified in Sections 10-6-121, 10-6-122, 10-6-123, 10-6-124, 10-6-125, and  
373 10-6-126.

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

375 **10-6-150. Annual financial reports -- Independent audit reports.**

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

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

391 **17-36-3. Definitions.**

392 As used in this chapter:

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

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

397 (3) (a) "Budget" means a plan for financial operations for a fiscal [year] period, embodying

398 estimates for proposed expenditures for given purposes and the means of financing the  
399 expenditures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

428 (17) "General Fund" means the fund used to account for all receipts, disbursements, assets,

429 liabilities, reserves, fund balances, revenues, and expenditures not required to be accounted for in  
430 other funds.

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

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

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

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

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

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

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

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

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

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

456 **17-36-3.5. Fiscal period -- Annual or biennial.**

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

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

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

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

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

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

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

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

476 **17-36-8. Preparation of budgets.**

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

480 (1) general fund;

481 (2) special revenue funds;

482 (3) debt service funds;

483 (4) capital project funds; and

484 (5) any other fund or funds for which a budget is required by the uniform system of  
485 budgeting, accounting, and reporting.

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

487 **17-36-9. Budget -- Financial plan -- Contents -- Municipal services and capital**  
488 **projects funds.**

489 (1) (a) The budget for each fund shall provide a complete financial plan for the budget  
490 [year] period and shall contain in tabular form classified by the account titles as required by the



491 uniform system of budgeting, accounting, and reporting:

492 (i) estimates of all anticipated revenues;

493 (ii) all appropriations for expenditures; and

494 (iii) any additional data required by Section 17-36-10 or by the uniform system of

495 budgeting, accounting, and reporting.

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

497 revenues.

498 (2) (a) Each first-, second-, and third-class county that provides municipal-type services

499 under Section 17-34-1 shall:

500 (i) establish a special revenue fund, "Municipal Services Fund," and a capital projects

501 fund, "Municipal Capital Projects Fund," or establish a special district to provide municipal

502 services; and

503 (ii) budget appropriations for municipal services and municipal capital projects from these

504 funds.

505 (b) The Municipal Services Fund is subject to the same budgetary requirements as the

506 county's general fund.

507 (c) (i) Except as provided in Subsection (2)(c)(ii), the county may deposit revenue derived

508 from any taxes otherwise authorized by law, income derived from the investment of money

509 contained within the municipal services fund and the municipal capital projects fund, the

510 appropriate portion of federal money, and fees collected into a municipal services fund and a

511 municipal capital projects fund.

512 (ii) The county may not deposit revenue derived from a fee, tax, or other source based

513 upon a countywide assessment or from a countywide service or function into a municipal services

514 fund or a municipal capital projects fund.

515 (d) The maximum accumulated unappropriated surplus in the municipal services fund, as

516 determined prior to adoption of the tentative budget, may not exceed an amount equal to the total

517 estimated revenues of the current fiscal [year] period.

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

519 **17-36-10. Preparation of tentative budget.**

520 (1) On or before the first day of the next to last month of every fiscal [year] period, the

521 budget officer shall prepare for the next budget [year] period and file with the governing body a

- 522 tentative budget for each fund for which a budget is required.
- 523 (2) The tentative budget shall set forth in tabular form:
- 524 (a) actual revenues and expenditures in the last completed fiscal [year] period;
- 525 (b) estimated total revenues and expenditures for the current fiscal [year] period;
- 526 (c) the estimated available revenues and expenditures for the ensuing budget [year] period
- 527 computed by determining:
- 528 (i) the estimated expenditure for each fund after review of each departmental budget
- 529 request;
- 530 (ii) (A) the total revenue requirements of the fund;
- 531 (B) the part of the total revenue that will be derived from revenue sources other than
- 532 property tax; and
- 533 (C) the part of the total revenue that must be derived from property taxes;
- 534 (d) if required by the governing body, actual performance experience to the extent
- 535 available in work units, unit costs, man hours, and man years for each budgeted fund that includes
- 536 an appropriation for salaries or wages for the last completed fiscal [year] period and the first eight
- 537 months of the current fiscal [year] period if the county is on an annual fiscal period, or the first 20
- 538 months of the current fiscal period if the county is on a biennial fiscal period, together with the
- 539 total estimated performance data of like character for the current fiscal [year] period and for the
- 540 ensuing budget [year] period.
- 541 (3) The budget officer may recommend modification of any departmental budget request
- 542 under Subsection (2)(c)(i) before it is filed with the governing body, if each department head has
- 543 been given an opportunity to be heard concerning [such] the modification.
- 544 (4) Each tentative budget shall contain the estimates of expenditures submitted by any
- 545 department together with specific work programs and other supportive data as the governing body
- 546 requests. The tentative budget shall be accompanied by a supplementary estimate of all capital
- 547 projects or planned capital projects within the budget [year] period and within the next three
- 548 succeeding years.
- 549 (5) (a) Each tentative budget submitted in a county with a population in excess of 25,000
- 550 determined pursuant to Section 17-36-4 shall be accompanied by a budget message in explanation
- 551 of the budget.
- 552 (b) The budget message shall contain an outline of the proposed financial policies of the

553 county for the budget [year] period and describe the important features of the budgetary plan. It  
554 shall also state the reasons for changes from the previous [year] fiscal period in appropriation and  
555 revenue items and explain any major changes in financial policy.

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

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

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

564 **17-36-15. Adoption of budget.**

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

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

572 **17-36-16. Retained earnings -- Accumulation -- Restrictions -- Disbursements.**

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

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

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

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

580 (2) The maximum accumulated unappropriated surplus in the General Fund, as determined  
581 prior to adoption of the tentative budget, may not exceed an amount equal to the estimated  
582 revenues from property taxes of the current fiscal [year] period, except that in counties with a  
583 taxable value of \$750,000,000 or more and a population of 100,000 or more, the accumulated

584 surplus shall be limited to 20% of the total revenues of the General Fund for the current fiscal  
585 [year] period. Any surplus balance in excess of the above computed maximum shall be included  
586 in the estimated revenues of the General Fund budget for the next fiscal [year] period.

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

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

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

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

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

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

600 **17-36-17. Appropriations in final budget -- Limitations.**

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

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

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

609 **17-36-22. Transfer of unexpended appropriation balance by department.**

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

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

616 **17-36-26.5. Review of second year's budget for biennial budgets.**

617 (1) In a county that has adopted a fiscal period that is a biennial period under Subsection  
618 17-36-3.5(2), the governing body shall, in a public hearing before December 31 of the first year  
619 of the biennial period, review the individual budgets of the funds set forth in Sections 17-36-8 and  
620 17-36-32 for the second year of the biennial period.

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

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

624 **17-36-28. Lapse of appropriations.**

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

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

628 **17-36-32. Operating and capital budget -- Expenditures.**

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

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

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

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

644 The tentative operating and capital budget shall be accompanied by a supplementary  
645 estimate of all capital projects or planned capital projects within the next fiscal [year] period and

646 within the [three] next succeeding fiscal [years] period.

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

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

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

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

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

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

665 **17-36-37. Budget officer -- Annual financial statement -- Contents.**

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

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

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

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

677 the close of the fiscal period; and

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

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

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

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

685 **17-36-38. Presentation of annual report by independent auditor.**

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

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

691 **67-3-8. Preparation and distribution of uniform budget forms.**

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