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# ADOPTING THE BUDGET

*(from Utah League of Cities and Towns)*

## PART I

### What is a Budget?

In the Utah Code Annotated, 10-6-106(3), a budget is defined as "...a plan of financial operations for a fiscal year which embodies estimates of proposed expenditures for given purposes and the proposed means of financing them..." However, in practicality, a budget is much more than a simple list of revenues and expenditures. This point is emphasized by State Law which requires the budget officer to include a budget message when presenting a budget to the governing body. The budget message must explain the budget, contain an outline of the financial policies of the City for the budget year and describe the important features of the budget plan. The message must set forth reasons for significant changes from the previous year and must explain any major changes in financial policy. If this information doesn't address all issues raised by the governing body, the governing body may, by law, request additional information, including actual performance experience for City programs.

To gain optimum utility from a Town or City budget, the budget, in addition to serving as an outline of projected revenues and expenditures, should be:

#### **A reflection of the policy priorities of the elected officials.**

- The budget is a mechanism for indicating what is most important to you - putting your money where your mouth is.
- The legislative branch role is to establish overall policy direction - to say what is most important and what resources should be expended to achieve important goals.
- It is the job of the administration to make recommendations on what is most important, but ultimately to determine the most efficient and effective way of using resources to achieve the policy priorities established by the legislative branch. Administrative staff are the experts on the "how to" part of the budget.

#### **A financial operating plan.**

- The budget helps elected officials plan how to allocate resources to achieve policy goals.
- Remember, however, that the budget plan and circumstances change. Do not be afraid to change the plan. It is not set in concrete.

**A tool for communicating with the public about how Its money is spent.**

- The budget should be written in plain English - not financial or budget jargon.
- There is no reason why the budget cannot be understandable to everyone. When it is easily understood, the tax paying public has a better understanding of what they are getting for their money and why it is important. Once the public has an understanding of what they are paying for, elected officials' lives are easier.

## **Definitions**

**Fund:** An independent fiscal and accounting entity. Funds may be established either by constitutional provisions, statutes, bond agreements, charter provisions or local ordinances.

**General Fund:** This fund pays for general government services (such as police, fire, roads, parks, planning & zoning, financial control, etc.) that are necessary for the overall good of the community. Some individuals in the community may never use these services, but it is essential they be available. Revenue sources included in the general fund are typically property tax, sales tax, franchise tax, energy sales and use tax, Class C road funds and fees charged by the municipality (e.g. licenses, permits, fines). The general fund is usually what irate taxpayers complain about at budget hearings and during the year because they may not see the direct benefit they receive from the services.

**Enterprise Funds:** These funds are largely funded by user fees. Those who receive the benefit of the service pay for it. User fee revenue is used to pay for the development, operation and capital costs of providing the service. Enterprise funds are often for utilities such as water, sewer and power. Many municipalities, however, have established enterprise funds for activities such as refuse collection, golf programs and airports. Citizens may complain about user fees in these programs because some of the services (e.g. refuse collection, etc.) may have previously been part of the general fund and, thereby, supported by general fund revenue sources.

**Internal Service Funds:** These funds pay for services that one municipal department provides to other departments. The charges of these funds to departments are based on the actual cost of providing the service. Since most departments are charged for these services, the funding is a mixture of general fund and funds from enterprise funds. Examples of typical internal service funds include fleet maintenance, management information systems and risk management.

**Special Revenue Funds:** These are funds with a specific revenue source identified in law that are to be used for one purpose only. Revenue derived from these sources cannot be used for anything other than the purpose for which they are collected. Examples of special revenue funds are 911 services (funded by a tax on telephone bills), street lighting districts (usually funded by an assessment on properties within the district), impact fee funds and weed abatement and demolition funds (often funded by placing a lien against the property which the municipality has to take action on).

**Capital Projects Fund:** This fund usually has multiple revenue sources, including transfers from the general fund, Community Development Block Grant (CDBG) and Class C road funds. Enterprise funds usually have capital project monies that are accounted for within the particular enterprise fund. Capital project fund dollars are spent on public improvements such as roads, sidewalks, gutters, drainage, public buildings, development of parks, etc. Unlike other funds, the budgets for capital improvements do not expire at the end of the fiscal year. Rather, they expire upon completion of the project. These funds may be carried from one fiscal year to another. An increasing number of communities are establishing capital project funds as a mechanism to accumulate money over two or three years for a major capital project. Because the funds do not lapse to the fund balance at year end, long term planning for capital projects is more efficient in a capital project fund.

**Debt Service Funds:** Debt Service Funds contain money specifically set aside to make principal and interest payments on legal debts and obligations (e.g. bonds). Elected officials cannot reduce the appropriations to debt service funds below what is legally required to make the debt payments. If debt service is handled as a fund separate from the general fund, the sources of revenue for the fund are transfers from other funds.

**Fiduciary Funds:** These funds are also labeled "Trust and Agency Funds". They are used to account for assets held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These funds can only be used as stipulated in the trust or agency agreement.

**Budget Officer:** The budget officer is the City Auditor in cities of the first and second class; the Mayor or some person appointed by the Mayor with approval of the City Council in cities of the third, fourth and fifth class; the Mayor in the council-Mayor optional form

of government; the person designated by the charter cities; and the Mayor or his/her designee in towns.

**Budget Policy:** A goal or objective established by elected officials that is achieved in part by allocating funds.

**Fiscal Year:** July 1 through June 30 of the following year.

**Budget Year:** The fiscal year for which a budget is prepared. For example, when the fiscal year 2000-01 budget is prepared, the budget year is 2001. Similarly, when the fiscal year 2001-02 budget is prepared, the budget year is 2002.

**Governing Body:** A city or town council, as appropriate.

## The Budget Process

During the 1999 Legislative Session, House Bill 290 was passed which authorizes cities to adopt biennial budgets - that is to conduct a budget process every two years. This option was not extended to towns. To participate in the biennial process, a City must notify the State Auditor's Office in writing of the City's intention to complete a biennial budget. It is important to note that, if exercising the biennial option, each of the two budgets must balance independently.

The budget process for cities and towns in Utah is typically as follows:

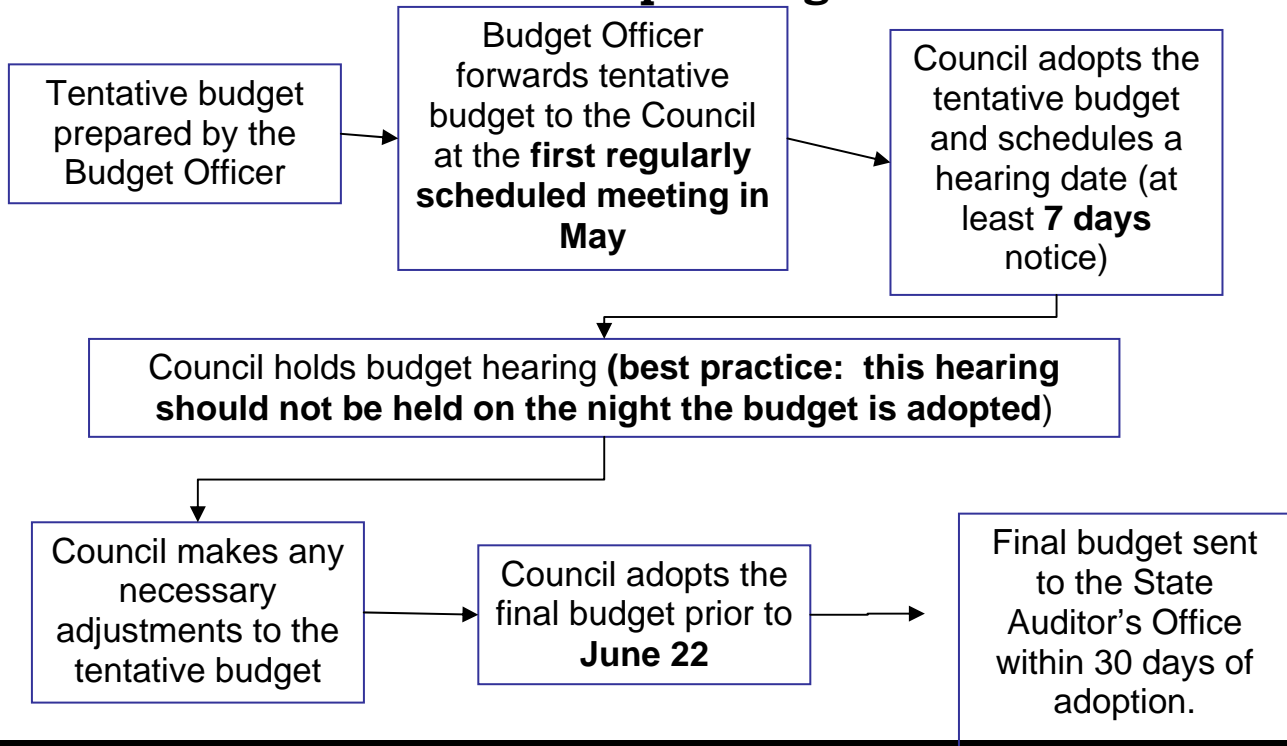
1. The budget officer receives budget requests from each department. The budget officer is required to discuss the budget request with each department. The budget officer has the authority to then revise the department budget requests. In small towns, this is a fairly short and informal process, whereas in larger communities this process may begin in December to allow the budget to be presented to the City Council in May. In communities where Council Members serve as the administrator of a particular department, the Council Member forwards his/her budget request to the Mayor for inclusion in the City budget.
2. State law requires the budget officer to prepare a tentative budget for consideration by the governing body (City Council) on or before the first regularly scheduled meeting in May (*UCA 10-6-111 for cities and UCA 10-5-107 for towns*). All tentative and proposed budget documents must show, in tabular form, actual

revenues and expenditures for the previous fiscal year, budget estimates for the current fiscal year, actual revenues and expenditures for a period of 6 months (or longer) of the current fiscal year, estimated total revenues and expenditures for the current fiscal year and proposed revenues for the upcoming fiscal year so the governing body can identify any changes. The tentative budget shall include a budget message explaining the budget, financial policies, important features and major changes from the previous year.

3. Tentative budgets need to be reviewed, considered and adopted by the Council prior to public hearings. At the meeting when the tentative budget is adopted, a public hearing shall be scheduled to obtain public comment prior to the final budget adoption (*UCA 10-6-113 for cities and UCA 10-5-108 for towns*). The public hearing must be advertised at least 7 days prior to the date of the hearing. The advertisement must appear at least once in a newspaper of general circulation within the community. If there is no such newspaper in the community, the advertisement must be posted in three separate public places within the city at least 7 days prior to the hearing, or at least 48 hours prior to the hearing for towns.
4. The tentative budget must be available for public inspection for at least 10 days prior to the date the final budget is adopted.
5. The governing body may make changes in the budget when it is adopted. The final budget must be adopted prior to June 22. A copy of the adopted budget must be provided to the State Auditor within 30 days of adoption. Failure to provide the State Auditor with a budget within 30 days can result in a delay or loss of State funding.
6. If the adopted budget contains a property tax rate increase, the governing body must hold a "Truth in Taxation" hearing prior to August 17. The adopted budget is not final until this hearing is held.
7. The City or Town Council can make mid-year changes to the budget. If a budget is to be increased, the public hearing requirements contained in the budget adoption process must be followed.



## Utah's Municipal Budget Process



### Questions to Consider

1. What is the explanation for significant increases or decreases in department budgets? What new programs are being funded and/or why are costs for existing programs increasing?
2. What is the explanation for significant increases or decreases in revenues?
3. Is one-time money funding ongoing expenses in the budget?
4. Are revenue estimates realistic? Ask the budget officer to explain proposed increases in revenue and the basis on which the proposed increases are projected.
5. Are fees related to the cost of providing service or do they exceed/fall short of the cost of actually providing the service?
6. Would it be more appropriate to pay for the costs of a service through a user fee than from the general fund because only those who use the service would pay for it?
7. Are there programs funded in the budget for which the need has declined or disappeared?

8. Are there programs in the budget which provide essential services and for which the workload has increased? Has the resource allocation increased?
9. Are the service levels for critical services adequate or inadequate? What are the standards against which your service delivery is being measured?
10. Are there opportunities for increased efficiency by consolidating service delivery in one division/department or with another jurisdiction?
11. What alternative service delivery systems have been evaluated? What is the reason(s) the delivery system funded in the budget was chosen as the best?
12. Are there any other sources of funding available such as federal or state grants?

### **Things Every Elected Official Should Know About Budgets**

1. Expenditures must equal revenue. Expenditures must never exceed available revenue. If, during the fiscal year, expenditures exceed revenue or exceed the amount budgeted, a budget amendment must be held to correct the problem(s).
2. The fiscal year for Utah's cities and towns is from July 1 through June 30 of the following calendar year. The State of Utah, the federal government and the counties operate on different fiscal years.
3. The budget officer can transfer money from one major category to another within any department of the general fund or within an enterprise fund.
4. The budget officer must seek council approval to move money from one department to another within the general fund and from one fund to another.
5. No one can reduce debt service fund appropriations below the amount legally required to fulfill the debt obligation.
6. If adequate funds are not appropriated for debt service, the municipality can be forced to appropriate the funds by the

courts or the courts can impose a property tax increase to raise funds for debt service.

7. Towns may accrue general fund balance up to 75% of the estimated annual general fund revenue. If the general fund balance is below 5% of that year's estimated general fund revenue, it cannot be appropriated except in the event of a natural disaster or similar emergency.
8. Cities may accrue general fund balance up to 18% of the estimated general fund revenue. If the general fund balance is below 5% of that year's estimated general fund revenue, it cannot be appropriated except in the event of a natural disaster or similar emergency.
9. General fund balance can be used to address disasters such as floods and earthquakes regardless of the current balance amount. In rare circumstances, deficits may be incurred in the general fund to address such emergencies.
10. All unexpected appropriations and/or revenues in excess of budget, except capital improvement funds, lapse to fund balance on June 30. (NOTE: excess general fund monies lapse to the general fund balance while excess monies in enterprise funds lapse to the fund balance or retained earnings of the specific enterprise fund.)
11. By law, the property tax rate cannot exceed .007 per dollar of taxable value of taxable property. (*Towns = UCA 10-5-112(2), cities = UCA 10-6-133(5)*)
12. Cities and towns can enter into agreements to receive payments in lieu of taxes with tax-exempt organizations, including the City's or Town's own enterprise funds, for providing general fund services (e.g. police and fire protection).
13. One-time money should be spent on one-time projects. When one-time money is used to balance a budget by paying for ongoing services, the following year's budget will likely start out in a deficit because one-time money is likely no longer available.

# MONITORING THE BUDGET

*(from Utah League of Cities and Towns)*

## PART II

Often times, elected officials only think about the budget in May and June during the formal budget adoption process. This approach often leads to mid-year surprises and frustration. The most effective elected officials have learned that monitoring the budget throughout the year is essential. In fact, State law calls for monthly summary and quarterly detailed monitoring (*UCA 10-6-147 and 148*). Many communities have adopted more rigorous monitoring schedules.

### Things Every Elected Official Should Know About Revenues

#### Why Monitor Revenue?

- Revenue can be affected by a large number of variables and will change from year to year.
- Projecting revenue is part science, part art, part philosophy and part luck. Revenue is never received exactly as projected.
- It is critical to be aware of a revenue shortfall by mid-year. If annual revenue projections are off by 2%, with only six months of the fiscal year remaining, the city/town may need to cut up to 4% of the remaining budget. If the revenue shortfall is not identified until March, with only three months of the fiscal year remaining, the city/town may need to cut up to 8% of the remaining budget. The longer the city/town waits to take budget action, the deeper the cuts will have to be and the less flexibility departments will have to make adjustments which do not affect service levels.

#### What Can Affect Revenue?

- The performance of the economy affects sales tax, building permits and business licenses.
- County reappraisals can either increase or decrease the assessed valuation of property and thereby affect property tax.
- State-assessed property (mining, utilities, railroads) is assessed using a revenue-based formula which makes tax revenue generated from these sources volatile with wide swings from year to year.
- The weather can affect franchise tax revenue because temperature extremes create demand for electricity and gas while drought conditions increase demand for water. Similarly, mild weather often has an adverse affect on franchise tax revenue.

- Utility rate decreases will decrease franchise tax revenue and utility rate increases will increase franchise tax revenue.
- Unanticipated delays in implementation of new fees can affect revenue in the first years of a new program.
- Changes in revenue collection policies or procedures by the County and/or State (e.g. monthly rather than quarterly collection of sales tax created a one-time windfall for municipalities).
- Legislative changes in the distribution formulas affect revenue (e.g. the shift in sales tax distribution formula away from point of sale to population).

#### **When is Revenue Received?**

- The bulk of property tax revenue is received in November and December.
- The largest sales tax payment is usually received in January and is for December sales.

#### **How to Deal With Uneven Revenue Flow.**

- The law allows local governments to issue Tax Revenue Anticipation Notes (TRANS) to address short-term cash flow needs. The law stipulates that the maximum amount of TRANS that can be issued for the year must come within a safe harbor which is calculated based on the City's or Town's cash flow deficit.
- Some municipalities carry significant fund balances in their enterprise funds (e.g. water and sewer utilities, electric utilities, etc.). It is permissible for the general fund to borrow from enterprise funds until property tax revenue is received by the treasury.
- Some municipalities have significant cash balances. It is permissible to use these cash balances to address annual cash flow deficits. Remember, however, that moving cash balance from the fund balance to the budget requires a budget amendment.

#### **How to Deal with a Projected Revenue Shortfall**

- Raising revenue (tax or fee increase) is one method, but is not generally considered a good option by elected officials to address mid-year budget crises.
- Cutting expenditures mid-year is usually the best solution. There are two options: base budget cuts are the best because revenue shortfalls are often a result of over-projection of revenue growth (i.e. base revenue has been over estimated) and, therefore is ongoing. If base budget cuts are made, the next budget development cycle will not begin "in the hole". It can be argued, however, that base

budget cuts are best reviewed within the context of the overall budget development process to ensure that cuts reflect the policy of elected officials rather than the biases of departments. Therefore, at mid-year, one-time budget cuts are often both expedient and acceptable.

- Delaying or eliminating a capital improvement project may also be a viable option. However, it should be cautioned that routinely "balancing the budget" on the back of the capital improvement program will eventually lead to deteriorated infrastructure and, if extreme, may necessitate the need for emergency expenditure in the future if infrastructure failure occurs.
- One-time money can be used to offset a revenue shortfall, but since the funds are one-time and will not be available the next year, the budget development process will begin with a shortfall of ongoing revenue as compared to expenditures.
- In the general fund, fund balance can be used to offset a revenue shortfall if the fund balance is greater than 5% of projected general fund revenue. However, fund balance is one-time money. Unless the municipality intends to continue drawing down fund balance, using fund balance to solve a revenue shortfall creates the same problem as using one-time revenue. Using fund balance to offset a revenue shortfall is a stop gap measure.

## **Things Every Elected Official Should Know About Expenditures**

### **Monitoring Department Budgets**

- Not less than quarterly, departmental budgets should be monitored and the percentage of the fiscal year completed should be compared to the percentage of each department's budget which has been expended. To the extent possible, expenditure projections should include adjustments for outstanding liabilities, deferred capital expenditures and uneven expenditure patterns.
- Some departments have uneven expenditure patterns resulting from the nature of the business. Examples include parks departments, which experience most of their activity in the summer and snow removal programs, which experience most of their budget activity in the winter.
- Some departments choose to defer budgeted purchases until the end of the fiscal year so they will be prepared to cut those expenditures in the event of a revenue shortfall.
- Quarterly reports should project expenditures to year-end.

### **How to Handle Projected Over Expenditures**

- There are many things that can create the need for an

unanticipated expenditure. Examples include legal judgments against the municipality, infrastructure failure, unique opportunities, natural disasters, etc.

- Hold top management accountable to provide an explanation of expenditures in excess of budget, including efforts to manage the problem without additional resources.
- Only over-expenditures which are a result of events that could not be anticipated or managed are an acceptable explanation for overrunning a budget.
- An obvious way to handle over-expenditures in one program area is to reduce expenditures in another. Elected officials, however, should look at the proposed reductions carefully to assess the impact on policy implementation and service levels.
- Cut administration or non essential expenditures rather than areas which will affect service levels.
- Don't accept cuts made from the most visible and politically volatile areas. This is often a ploy used by departments hoping to avoid taking any cuts at all.
- Moving funds from one department to another to handle over expenditure is one way to solve the problem. However, such a transfer needs to be evaluated to determine the impact on policy implementation and service levels. This option may create tension among departments. The primary danger of this approach is that a department that failed to manage expenditures within budget appears to be rewarded, while a more prudent department appears to be penalized.
- Contingency is a good option for addressing unanticipated expenditures. Unexpected expenditure is the reason for establishing a contingency budget.
- Fund balance can be used to pay over expenditures, if the balance exceeds 5% of general fund revenue.
- In the case of a disaster, you can spend fund balance below 5% of general fund revenue. You can also deficit-spend in the case of disaster, if necessary.

#### **How to Handle Projected Under Expenditures**

- Find out why funds are not being expended. Assess whether policy priorities and service level expectations are being addressed. If they are not, someone may be exercising "pocket veto".
- If policy priorities and service level expectations are being addressed, congratulate those responsible for increasing the efficiency of service delivery.
- If policy priorities and service level expectations are not being addressed, find out who is making the decision not to make the expenditures. If it is the Mayor, you have a political problem to solve. If it is the City Manager or

someone in the department, you have a personnel problem which the Mayor and Council must address.

### **Monitoring Capital Projects**

- If the municipality has a large capital project that involves a lot of money and is politically volatile, a committee can be established to oversee expenditures and priorities on a monthly basis.
- Because there are many unpredictable variables that affect a capital project, budgets for capital projects are more difficult to estimate. There are often changes in scope, cost overruns and cost under runs. Frequently, there is a small amount of funding left when the project is complete. It is a good policy to save all this "slippage" and sweep it into the next year's funding for capital projects rather than spending it as the year progresses. If slippage is allocated back into the capital projects fund the following year, the city/town is more likely to achieve major capital project priorities.
- Because all capital projects are usually budgeted in a capital improvement fund, the Mayor or administrative budget officer has the authority to move funds from one project to another. It is useful to establish a protocol between the Mayor (or administrative budget officer) and City Council, whereby the City Council will be notified of any changes in the scope of a project which exceed 10% or 20% of the originally projected cost.
- The Mayor or administrative budget officer cannot fund new capital projects without City Council concurrence.

### **Amending the Budget**

- The budget officer may, without Council consent, move funds from one major category to another within an enterprise fund or from one major category to another within any department of the general fund. This type of amendment is called an "administrative" amendment.
- The City Council may, by simple resolution, move funds from one department to another department within any enterprise fund (i.e. from water to sewer within a combined enterprise fund). If the total of the fund is not increased, the Council is not required to conduct a public hearing, although the Council may choose to hold the hearing.
- All other budget amendments require City Council action and a public hearing.



- A public hearing must be advertised in a newspaper of general circulation at least seven days in advance.
- After the hearing, the legislative body can make necessary changes in the budget.
- Any item on which action can be deferred should be held until it can go through the regular budget development and adoption process. Some items won't look nearly as important when compared to all other budget priorities as they do when standing alone in a budget amendment.

<b>Legally* Mandated Budget Dates</b>	
Please note: The dates presented below are the latest possible dates on which municipalities can take action during the budget process and still be in compliance with State law. It is to the advantage of elected officials to take action before the legally required date in order to leave time for deliberation and community input.	
<b>ACTION</b>	<b>DATE</b>
Mayor's proposed budget presented to City Council	First regularly scheduled council meeting in May <i>UCA 10-6-111 &amp; UCA 10-5-107</i>
Budget available for public inspection	No later than June 11 <i>UCA 10-6-112 &amp; UCA 10-5-107</i>
Notice of budget public hearing published in newspaper of general circulation or posted in at least 3 public places	No later than June 14 <i>UCA 10-6-113 &amp; UCA 10-5-108</i>
Public hearing held on budget	No later than June 21 <i>UCA 10-6-114 &amp; UCA 10-5-108</i>
Budget adopted	No later than June 21 <i>UCA 10-6-118 &amp; UCA 10-5-109</i>
If property tax rate will not increase, set property tax rates	No later than June 21 <i>UCA 10-6-133 &amp; UCA 10-5-112</i>
Tax rate ordinance or resolution provided to the County Auditor	No later than June 22 <i>UCA 10-6-133 &amp; UCA 10-5-112</i>
Copy of adopted budget filed with the State Auditor	No later than July 22 <i>UCA 10-6-118 &amp; UCA 10-5-109</i>
Provide public notice of truth in taxation hearing, if necessary	No later than August 10 <i>UCA 10-6-133 &amp; 59-2-919 &amp; UCA 10-5-112</i>
If property taxes are proposed to increase, hold a truth in taxation public hearing	No later than August 17 <i>UCA 10-6-133 &amp; 59-2-919 &amp; UCA 10-5-112</i>
Prepare annual financial report	No later than December 31 <i>UCA 10-6-150 &amp; UCA 10-5-129</i>
Prepare annual financial audit (if the entity's combined total revenue does not exceed \$150,000 a financial report will replace the audit)	No later than December 31 <i>UCA 10-6-151 &amp; 51-2-2</i> <i>UCA 10-5-129</i>
Publish notice of availability of financial audit for public review	No later than January 10 <i>UCA 10-6-150 &amp; UCA 10-5-152</i>
Council review monthly summary and quarterly detail financial reports	Each month and quarter <i>UCA 10-6-147</i>
*These dates require considerable interpretation of the Fiscal Procedures Act. Additionally, since there is some ambiguity and inconsistency within the law, these dates may be explicitly included in State statute or merely represent good practice.	

\*Information used with permission of Utah League of Cities and Towns

<b><i>Budget Responsibilities*</i></b>			
<b>Action</b>	<b>Responsible</b>		
	<b>First &amp; Second Class</b>	<b>Third, Fourth &amp; Fifth Class</b>	<b>Towns</b>
Preparation of the proposed budget	Mayor, City Auditor or City Manager	Mayor, designee or Recorder	Mayor
Ensure proposed budget is available for public inspection	Mayor, City Auditor or City Manager	Mayor, designee or Recorder	Mayor / Clerk
Notice of public hearing on budget published or posted	Council or City Manager	City Council / Recorder	Council / Clerk
Hold public hearing on budget	Council	Council	Council
Adopt budget and set property tax rate	Council	Council	Council
Provide a copy of property tax ordinance or resolution to county auditor	City Recorder	City Recorder	Clerk
File a copy of adopted budget with State Auditor	City Auditor, City Manager or Recorder	Mayor / City Recorder	Mayor / Clerk
Provide public notice of truth in taxation hearing	Council, City Manager or Recorder	Council / Recorder	Council / Clerk
Hold truth in taxation hearing and set property tax rate	Council	Council	Council
Provide quarterly financial reports	City Auditor	City Recorder	Clerk
Prepare annual financial reports	City Auditor	City Recorder	Clerk
Ensure annual financial audit is completed as required	Council	Council	Council
Publish notice of availability of financial reports and audit for public review	City Recorder	City Recorder	Clerk
*State statute does not always prescribe the specific position with responsibility. The responsibilities were compiled based on State statute and good practice.			

# BUDGET INSTRUCTIONS

## Cities

Budget forms submitted must present a balanced budget as required by *Utah Code* Section 10-6-110. In the general fund and special revenue funds, **budgeted expenditures must equal budgeted revenues**. If prior year surplus amounts are to be appropriated in a budget (see restrictions for general fund per section 10-6-116), the amount is to be presented as a source of revenue in the budget. Also, any budgeted increase in a fund balance must be presented as an expenditure within the appropriate budget.

Any special revenues which coincide with general fund operations should be budgeted within the general fund budget. Examples of such revenues are: Class "C" road, and appropriate federal grants, etc. A separate budget may be prepared for these types of funds with the expenditures shown as transfers to the general fund or other funds. The form for special revenue funds should be used if this is the case.

**FORM 1:** To be completed for special revenue funds.

**FORM 2:** To be completed for debt service funds. (Bonds to be repaid from enterprise funds should be budgeted and reported in the enterprise fund rather than the debt service fund.)

**FORM 3:** The enterprise budget form is an accrual basis budget. While we acknowledge that a cash flow analysis is critical to the effective operation of any organization, it is more important to know whether the enterprise is operating at a profit or loss on current year revenues and expenses in a fiscal year period. Since enterprise funds are required to follow the same accounting principles for determining profit or loss that a private company is, it must be recognized that certain items such as bond proceeds are not revenues even though they provide cash, and items such as construction and major improvements of systems and debt repayment are not expenses even though they use cash. Accordingly, the city may use the cash reconciliation section provided at the bottom of the form if desired for cash flow analysis. Net income (loss) should not reflect retained earnings.

A separate budget should be submitted for each enterprise function, such as water and electric. A combined budget may be prepared only if the function of the enterprise is closely related, such as water and sewer.

Bonds to be repaid from enterprise funds should be budgeted and reported in the enterprise fund rather than the debt service fund.

**FORM 4:** To be completed for capital projects funds.

**NOTE:** See section III.C.02 in the Uniform Accounting Manual for a summary of fiscal laws relating to the preparation, adoption and modification of budgets.

# BUDGET INSTRUCTIONS

## Towns

Budget forms submitted must present a balanced budget as required by *Utah Code* Section 10-5-105 through 107. In the general fund and special revenue funds, **budgeted expenditures must equal budgeted revenues**. If prior year surplus amounts are to be appropriated in a budget (see restrictions for general fund per Section 10-5-113), the amount is to be presented as a source of revenue in the budget. Also, any budgeted increase in a fund balance must be presented as an expenditure within the appropriate budget.

Any special revenues which coincide with general fund operations should be budgeted within the general fund budget. Examples of such revenues are: Class "C" road, and appropriate federal grants, etc. A separate budget may be prepared for these types of funds with the expenditures shown as transfers to the general fund or other funds. The form for special revenue funds should be used if this is the case.

### NOTE:

- The enterprise budget form is an accrual basis budget. While we acknowledge that a cash flow analysis is critical to the effective operation of any organization, it is more important to know whether the enterprise is operating at a profit or loss on current year revenues and expenses in a fiscal year period. Since enterprise funds are required to follow the same accounting principles for determining profit or loss that a private company is, it must be recognized that certain items such as bond proceeds are not revenues even though they provide cash, and items such as construction and major improvements of systems and debt repayment are not expenses even though they use cash. Accordingly, the city may use the cash reconciliation section provided at the bottom of the form if desired for cash flow analysis. Net income (loss) should not reflect retained earnings.
- A separate budget should be submitted for each enterprise function, such as water and electric. A combined budget may be prepared only if the function of the enterprise is closely related, such as water and sewer.
- Bonds to be repaid from enterprise funds should be budgeted and reported in the enterprise fund rather than the debt service fund.

**See section IV.C.02 in the Uniform Accounting Manual for a summary of fiscal laws relating to the preparation, adoption and modification of budgets.**

\_\_\_\_\_  
CITY

\_\_\_\_\_  
FISCAL YEAR ENDING

**CERTIFICATION OF BUDGET**

**ADOPTION OF BUDGET INFORMATION:**

In compliance with Sections 10-6-111, 10-6-113, 10-6-118, 59-2-919 and 59-2-923, *Utah Code*, as amended which states in effect:

“On or before the first regularly scheduled town council meeting of May, the mayor shall prepare for the ensuing year, a tentative budget for each fund for which a budget is required. The council shall review, consider and tentatively adopt the tentative budget and shall establish the time and place of the public hearing to receive public comment on the budget. Before June 22, or in the case of a property tax increase before August 17, the governing body shall by resolution or ordinance adopt a budget for the ensuing fiscal period for each fund for which a budget is required. A copy of the final budget for each fund shall be filed with the State Auditor within 30 days after adoption.”

I, the undersigned, certify that the attached budget document is a true and correct copy of the budget of City for the fiscal year ending \_\_\_\_\_, 20\_\_ as approved and adopted by resolution or ordinance dated \_\_\_\_\_. A public hearing meeting the requirements specified in *Utah Code* section (indicate which):

- 10-6-113-118 (no increase in tax rate - final budget adopted by June 22);
- 59-2-918-920 (increase in tax rate - final budget adopted by August 17)

was held on \_\_\_\_\_, 20\_\_ for all budgetary funds.

Signed: \_\_\_\_\_  
(Budget Officer)

Subscribed and sworn to this \_\_\_\_\_ day  
of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
(Notary Public)

\_\_\_\_\_  
TOWN

\_\_\_\_\_  
FISCAL YEAR

**CERTIFICATION OF BUDGET**

**ADOPTION OF BUDGET INFORMATION**

In compliance with *Utah Code* Sections 10-5-107, 10-5-109, 59-2-919, 59-9-923, as amended which states in effect:

“On or before the first regularly scheduled town council meeting of May, the mayor shall prepare for the ensuing year, a tentative budget for each fund for which a budget is required. The council shall review, consider and tentatively adopt the tentative budget and shall establish the time and place of the public hearing to receive public comment on the budget. Before June 22, or in the case of a property tax increase before August 17, the governing body shall by resolution or ordinance adopt a budget for the ensuing fiscal period for each fund for which a budget is required. A copy of the final budget for each fund shall be filed with the State Auditor within 30 days after adoption.”

I, the undersigned, certify that the attached budget document is a true and correct copy of the budget of \_\_\_\_\_ Town for the fiscal year ending \_\_\_\_\_ as approved and adopted by resolution or ordinance dated \_\_\_\_\_. A public hearing meeting the requirements specified in Utah Code section (indicate which):

- 10-5-109 (no increase in tax rate - final budget adopted before June 22)
- 59-2-919 (increase in tax rate - final budget adopted before August 17)

was held on \_\_\_\_\_ for all budgetary funds.

Signed: \_\_\_\_\_  
(Budget Officer)

Subscribed and sworn to this  
day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(Notary Public)

**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

**GENERAL FUND REVENUES**

Account Number	Source of Revenue	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
3100	<b>TAXES</b>			
3110	General Property Taxes - Current			
3120	Prior Years' Taxes - Delinquent			
3130	General Sales & Use Taxes			
3140	Franchise Taxes			
3150	Transient Room Tax			
3161	Re-appraisals			
3162	Assessing & Collecting - State-wide Levy			
3163	Assessing & Collecting - County Levy			
3170	Fee-in-Lieu of Property Taxes			
3190	Penalties & Interest on Delinquent Taxes			
3200	<b>LICENSES AND PERMITS</b>			
3210	Business Licenses & Permits			
3220	Non-business Licenses & Permits			
3221	Building, Structures & Equipment			
3222	Marriage Licenses			
3223	Motor Vehicle Operation			
3224	Cemetery - Burial Permits			
3225	Animal Licenses			
3300	<b>INTERGOVERNMENTAL REVENUE</b>			
3310	Federal Grants			
3311	General Government			
3312	Public Safety			
3313	Highways and Streets			
3315	Health			
3317	Cultural - Recreation			
3330	Federal Payments in Lieu of Taxes			
3340	State Grants			
3350	State Shared Revenue			
3356	Class "C" Road Fund Allotment			
3358	Liquor Fund Allotment			
3370	Grants from Local Units:			

**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

**GENERAL FUND REVENUES**

Account Number	Source of Revenue	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
3400	<b>CHARGES FOR SERVICES</b>			
3410	General Government			
3411	Court Costs, Fees & Charges (Clerk)			
3412	Recording of Legal Documents (Recorder)			
3413	Zoning & Subdivision Fees			
3415	Sales of Maps & Publications			
3416	Auditor's Fees			
3417	Surveyor's Fees			
3418	Treasurer's Fees			
3420	Public Safety			
3421	Special Police Services			
3422	Special Protective Services			
3423	corrective Fees (Jail)			
3430	Streets & Public Improvements			
3431	Street, Sidewalk & Curb Repairs			
3432	Parking Meter Revenue			
3433	Street Lighting Charges			
3440	Sanitation			
3441	Sewer Charges			
3442	Street Sanitation Charges			
3443	Refuse Collection Charges			
3444	Sale of Waste & Sludge			
3445	Weed Removal & Cleaning Charges			
3450	Health			
3470	Parks and Public Property			
3480	Cemeteries			
3490	Miscellaneous Services:			
3500	<b>FINES AND FORFEITURES</b>			
3510	Fines			
3520	Forfeitures			
3600	<b>MISCELLANEOUS REVENUE</b>			
3610	Interest Earnings			
3620	Rents & Concessions			
3640	Sale of Fixed Assets - Compensation for Loss			
3650	Sale of Materials & Supplies			
3670	Sales of Bonds			
3680	Other Financing - Capital Lease Obligations			





**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

**GENERAL FUND EXPENDITURES**

Account Number	Nature of Expenditure	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
4100	<b>GENERAL GOVERNMENT</b>			
4110	Legislative			
4111	Commission or Council			
4112	Legislative Committees & Special Bodies			
4113	Ordinances & Proceedings			
4120	Judicial			
4121	City & Precinct Courts			
4122	Juvenile Court			
4123	District & Circuit Courts			
4124	Law Library			
4130	Executive & Central Staff Agencies			
4131	Executive			
4132	Boards & Commissions			
4133	Central Purchasing			
4134	Personnel			
4135	Budgeting			
4136	Data Processing			
4137	Microfilming			
4140	Administrative Agencies			
4141	Auditor			
4142	Clerk			
4143	Treasurer			
4144	Recorder			
4145	Attorney			
4145	Surveyor			
4147	Assessor			
4150	Non-Departmental			
4160	General Governmental Buildings			
4170	Elections			
4180	Planning & Zoning			
4190	Education & Community Promotion			
4200	<b>PUBLIC SAFETY</b>			
4210	Police Department			
4220	Fire Department			
4230	Corrections (Jail)			
4240	Protective Inspection			
4250	Other Protective			
4252	Agricultural Inspection			
4253	Animal Control & Regulation			
4254	Flood Control			
4255	Emergency Services (Civil Defense)			



**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

**GENERAL FUND EXPENDITURES**

Account Number	Nature of Expenditure	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
4850	Loan to:			
4860	Loan to:			
4870	Use of Restricted/Reserved Fund Balance			
4871	Class "C" Road Funds			
4900	<b>MISCELLANEOUS</b>			
4910	Judgements & Losses			
4970	FEMA Reimbursement of Flood Costs			
4980	Other Flood Costs			
4880	<b>Appropriated Increase in Fund Balance</b>			
	<b>TOTAL EXPENDITURES</b>			

**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

SPECIAL REVENUE FUND (Explain Nature of Fund)

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>REVENUES:</b>			
	<b>OTHER SOURCES:</b>			
	Transfer from:			
	Usage of beginning fund balance			
	<b>TOTAL REVENUES &amp; OTHER SOURCES</b>			
	<b>EXPENDITURES:</b>			
	<b>OTHER USES:</b>			
	Transfer to:			
	Budgeted increase in fund balance			
	<b>TOTAL EXPENDITURES &amp; OTHER USES</b>			

SPECIAL REVENUE FUND (Explain Nature of Fund)

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>REVENUES:</b>			
	<b>OTHER SOURCES:</b>			
	Transfer from:			
	Usage of beginning fund balance			
	<b>TOTAL REVENUES &amp; OTHER SOURCES</b>			
	<b>EXPENDITURES:</b>			
	<b>OTHER USES:</b>			
	Transfer to:			
	Budgeted increase in fund balance			
	<b>TOTAL EXPENDITURES &amp; OTHER USES</b>			

**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

CAPITAL PROJECTS FUND

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>REVENUES:</b>			
	Transfers from General Fund			
	Interest Income			
	Other additions			
	<b>TOTAL REVENUE</b>			
	<b>Beginning Fund Balance</b>			
	<b>TOTAL AVAILABLE FOR APPROPR.</b>			
	<b>EXPENDITURES:</b>			
	<b>TOTAL EXPENDITURES</b>			
	<b>Ending Fund Balance</b>			

OTHER FUNDS (Explain Nature of Fund)

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>REVENUES:</b>			
	Transfers from General Fund			
	Interest Income			
	Other additions			
	Beginning fund balance to be appropriated			
	<b>TOTAL REVENUE</b>			
	<b>EXPENDITURES:</b>			
	Appropriated increase in fund balance			
	Transfer to:			
	<b>TOTAL EXPENDITURES</b>			

**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

**DEBT SERVICE FUND**

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>REVENUES:</b>			
	Bond Issues (except Enterprise)			
	Property Taxes			
	Fee-in-Lieu of Property Taxes			
	Interest Income			
	Transfer from:			
	Other:			
	<b>TOTAL REVENUES</b>			
	<b>Beginning Fund Balance</b>			
	<b>TOTAL AVAILABLE FOR APPROPRIA.</b>			
	<b>EXPENDITURES:</b>			
	Debt Service			
	Retirement of Bonds			
	Interest on Bonds			
	Agent's Fees			
	Other:			
	<b>TOTAL EXPENDITURES</b>			
	<b>Ending Fund Balance</b>			

**STATE BUDGET REPORT - CITIES**

Governmental Unit

Fiscal Year

ENTERPRISE OR INTERNAL SERVICE FUND: \_\_\_\_\_

FORM 3

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>OPERATING REVENUE:</b>			
	Charges for Services			
	Interest Earned			
	Other:			
	<b>TOTAL OPERATING REVENUE</b>			
	<b>OPERATING EXPENSES:</b>			
	Personnel Services			
	Contractual Services			
	Material and Supplies			
	Depreciation			
	Other			
	<b>TOTAL OPERATING EXPENSE</b>			
	<b>OPERATING INCOME (LOSS)</b>			
	<b>NON-OPERATING REVENUE (EXPENSES)</b>			
	<b>AND TRANSFERS:</b>			
	Connection Fees			
	Interest Expense			
	Capital Contributions from Outside Sources			
	Operating transfers from:			
	Operating transfers to:			
	Contributions to:			
	<b>NET INCOME (LOSS)</b>			
NOTE: The following section of the Enterprise Fund budget form is not required to be completed and returned to the State Auditor's Office. However, the completion of the following section should be done to provide management and those involved in the budget process with a clear understanding of what financial resources are required to operate the Enterprise Fund.				
	<b>CASH OPERATING NEEDS:</b>			
	Net Income (Loss)			
	Plus: Depreciation			
	Less: Major Improvements & Capital Outlay			
	Bond Principal Payments			
	<b>TOTAL CASH PROVIDED (REQUIRED)</b>			
	<b>SOURCE OF CASH REQUIRED:</b>			
	Cash Balance at Beginning of Year			
	Invest. & Other Curr. Assets to be Converted			
	Issuance of Bonds and Other Debt			
	Loans from Other Funds			
	<b>TOTAL CASH REQUIRED</b>			



**STATE BUDGET REPORT - TOWNS**

Governmental Unit

Fiscal Year

**GENERAL FUND REVENUES**

Account Number	Source of Revenue	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>TAXES</b>			
	General Property Taxes - Current			
	Prior Years' Taxes - Delinquent			
	Fee-in-Lieu of Property Taxes			
	<b>LICENSES AND PERMITS</b>			
	Business Licenses & Permits			
	Professional & Occupational			
	<b>INTERGOVERNMENTAL REVENUE</b>			
	Federal Grants			
	State Grants			
	State Shared Revenue			
	Class "C" Road Fund Allotment			
	Liquor Fund Allotment			
	Grants from Local Units:			
	FEMA Reimbursement			
	<b>CHARGES FOR SERVICES</b>			
	General Government			
	Cemeteries			
	Miscellaneous Services:			
	<b>MISCELLANEOUS REVENUE</b>			
	Interest Earnings			
	Rents and concessions			
	Sale of Fixed Assets			
	Other Financing - Capital Lease Obligations			
	<b>CONTRIBUTIONS AND TRANSFERS</b>			
	Transfer from:			
	Transfer from:			
	Contribution from:			
	Contribution from:			
	Excess Beg. Fund Bal. to be Appropriated			
	<b>TOTAL REVENUES</b>			

**STATE BUDGET REPORT - TOWNS**

Governmental Unit

Fiscal Year

**GENERAL FUND EXPENDITURES**

Account Number	Nature of Expenditure	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>GENERAL GOVERNMENT</b>			
	Administration			
	Professional Services (Accounting, Legal, Engineering, etc.)			
	Elections			
	Other:			
	<b>PUBLIC SAFETY</b>			
	Police Department			
	Fire Department			
	<b>HIGHWAYS AND STREETS</b>			
	Construction			
	Repair and Maintenance			
	Other:			
	<b>SANITATION (Garbage Collection)</b>			
	<b>HEALTH AND WELFARE</b>			
	<b>CULTURE &amp; RECREATION</b>			
	Recreation			
	Parks			
	Cemetery			
	<b>COMMUNITY &amp; ECONOMIC DEVELOP.</b>			
	<b>CAPITAL OUTLAY (Purch. of fixed assets)</b>			
	<b>TRANSFERS AND OTHER USES</b>			
	Transfer to:			
	Transfer to:			
	Budgeted Increase in Fund Balance			
	<b>TOTAL EXPENDITURES</b>			

**STATE BUDGET REPORT - TOWNS**

Governmental Unit

Fiscal Year

**SPECIAL REVENUE FUND (Explain Nature of Fund)**

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	REVENUES:			
	OTHER SOURCES:			
	Transfer from:			
	Usage of beginning fund balance			
	TOTAL REVENUES & OTHER SOURCES			
	EXPENDITURES:			
	OTHER USES:			
	Transfer to:			
	Budgeted increase in fund balance			
	TOTAL EXPENDITURES & OTHER USES			

**CAPITAL PROJECTS FUND**

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	REVENUES:			
	Transfers from General Fund			
	Interest Income			
	Other additions			
	TOTAL REVENUE			
	Beginning Fund Balance			
	TOTAL AVAILABLE FOR APPROPR.			
	EXPENDITURES:			
	TOTAL EXPENDITURES			
	Ending Fund Balance			

**STATE BUDGET REPORT - TOWNS**

Governmental Unit

Fiscal Year

DEBT SERVICE FUND (All Bond Issues Except Utility Funds)

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	REVENUES:			
	Property Taxes			
	Fee-in-Lieu of Property Taxes			
	Interest Income			
	Transfer from:			
	Transfer from:			
	Other:			
	TOTAL REVENUES			
	Beginning Fund Balance			
	TOTAL AVAILABLE FOR APPROPRIA.			
	EXPENDITURES:			
	Retirement of Bonds			
	Interest on Bonds			
	Agent's Fees			
	Other:			
	Transfer to:			
	TOTAL EXPENDITURES			
	ENDING FUND BALANCE (Total available less total expenditures & transfers)			

**STATE BUDGET REPORT - TOWNS**

Governmental Unit

Fiscal Year

ENTERPRISE FUND: \_\_\_\_\_

FORM 3

Account Number	Description	Prior Year Actual Revenue 20	Current Year Estimate	Ensuing Year Approved Budget Appropriation
	<b>OPERATING REVENUE:</b>			
	Charges for Services			
	Interest Earned			
	Other:			
	<b>TOTAL OPERATING REVENUE</b>			
	<b>OPERATING EXPENSES:</b>			
	Personal Services			
	Contractual Services			
	Material and Supplies			
	Depreciation			
	Other			
	<b>TOTAL OPERATING EXPENSE</b>			
	<b>OPERATING INCOME (LOSS)</b>			
	<b>NON-OPERATING REVENUE (EXPENSES) AND TRANSFERS:</b>			
	Connection Fees			
	Interest Expense			
	Operating transfers from:			
	Contributions from:			
	Operating transfers to:			
	Contributions to:			
	<b>NET INCOME (LOSS)</b>			
NOTE: The following section of the Enterprise Fund budget form is not required to be completed and returned to the State Auditor's Office. However, the completion of the following section should be done to provide management and those involved in the budget process with a clear understanding of what financial resources are required to operate the Enterprise Fund.				
	<b>CASH OPERATING NEEDS:</b>			
	Net Income (Loss)			
	Plus: Depreciation			
	Less: Major Improvements & Capital Outlay			
	Bond Principal Payments			
	<b>TOTAL CASH PROVIDED (REQUIRED)</b>			
	<b>SOURCE OF CASH REQUIRED:</b>			
	Cash Balance at Beginning of Year			
	Invest. & Other Curr. Assets to be Converted			
	Issuance of Bonds and Other Debt			
	Loans from Other Funds			
	<b>TOTAL CASH REQUIRED</b>			

For more information regarding sales tax information, contact the Utah State Tax Commission at [www.tax.utah.gov/sales/index.html](http://www.tax.utah.gov/sales/index.html) or at

Utah State Tax Commission  
210 North 1950 West  
Salt Lake City, Utah 84134  
801-297-2200 (Telephone)  
800-662-4335 (Toll Free Telephone)  
801-297-7699 (Fax)

## TAX RATES

**Definition:**

“**Certified Tax Rate**” provides the same amount of property tax revenue as was collected in the previous year, excluding the revenue generated by real new growth (59-2-924(2)). Information is provided from the State to the County, then to the City or Town.

**CERTIFIED TAX RATE=PREVIOUS YEAR’S TAXES COLLECTED DIVIDED BY CURRENT YEAR’S ADJUSTED TAXABLE VALUE LESS NEW GROWTH**

**TAX RATE=PROPERTY TAX REVENUE DIVIDED BY TAXABLE VALUES**

### CERTIFIED TAX RATE PROCESS\*

Month	Date	Activity
December	15th	Truth in Taxation advertisements (calendar year entities)
	30th	Truth in Taxation hearing (calendar year entities)
January		
February	28th	Prior year end values (233B, County Auditor)
March	31st	Last year’s revenue (Report 750, County Treasurer)
	31st	Annual RDA report (Report 700, County Auditor)
April		
May	1st	Prepare the 697 disks and send tot he counties (USTC)
	by 15th	Calculation of five-year average collection rate (USTC) Calculation of three-year BOE rate (USTC)
	by 31st	Current year’s values (Report 697, County Auditor) New growth (Report 714, County Treasurer)
June	8th	Calculate certified tax rates (USTC)
	15th	Calculation of school basic levy (USTC) Calculation of state assessing and collecting rate (USTC)
	22nd	Entity budget (Report 693, entities and County Auditor) Verification of maximum statutory rates (USTC)
July	22nd	Notice of Valuation and Tax Change (County Auditor)
August	1st	Truth in Taxation advertisement (calendar and fiscal year entities)
	15th	Truth in Taxation hearings (calendar and fiscal year entities)
September	30th	Approved rates (USTC)
October		
November	1st	Tax notices mailed (County Treasurer)

\* Information provided by the Utah State Tax Commission Property Tax Division we

**PART 2**  
**THE LOCAL SALES AND USE TAX ACT**

**59-12-201. Title.**

This part is known as the "Local Sales and Use Tax Act."  
**1999**

**59-12-202. Purpose and intent.**

(1) It is the purpose of this part to provide the counties, cities, and towns of the state with an added source of revenue and to thereby assist them to meet their growing financial needs. It is the legislative intent that this added revenue be used to the greatest possible extent by the counties, cities, and towns to finance their capital outlay requirements and to service their bonded indebtedness.

(2) It is the purpose of this part to provide an orderly and efficient system of administering, operating, and enforcing the state and local option sales and use tax. The Legislature finds that intervention by counties, cities, and towns into the administration, operation, and enforcement of the local sales and use tax, particularly in the hearing and appeal process, increases the cost of administering both the local option sales and use tax and the state sales and use tax proceedings, and substantially delays the receipt of revenues for counties, cities, towns, and the state. The Legislature finds that the interests and concerns of counties, cities, and towns can be adequately protected through the commission's enforcement efforts. It is therefore the Legislature's intent to grant the commission exclusive authority to administer, operate, and enforce the local option sales and use tax, without interference from counties, cities, and towns and to allow intervention by any county, city, or town only in the limited circumstances where a particular hearing or appeal may result in a significant lessening of the revenues of any single county, city, or town. **1994**

**59-12-203. County, city, or town may levy tax -- Contracts pursuant to Interlocal Cooperation Act.**

Any county, city, or town may levy a sales and use tax under this part. Any county, city, or town which elects to levy such sales and use tax may enter into agreements authorized by Title 11, Chapter 13, the Interlocal Cooperation Act, and may use any or all of the revenues derived from the imposition of such tax for the mutual benefit of local governments which elect to contract with one another pursuant to the Interlocal Cooperation Act. **1987**

**59-12-204 (Superseded 07/01/06). Sales and use tax ordinance provisions -- Tax rate -- Distribution of tax revenues.**

(1) The tax ordinance adopted pursuant to this part shall impose a tax upon those transactions listed in Subsection **59-12-103(1)**.

(2) (a) Except as provided in Subsections (2)(b) and **59-12-207.1(7)(c)**, the tax ordinance under Subsection (1) shall include a provision imposing a tax upon every transaction listed in Subsection **59-12-103(1)** made within a county, including areas contained within the cities and towns located in the county:

(i) at the rate of 1% of the purchase price paid or charged; and

(ii) if the transaction is consummated within the county in accordance with Section **59-12-205**.

(b) Notwithstanding Subsection (2)(a), a tax ordinance under this Subsection (2) shall include a provision prohibiting a county, city, or town from imposing a tax under this section on:

(i) the sales and uses described in Section **59-12-104** to the extent the sales and uses are exempt from taxation under Section **59-12-104**; and

(ii) any amounts paid or charged by a seller that collects a tax in accordance with Subsection **59-12-107(1)(b)** unless all of the counties, cities, and towns in the state impose the tax under this section.

(3) Such tax ordinance shall include provisions substantially the same as those contained in Part 1, Tax Collection, insofar as they relate to sales or use tax, except that the name of the county as the taxing agency shall be substituted for that of the state where necessary for the purpose of this part and that an additional license is not required if one has been or is issued under Section **59-12-106**.

(4) Such tax ordinance shall include a provision that the county shall contract, prior to the effective date of the ordinance, with the commission to perform all functions incident to the administration or operation of the ordinance.

(5) Such tax ordinance shall include a provision that the sale, storage, use, or other consumption of tangible personal property, the purchase price or the cost of which has been subject to sales or use tax under a sales and use tax ordinance enacted in accordance with this part by any county, city, or town in any other county in this state, shall be exempt from the tax due under this ordinance.

(6) Such tax ordinance shall include a provision that



any person subject to the provisions of a city or town sales and use tax shall be exempt from the county sales and use tax if the city or town sales and use tax is levied under an ordinance including provisions in substance as follows:

- (a) a provision imposing a tax upon every transaction listed in Section **59-12-103** made within the city or town at the rate imposed by the county in which it is situated pursuant to Subsection (2);
  - (b) notwithstanding Subsection (2)(a), a provision prohibiting the city or town from imposing a tax under this section on any amounts paid or charged by a seller that collects a tax in accordance with Subsection **59-12-107(1)(b)** unless all of the counties, cities, and towns in the state impose the tax under this section;
  - (c) provisions substantially the same as those contained in Part 1, Tax Collection, insofar as they relate to sales and use taxes, except that the name of the city or town as the taxing agency shall be substituted for that of the state where necessary for the purposes of this part;
  - (d) a provision that the city or town shall contract prior to the effective date of the city or town sales and use tax ordinance with the commission to perform all functions incident to the administration or operation of the sales and use tax ordinance of the city or town;
  - (e) a provision that the sale, storage, use, or other consumption of tangible personal property, the gross receipts from the sale of or the cost of which has been subject to sales or use tax under a sales and use tax ordinance enacted in accordance with this part by any county other than the county in which the city or town is located, or city or town in this state, shall be exempt from the tax; and
  - (f) a provision that the amount of any tax paid under Part 1, Tax Collection, shall not be included as a part of the purchase price paid or charged for a taxable item.
- (7) (a) Notwithstanding any other provision of this section, beginning on July 1, 1999, through May 5, 2003, the commission shall:
- (i) determine and retain the portion of the sales and use tax imposed under this section:
    - (A) by a city or town that will have constructed within its boundaries the Airport to University of Utah Light Rail described in the Transportation Equity Act for the 21st Century, Pub. L. No. 105-178, Sec. 3030(c)(2)(B)(i)(II), 112 Stat. 107; and
    - (B) that is equal to the revenues generated by a 1/64% tax rate; and
  - (ii) deposit the revenues described in Subsection

(7)(a)(i) in the Airport to University of Utah Light Rail Restricted Account created in Section **17A-2-1064** for the purposes described in Section **17A-2-1064**.

(b) Notwithstanding any other provision of this section, beginning July 1, 2000, the commission shall:

- (i) determine and retain the portion of sales and use tax imposed under this section:
    - (A) by each county and by each city and town within that county whose legislative body consents by resolution to the commission's retaining and depositing sales and use tax revenues as provided in this Subsection (7)(b); and
    - (B) that is equal to the revenues generated by a 1/64% tax rate;
  - (ii) deposit the revenues described in Subsection (7)(b)(i) into a special fund of the county, or a city, town, or other political subdivision of the state located within that county, that has issued bonds to finance sports or recreational facilities or that is leasing sports or recreational facilities, in order to repay those bonds or to pay the lease payments; and
  - (iii) continue to deposit those revenues into the special fund only as long as the bonds or leases are outstanding.
- 2004**

**59-12-205 (Superseded 07/01/06). Ordinances to conform with statutory amendments -- Distribution of tax revenues -- Rulemaking authority -- Determination of population.**

- (1) Each county, city, and town, in order to maintain in effect sales and use tax ordinances adopted pursuant to Section **59-12-204**, shall, within 30 days of any amendment of any applicable provisions of Part 1, Tax Collection, adopt amendments of their respective sales and use tax ordinances to conform with the amendments to Part 1, Tax Collection, insofar as they relate to sales and use taxes.
- (2) Except as provided in Subsection (3) or (4):
  - (a) 50% of each dollar collected from the sales and use tax authorized by this part shall be paid to each county, city, and town on the basis of the percentage that the population of the county, city, or town bears to the total population of all counties, cities, and towns in the state; and
  - (b) 50% of each dollar collected from the sales and use tax authorized by this part shall be paid to each county, city, and town on the basis of the location where the transaction is consummated as determined under Section **59-12-207**.
- (3) (a) Notwithstanding Subsection (2), a county, city, or town may not receive a tax revenue

distribution less than .75% of the taxable sales within the boundaries of the county, city, or town.

(b) The commission shall proportionally reduce quarterly distributions to any county, city, or town that, but for the reduction, would receive a distribution in excess of 1% of the sales and use tax revenue collected within the boundaries of the county, city, or town.

(4) Notwithstanding Subsection (2), if a county, city, or town imposes a tax authorized by this part on any amounts paid or charged by a seller that collects a tax in accordance with Subsection 59-12-107(1)(b), the revenues generated by the tax shall be distributed as provided in Subsection 59-12-103(3)(c).

(5) (a) Population figures for purposes of this section shall be based on the most recent official census or census estimate of the United States Census Bureau.

(b) If a needed population estimate is not available from the United States Census Bureau, population figures shall be derived from the estimate from the Utah Population Estimates Committee created by executive order of the governor.

(6) The population of a county for purposes of this section shall be determined solely from the unincorporated area of the county. **2004**

**59-12-206. Collection of taxes by commission -- Charge for service.**

(1) All sales and use taxes collected by the commission pursuant to contract with any city, town, or county shall be transmitted by electronic funds transfer by the commission to such city, town, or county monthly, and the commission shall charge the city, town, or county for the commission's services specified in this part an amount sufficient to reimburse the commission for the cost to it in rendering the services. This charge may not exceed an amount equal to 1-1/2% of the sales or use tax imposed by the ordinance of the applicable city, town, or county.

(2) Beginning July 1, 1994, this administrative charge shall be placed in a restricted account, called the Sales and Use Tax Administrative Fees Account. Appropriations may be made from this account for sales tax administration. **1995**

**59-12-207 (Repealed 07/01/06). Report of tax collections -- Point of sale when retailer has no permanent place of business or more than one place of business is determined by rule of commission -- Public utilities -- Telecommunications service.**

(1) Except as provided in Subsection (5), any sales and use taxes collected under this part shall be reported to the commission on forms that accurately identify the location where the transaction resulting in a tax under this chapter is consummated.

(2) Except as provided in Subsection (5), for purposes of this part, the location of where a transaction is consummated:

(a) is determined under rules of the commission if:

(i) a retailer has no permanent place of business in the state; or

(ii) has more than one place of business;

(b) is where a purchaser receives the following products or services sold by a public utility, as defined in Section 54-2-1, to that purchaser:

(i) gas; or

(ii) electricity; and

(c) is as provided in Section 59-12-207.4 for a service described in Section 59-12-207.4.

(3) The form required under Subsection (1) shall:

(a) accompany the sales and use tax returns required under this chapter; and

(b) identify the location of any transaction consummated during the return filing period.

(4) Subject to Subsection (5) and in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the commission shall make rules regarding the determination of the location of where under Subsection (2)(a) a transaction is consummated.

(5) Notwithstanding Subsections (1) and (2), mobile telecommunications service is subject to the sourcing rules provided in the Mobile Telecommunications Sourcing Act, 4 U.S.C. Sec. 116 et seq. **2004**

**59-12-208.1. Enactment or repeal of tax -- Effective date -- Notice requirements.**

(1) For purposes of this section:

(a) "Annexation" means an annexation to:

(i) a county under Title 17, Chapter 2, Annexation to County; or

(ii) a city or town under Title 10, Chapter 2, Part 4, Annexation.

(b) "Annexing area" means an area that is annexed into a county, city, or town.

(2) (a) Except as provided in Subsection (2)(c) or (d), if, on or after July 1, 2004, a county, city, or town enacts or repeals a tax under this part, the enactment or repeal shall take effect:

(i) on the first day of a calendar quarter; and

(ii) after a 90-day period beginning on the date the commission receives notice meeting the

requirements of Subsection (2)(b) from the county, city, or town.

(b) The notice described in Subsection (2)(a)(ii) shall state:

(i) that the county, city, or town will enact or repeal a tax under this part;

(ii) the statutory authority for the tax described in Subsection (2)(b)(i);

(iii) the effective date of the tax described in Subsection (2)(b)(i); and

(iv) if the county, city, or town enacts the tax described in Subsection (2)(b)(i), the rate of the tax.

(c) (i) Notwithstanding Subsection (2)(a), for a transaction described in Subsection (2)(c)(iii), the enactment of a tax shall take effect on the first day of the first billing period:

(A) that begins after the effective date of the enactment of the tax; and

(B) if the billing period for the transaction begins before the effective date of the enactment of the tax under Section **59-12-204**.

(ii) Notwithstanding Subsection (2)(a), for a transaction described in Subsection (2)(c)(iii), the repeal of a tax shall take effect on the first day of the last billing period:

(A) that began before the effective date of the repeal of the tax; and

(B) if the billing period for the transaction begins before the effective date of the repeal of the tax imposed under Section **59-12-204**.

(iii) Subsections (2)(c)(i) and (ii) apply to transactions subject to a tax under:

(A) Subsection **59-12-103(1)(b)**;

(B) Subsection **59-12-103(1)(c)**;

(C) Subsection **59-12-103(1)(d)**;

(D) Subsection **59-12-103(1)(e)**;

(E) Subsection **59-12-103(1)(f)**;

(F) Subsection **59-12-103(1)(g)**;

(G) Subsection **59-12-103(1)(h)**;

(H) Subsection **59-12-103(1)(i)**;

(I) Subsection **59-12-103(1)(j)**; or

(J) Subsection **59-12-103(1)(k)**.

(d) (i) Notwithstanding Subsection (2)(a), if a tax due under this chapter on a catalogue sale is computed on the basis of sales and use tax rates published in the catalogue, an enactment or repeal of tax described in Subsection (2)(a) takes effect:

(A) on the first day of a calendar quarter; and

(B) beginning 60 days after the effective date of the enactment or repeal under Subsection (2)(a).

(ii) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the commission may by rule define the term "catalogue sale."

(3) (a) Except as provided in Subsection (3)(c) or (d), if, for an annexation that occurs on or after July 1, 2004, the annexation will result in the enactment or repeal of a tax under this part for an annexing area, the enactment or repeal shall take effect:

(i) on the first day of a calendar quarter; and

(ii) after a 90-day period beginning on the date the commission receives notice meeting the requirements of Subsection (3)(b) from the county, city, or town that annexes the annexing area.

(b) The notice described in Subsection (3)(a)(ii) shall state:

(i) that the annexation described in Subsection (3)(a) will result in an enactment or repeal of a tax under this part for the annexing area;

(ii) the statutory authority for the tax described in Subsection (3)(b)(i);

(iii) the effective date of the tax described in Subsection (3)(b)(i); and

(iv) the rate of the tax described in Subsection (3)(b)(i).

(c) (i) Notwithstanding Subsection (3)(a), for a transaction described in Subsection (3)(c)(iii), the enactment of a tax shall take effect on the first day of the first billing period:

(A) that begins after the effective date of the enactment of the tax; and

(B) if the billing period for the transaction begins before the effective date of the enactment of the tax under Section **59-12-204**.

(ii) Notwithstanding Subsection (3)(a), for a transaction described in Subsection (3)(c)(iii), the repeal of a tax shall take effect on the first day of the last billing period:

(A) that began before the effective date of the repeal of the tax; and

(B) if the billing period for the transaction begins before the effective date of the repeal of the tax imposed under Section **59-12-204**.

(iii) Subsections (3)(c)(i) and (ii) apply to transactions subject to a tax under:

(A) Subsection **59-12-103(1)(b)**;

(B) Subsection **59-12-103(1)(c)**;

(C) Subsection **59-12-103(1)(d)**;

(D) Subsection **59-12-103(1)(e)**;

(E) Subsection **59-12-103(1)(f)**;

(F) Subsection **59-12-103(1)(g)**;

(G) Subsection **59-12-103(1)(h)**;

(H) Subsection **59-12-103(1)(i)**;

(I) Subsection **59-12-103(1)(j)**; or

(J) Subsection **59-12-103(1)(k)**.

(d) (i) Notwithstanding Subsection (3)(a), if a tax due under this chapter on a catalogue sale is

computed on the basis of sales and use tax rates published in the catalogue, an enactment or repeal of a tax described in Subsection (3)(a) takes effect:

(A) on the first day of a calendar quarter; and  
(B) beginning 60 days after the effective date of the enactment or repeal under Subsection (3)(a).

(ii) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the commission may by rule define the term "catalogue sale."

**2004**

**59-12-209. Participation of counties, cities, and towns in administration and enforcement of local option sales and use tax.**

(1) Notwithstanding the provisions of Title 63, Chapter 46b, Administrative Procedures Act, a county, city, or town shall not have the right to any of the following, except as specifically allowed by Subsection (2) and Section **59-12-210**:

(a) to inspect, review, or have access to any taxpayer sales and use tax records; or

(b) to be informed of, participate in, intervene in, or appeal from any adjudicative proceeding commenced pursuant to Section **63-46b-3** to determine the liability of any taxpayer for sales and use tax imposed pursuant to Title 59, Chapter 12, Sales and Use Tax Act.

(2) Counties, cities, and towns shall have access to records and information on file with the commission, and shall have the right to notice of, and such rights to intervene in or to appeal from, a proposed final agency action of the commission as follows:

(a) If the commission, following a formal adjudicative proceeding commenced pursuant to Title 63, Chapter 46b, Administrative Procedures Act, proposes to take final agency action that would reduce the amount of sales and use tax liability alleged in the notice of deficiency, the commission shall provide notice of a proposed agency action to each qualified county, city, and town.

(b) For purposes of this section, a county, city, or town is a qualified county, city, or town if a proposed final agency action reduces the local option sales and use tax distributable to that county, city, or town by more than \$10,000 below the amount of the tax that would have been distributable to that county, city, or town had a notice of deficiency, as described in Section **59-12-110**, not been reduced.

(c) A qualified county, city, or town may designate a representative who shall have the right to review the record of the formal hearing and any other

commission records relating to a proposed final agency action subject to the confidentiality provisions of Section **59-1-403**.

(d) No later than ten days after receiving the notice of the commission's proposed final agency action, a qualified county, city, or town may file a notice of intervention with the commission.

(e) No later than 20 days after filing a notice of intervention, if a qualified county, city, or town objects to the proposed final agency action, that qualified county, city, or town may file a petition for reconsideration with the commission and shall serve copies of the petition on the taxpayer and the appropriate division in the commission.

(f) The taxpayer and appropriate division in the commission may each file a response to the petition for reconsideration within 20 days of receipt of the petition for reconsideration.

(g) After consideration of the petition for reconsideration and any response, and any additional proceeding the commission considers appropriate, the commission may affirm, modify, or amend its proposed final agency action. The taxpayer and any qualified county, city, or town that has filed a petition for reconsideration may appeal the final agency action.

**1994**

**59-12-210. Commission to provide data to counties.**

(1) (a) The commission shall provide to each county the sales and use tax collection data necessary to verify that the local sales and use tax revenues collected by the commission are distributed to each county, city, and town in accordance with Sections **59-12-205**, **59-12-206**, and **59-12-207.1** through **59-12-207.4**.

(b) The data described in Subsection (1)(a) shall include the commission's reports of seller sales, sales and use tax distribution reports, and a breakdown of local revenues.

(2) (a) In addition to the access to information provided in Subsection (1) and Section **59-12-109**, the commission shall provide a county, city, or town with copies of returns and other information required by this chapter relating to a tax under this chapter.

(b) The information described in Subsection (2)(a) is available only in official matters and must be requested in writing by the chief executive officer or the chief executive officer's designee.

(c) The request described in Subsection (2)(b) shall specifically indicate the information being sought and how the information will be used.

(d) Information received pursuant to the request described in Subsection (2)(b) shall be:  
(i) classified as private or protected under Section **63-2-302** or **63-2-304**; and

(ii) subject to the confidentiality provisions of Section **59-1-403**.  
**2003**

**PART 3  
TRANSIENT ROOM TAX**

**59-12-301. Transient room tax -- Rate --  
Enactment or repeal of tax -- Tax rate change --  
Effective date -- Notice requirements.**

- (1) (a) Any county legislative body may impose a tax of not to exceed 3% on charges for the accommodations and services described in Subsection **59-12-103**(1)(i).
- (b) The revenues raised from the tax imposed under Subsection (1)(a) shall be used for the purposes listed in Section **17-31-2**.
- (c) The tax imposed under Subsection (1)(a) shall be in addition to the tax imposed under Part 6, Tourism, Recreation, Cultural, and Convention Facilities Tax.
- (2) Subject to Subsection (3), a county legislative body:
- (a) may increase or decrease the tax authorized under this part; and
- (b) shall regulate the tax authorized under this part by ordinance.
- (3) (a) For purposes of this Subsection (3):
- (i) "Annexation" means an annexation to a county under Title 17, Chapter 2, Annexation to County.
- (ii) "Annexing area" means an area that is annexed into a county.
- (b) (i) Except as provided in Subsection (3)(c), if, on or after July 1, 2004, a county enacts or repeals a tax or changes the rate of a tax under this part, the enactment, repeal, or change shall take effect:
- (A) on the first day of a calendar quarter; and
- (B) after a 90-day period beginning on the date the commission receives notice meeting the requirements of Subsection (3)(b)(ii) from the county.
- (ii) The notice described in Subsection (3)(b)(i)(B) shall state:
- (A) that the county will enact or repeal a tax or change the rate of a tax under this part;
- (B) the statutory authority for the tax described in Subsection (3)(b)(ii)(A);
- (C) the effective date of the tax described in Subsection (3)(b)(ii)(A); and
- (D) if the county enacts the tax or changes the rate of the tax described in Subsection (3)(b)(ii)(A), the rate of the tax.
- (c) (i) Notwithstanding Subsection (3)(b)(i), for a transaction described in Subsection (3)(c)(iii), the enactment of a tax or a tax rate increase shall take effect on the first day of the first billing period:
- (A) that begins after the effective date of the enactment of the tax or the tax rate increase; and

- (B) if the billing period for the transaction begins before the effective date of the enactment of the tax or the tax rate increase imposed under this section.
- (ii) Notwithstanding Subsection (3)(b)(i), for a transaction described in Subsection (3)(c)(iii), the repeal of a tax or a tax rate decrease shall take effect on the first day of the last billing period:
- (A) that began before the effective date of the repeal of the tax or the tax rate decrease; and
- (B) if the billing period for the transaction begins before the effective date of the repeal of the tax or the tax rate decrease imposed under this section.
- (iii) Subsections (3)(c)(i) and (ii) apply to transactions subject to a tax under Subsection **59-12-103**(1)(i).
- (d) (i) Except as provided in Subsection (3)(e), if, for an annexation that occurs on or after July 1, 2004, the annexation will result in the enactment, repeal, or a change in the rate of a tax under this part for an annexing area, the enactment, repeal, or change shall take effect:
- (A) on the first day of a calendar quarter; and
- (B) after a 90-day period beginning on the date the commission receives notice meeting the requirements of Subsection (3)(d)(ii) from the county that annexes the annexing area.
- (ii) The notice described in Subsection (3)(d)(i)(B) shall state:
- (A) that the annexation described in Subsection (3)(d)(i) will result in an enactment, repeal, or change in the rate of a tax under this part for the annexing area;
- (B) the statutory authority for the tax described in Subsection (3)(d)(ii)(A);
- (C) the effective date of the tax described in Subsection (3)(d)(ii)(A); and
- (D) if the county enacts the tax or changes the rate of the tax described in Subsection (3)(d)(ii)(A), the rate of the tax.
- (e) (i) Notwithstanding Subsection (3)(d)(i), for a transaction described in Subsection (3)(e)(iii), the enactment of a tax or a tax rate increase shall take effect on the first day of the first billing period:
- (A) that begins after the effective date of the enactment of the tax or the tax rate increase; and
- (B) if the billing period for the transaction begins before the effective date of the enactment of the tax or the tax rate increase imposed under this section.

(ii) Notwithstanding Subsection (3)(d)(i), for a transaction described in Subsection (3)(e)(iii), the repeal of a tax or a tax rate decrease shall take effect on the first day of the last billing period:  
(A) that began before the effective date of the repeal of the tax or the tax rate decrease; and

(B) if the billing period for the transaction begins before the effective date of the repeal of the tax or the tax rate decrease imposed under this section.  
(iii) Subsections (3)(e)(i) and (ii) apply to transactions subject to a tax under Subsection **59-12-103(1)(i)**.  
**2004**

### **PART 3A MUNICIPALITY TRANSIENT ROOM TAX**

#### **59-12-352. Transient room tax authority for municipalities -- Purposes for which revenues may be used.**

(1) The governing body of a municipality may impose a tax of not to exceed 1% on charges for the accommodations and services described in Subsection **59-12-103(1)(i)**.  
(2) Subject to the limitations of Subsection (1), a governing body of a municipality may, by ordinance, increase or decrease the tax under this part.  
(3) A governing body of a municipality shall regulate the tax under this part by ordinance.  
(4) A municipality may use revenues generated by the tax under this part for general fund purposes.

**2005**

#### **59-12-353. Additional municipal transient room tax to repay bonded or other indebtedness.**

(1) Subject to the limitations of Subsection (2), the governing body of a municipality may, in addition to the tax authorized under Section **59-12-352**, impose a tax of not to exceed .5% on charges for the accommodations and services described in Subsection **59-12-103(1)(i)** if the governing body of the municipality:  
(a) before January 1, 1996, levied and collected a license fee or tax under Section **10-1-203**; and  
(b) before January 1, 1997, took official action to obligate the municipality in reliance on the license fees or taxes under Subsection (1)(a)(i) to the payment of debt service on bonds or other indebtedness, including lease payments under a lease purchase agreement.  
(2) The governing body of a municipality may impose the tax under this section until the sooner of:  
(a) the day on which the following have been paid in full:  
(i) the debt service on bonds or other indebtedness, including lease payments under a lease purchase agreement described in Subsection (1) (b); and  
(ii) refunding obligations that the municipality incurred as a result of the debt service on bonds or other indebtedness, including lease payments under a lease purchase agreement described in Subsection (1) (b); or  
(b) 25 years from the day on which the municipality levied the tax under this section.

**2004**

#### **59-12-354. Collection of tax -- Administrative fee -- Penalties -- Commission to interpret, audit, and adjudicate transient room tax.**

(1) Except as provided in Subsections (2) and (3), the tax authorized under this part shall be administered, collected, and enforced in accordance with:  
(a) the same procedures used to administer, collect, and enforce the tax under:  
(i) Part 1, Tax Collection; or  
(ii) Part 2, Local Sales and Use Tax Act; and  
(b) Chapter 1, General Taxation Policies.  
(2) Notwithstanding Section **59-12-206**, a municipality imposing a tax under this part:  
(a) may collect the tax and is not required to:  
(i) transmit revenues generated by the tax to the commission; or  
(ii) contract with the commission to collect the tax;  
(b) shall report the revenues it collects to the commission as provided in Subsection **59-12-207.1(13)**; and  
(c) subject to the limitations of Subsections (4) and (5), may adopt an ordinance imposing penalties and interest on a person who:  
(i) is required to pay the tax under this part; and  
(ii) does not remit the tax to the collecting agent in a timely manner.  
(d) (i) If the commission collects a tax under this part, the commission:  
(A) except as provided in Subsection (2)(d)(i)(B), shall distribute the revenues generated by the tax to the municipality within which the revenues were generated; and  
(B) notwithstanding Subsection (2)(d)(i)(A), may retain an amount of tax collected under this part of not to exceed the lesser of:  
(I) 1.5%; or  
(II) an amount equal to the cost to the commission of administering this part.  
(ii) Any amount the commission retains under Subsection (2)(d)(i)(B) shall be:  
(A) placed in the Sales and Use Tax Administrative Fees Account; and  
(B) used as provided in Subsection **59-12-206(2)**.

(3) Notwithstanding Subsection (1)(a), the tax under this part is not subject to:

(a) Sections **59-12-107.1** through **59-12-107.3**;

(b) Subsections **59-12-205(2)** through (9); or

(c) Sections **59-12-207.1** through **59-12-207.4**.

(4) A governing body of a municipality adopting an ordinance imposing penalties and interest under Subsection (2)(c) may impose penalties and interest in amounts that are less than or equal to the penalties and

interest rates authorized for the commission under Sections **59-1-401** and **59-1-402**.

(5) A municipality may adopt an ordinance imposing penalties and interest under Subsection (2)(c) only if the municipality does not contract with the commission to collect the tax.

(6) If a municipality elects to collect the tax as provided in Subsection (2), the commission shall interpret, audit, and adjudicate the tax imposed under this part.

**2004**

## **PART 4**

### **RESORT COMMUNITIES TAX**

#### **59-12-401 (See 59-1-1201 re: Eff). Resort communities tax -- Base -- Rate -- Collection fees.**

(1) (a) Except as provided in Subsections (1)(b) and **59-12-207.1(7)(c)**, and in addition to other sales and use taxes, a city or town in which the transient room capacity as defined in Section **59-12-405** is greater than or equal to 66% of the municipality's permanent census population may impose a sales and use tax of up to 1% on the transactions described in Subsection **59-12-103(1)** located within the city or town.

(b) Notwithstanding Subsection (1)(a), a city or town may not impose a tax under this section on:

(i) the sale of:

(A) a motor vehicle;

(B) an aircraft;

(C) a watercraft;

(D) a modular home;

(E) a manufactured home; or

(F) a mobile home; or

(ii) the sales and uses described in Section **59-12-104** to the extent the sales and uses are exempt from taxation under Section **59-12-104**.

(c) For purposes of this Subsection (1), the location of a transaction shall be determined in accordance with Sections **59-12-207.1** through **59-12-207.4**.

(2) (a) An amount equal to the total of any costs incurred by the state in connection with the implementation of Subsection (1) which exceed, in any year, the revenues received by the state from its collection fees received in connection with the implementation of Subsection (1) shall be paid over to the state General Fund by the cities and towns which impose the tax provided for in Subsection (1).

(b) Amounts paid under Subsection (2)(a) shall be allocated proportionally among those cities and towns according to the amount of revenue the respective cities and towns generate in that year through imposition of that tax.

**2004**

#### **59-12-402 (See 59-1-1201 re: Eff). Additional resort communities sales tax -- Base -- Rate -- Collection fees -- Resolution and voter approval requirements --**

#### **Election requirements -- Notice requirements -- Ordinance requirements.**

(1) (a) Except as provided in Subsections (1)(b) and **59-12-207.1(7)(c)**, and subject to the limitations of Subsections (2) through (6), the governing body of a municipality in which the transient room capacity as defined in Section **59-12-405** is greater than or equal to 66% of the municipality's permanent census population may, in addition to the sales tax authorized under Section **59-12-401**, impose an additional resort communities sales tax in an amount that is less than or equal to .5% on the transactions described in Subsection **59-12-103(1)** located within the municipality.

(b) Notwithstanding Subsection (1)(a), the governing body of a municipality may not impose a tax under this section on:

(i) the sale of:

(A) a motor vehicle;

(B) an aircraft;

(C) a watercraft;

(D) a modular home;

(E) a manufactured home; or

(F) a mobile home; or

(ii) the sales and uses described in Section **59-12-104** to the extent the sales and uses are exempt from taxation under Section **59-12-104**.

(c) For purposes of this Subsection (1), the location of a transaction shall be determined in accordance with Sections **59-12-207.1** through **59-12-207.4**.

(2) (a) An amount equal to the total of any costs incurred by the state in connection with the implementation of Subsection (1) which exceed, in any year, the revenues received by the state from its collection fees received in connection with the implementation of Subsection (1) shall be paid over to the state General Fund by the cities and towns which impose the tax provided for in Subsection (1).

(b) Amounts paid under Subsection (2)(a) shall be allocated proportionally among those cities and towns according to the amount of revenue the respective cities and towns generate in that year through imposition of that tax.



(3) To impose an additional resort communities sales tax under this section, the governing body of the municipality shall:

- (a) pass a resolution approving the tax; and
  - (b) except as provided in Subsection (6), obtain voter approval for the tax as provided in Subsection (4).
- (4) To obtain voter approval for an additional resort communities sales tax under Subsection (3)(b), a municipality shall:
- (a) hold the additional resort communities sales tax election during:
    - (i) a regular general election; or
    - (ii) a municipal general election; and
  - (b) publish notice of the election:
    - (i) 15 days or more before the day on which the election is held; and
    - (ii) in a newspaper of general circulation in the

municipality.

(5) An ordinance approving an additional resort communities sales tax under this section shall provide an effective date for the tax as provided in Section **59-12-403**.

(6) (a) Except as provided in Subsection (6)(b), a municipality is not subject to the voter approval requirements of Subsection (3)(b) if, on or before January 1, 1996, the municipality imposed a license fee or tax on businesses based on gross receipts pursuant to Section **10-1-203**.

(b) The exception from the voter approval requirements in Subsection (6)(a) does not apply to a municipality that, on or before January 1, 1996, imposed a license fee or tax on only one class of businesses based on gross receipts pursuant to Section **10-1-203**. **2004**

## PART 5 PUBLIC TRANSIT TAX

**59-12-501 (See 59-1-1201 re: Eff). Public transit tax -- Base -- Rate -- Voter approval.**

(1) (a) (i) Except as provided in Subsections (1)(a)(ii) and **59-12-207.1(7)(c)**, in addition to other sales and use taxes, any county, city, or town within a transit district organized under Title 17A, Chapter 2, Part 10, Utah Public Transit District Act, may impose a sales and use tax of up to .25% on the transactions described in Subsection **59-12-103(1)** located within the county, city, or town, to fund a public transportation system.

(ii) Notwithstanding Subsection (1)(a)(i), a county, city, or town may not impose a tax under this section on the sales and uses described in Section **59-12-104** to the extent the sales and uses are exempt from taxation under Section **59-12-104**.

(b) For purposes of this Subsection (1), the location of a transaction shall be determined in accordance with Sections **59-12-207.1** through **59-12-207.4**.

(c) (i) A county, city, or town may impose a tax under this section only if the governing body of the county, city, or town, by resolution, submits the proposal to all the qualified voters within the county, city, or town for approval at a general or special election conducted in the manner provided by statute.

(ii) An election under Subsection **17B-2-512(3)(a)(ii)** approving the annexation of an area to a public transit district or local district and approving for that annexed area the sales and use tax authorized by this section satisfies the election requirement of Subsection (1)(c)(i) for the area to be annexed to the public transit district or local district.

(2) (a) If only a portion of a county is included within a public transit district, the proposal may be submitted only to the qualified voters residing within the boundaries of the proposed or existing public transit district.

(b) Notice of any such election shall be given by the county, city, or town governing body 15 days in advance in the manner prescribed by statute.

(c) If a majority of the voters voting in such election approve the proposal, it shall become effective on the date provided by the county, city, or town governing body.

(3) This section may not be construed to require an election in jurisdictions where voters have previously approved a public transit sales or use tax. **2004**

**59-12-502 (See 59-1-1201 re: Eff). Additional public transit tax for expanded system and fixed guideway and interstate improvements -- Base -- Rate -- Voter approval.**

(1) (a) (i) Except as provided in Subsections (1)(a)(ii) and **59-12-207.1(7)(c)**, and in addition to other sales and use taxes, including the public transit district tax authorized by Section **59-12-501**, a county, city, or town within a transit district organized under Title 17A, Chapter 2, Part 10, Utah Public Transit District Act, may impose a sales and use tax of .25% on the transactions described in Subsection **59-12-103(1)** located within the county, city, or town, to fund a fixed guideway and expanded public transportation system.

(ii) Notwithstanding Subsection (1)(a)(i), a county, city, or town may not impose a tax under this section on the sales and uses described in Section **59-12-104** to the extent the sales and uses are exempt from taxation under Section **59-12-104**.

(b) For purposes of this Subsection (1), the location of a transaction shall be determined in accordance with Sections **59-12-207.1** through **59-12-207.4**.

(c) (i) A county, city, or town may impose the tax under this section only if the governing body of the county, city, or town submits, by resolution, the proposal to all the

qualified voters within the county, city, or town for approval at a general or special election conducted in the manner provided by statute.

(ii) Notice of the election under Subsection (1)(c)(i) shall be given by the county, city, or town governing body 15 days in advance in the manner prescribed by statute.

(2) If the majority of the voters voting in this election approve the proposal, it shall become effective on the date provided by the county, city, or town governing body.

(3) (a) This section may not be construed to require an election in jurisdictions where voters have previously approved a public transit sales or use tax.

(b) This section shall be construed to require an election to impose the sales and use tax authorized by this section, including jurisdictions where the voters have previously approved the sales and use tax authorized by Section **59-12-501**, but this section may not be construed to affect the sales and use tax authorized by Section **59-12-501**.

(4) No public funds shall be spent to promote the required election.

(5) Notwithstanding the designated use of revenues in Subsection (1), of the revenues generated by the tax imposed under this section by any county of the first class:

(a) 75% shall be allocated to fund a fixed guideway and expanded public transportation system; and

(b) 25% shall be allocated to fund new construction, major renovations, and improvements to Interstate 15 and state highways within the county and to pay any debt service and bond issuance costs related to those projects.

(6) A county of the first class may, through an interlocal agreement, authorize the deposit or transfer of the portion of the revenues described in Subsection (5)(b) to the Public Transportation System Tax Highway Fund created in Section **72-2-121**. **2004**

**59-12-503. Public transit taxes -- Local option direct transfer.**

A county or municipality may elect, in writing, to have the portion of the monthly funds transfer that is collected as a public transit sales and use tax under Sections **59-12-501** and **59-12-502** to be transferred directly to a designated public transit district, subject to the same charge as described under Section **59-12-206**.

**1997**

**PART 6**  
**TOURISM, RECREATION, CULTURAL AND CONVENTION FACILITIES TAX**

**59-12-601. Purpose statement.**

(1) The Utah Legislature finds and declares that:

(a) the development of tourism, recreation, cultural, and convention facilities throughout Utah is necessary to insure continued growth in the tourism, recreation, and convention industry in Utah;

(b) modern and state-of-the-art tourism, recreation, cultural, and convention facilities would attract tourists, recreation, and convention business in a substantially greater amount than facilities that are obsolete or do not otherwise fill the needs of such business;

(c) available sources of assistance and capital in the individual counties are inadequate by themselves without state assistance to assure necessary development of tourism, recreation, cultural, and convention facilities;

(d) other states have programs of aid to their political subdivisions to foster the development of tourism, recreation, cultural, and convention facilities; and

(e) fostering the development of tourism, recreation, cultural, and convention facilities is a state purpose affecting the welfare of all state citizens and the growth of the economy statewide.

(2) It is therefore the purpose of this part that the state provide a means to foster the development of tourism, recreation, cultural, and convention facilities in order to further the welfare of the citizens of the state and its economic growth.

**1991**

**59-12-602. Definitions.**

As used in this part:

(1) "Convention facility" means any publicly owned or operated convention center, sports arena, or other facility at which conventions, conferences, and other gatherings are held and whose primary business or function is to host such conventions, conferences, and other gatherings.

(2) "Cultural facility" means any publicly owned or operated museum, theater, art center, music hall, or other cultural or arts facility.

(3) "Recreation facility" or "tourist facility" means any publicly owned or operated park, campground, marina, dock, golf course, water park, historic park, monument, planetarium, zoo, bicycle trails, and other recreation or tourism-related facility.

(4) (a) "Restaurant" includes any coffee shop, cafeteria, luncheonette, soda fountain, or fast-food service where food is prepared for immediate consumption.

(b) "Restaurant" does not include:

(i) any retail establishment whose primary business or function is the sale of fuel or food items for off-premise, but not immediate, consumption; and

(ii) a theater that sells food items, but not a dinner theater.

**1995**

**FOR MORE ON TAXES REFER TO THE UTAH CODE BOOK 59-12-603 THROUGH 59-23-8.**

## **DEBT SERVICE**

### **Definitions:**

Debt Service: Payments to creditors, primarily the holders of municipal bonds. Debt service includes principal, interest and minor incidentals such as paying agents fees.

Debt Service Fund: Established to account for the accumulation of money providing for the retirement of bonds and the payment of interest.

Bond: An interest-bearing certificate issued by a government or business, redeemable on a specific date; used as a measure of raising funds for capital improvements.

General Obligation (GO-Bond): A financial instrument giving borrowing power to a municipality based upon pledging of taxing power to retire the debt and pay interest.

Revenue Bonds: Bonds sold for which the principal and interest are payable exclusively from the earnings of a specific revenue source and which do not pledge the property, credit or general tax revenue of a City or Town.

Special Assessment Bonds: Special Improvement Districts (SID) or Special Service Districts (SSD)\*; A fund where the cost of improvements provided by the bond proceeds are assessed against property owners benefited by the improvements.

Economic Development Agency Bonds\* (also known as Tax Increment Revenue Bonds): This is where you pledge the increased property taxes that will be generated when the area is developed.

Annual Appropriation Lease Revenue Bonds\* (also known as Municipal Building Authority Bonds or Certificates of Participation): Frequently used for municipal building projects such as city hall, fire and police, parks, equipment, etc.

\* Used by Permission of Lewis, Young, Robertson & Burningham, Inc.

## STATE OF UTAH UNIFORM ACCOUNTING MANUAL

**Reference:** I.D.07  
**Subject:** Request for Proposal to Provide Audit Services  
**Effective Date:** 1 April 1986  
**Revision Date:** 1 April 1997

Section I.C.04.01 contains rules establishing audit requirements for political subdivisions and nonprofit organizations. Section R130-5-4 of those rules specify the requirements local governments must follow in obtaining an audit of its records. The State Auditors Office generally does not specify when local governments must change auditors. However, when a local government does obtain a new auditor, the rules in that section must be followed in selecting an independent auditor. Those rules require local governments to go through a proposal process.

With the assistance of the Municipal Fiscal Advisory Committee, the following a Request for Proposal” (RFP) was developed to assist local governments in obtaining the information necessary to assess various qualifications of CPAs desiring to perform an entity’s audit. Since each entity is slightly different and has specialized needs, a uniform standard request will not always provide the information necessary to make a good decision concerning future audit services.

The paragraphs shown in the RFP are optional and additional paragraphs may be added as needed. It is merely a guide to address some significant areas in auditor selection, and also to provide prospective auditors with enough information to make a knowledgeable bid. Also, the example is drawn up for a city or town but applies equally well to a county or special district.

Once the bids have been received, the entity will need to evaluate the proposals and select an auditor. All too often the only criteria used is price. Although this is an important consideration, it should not be the only consideration.

Other areas to consider during the evaluation process and to assign a “weighting” factor to are:

- Does the firm clearly understand the work to be performed?
- The firm’s experience in governmental auditing.
- Will work be completed in time to meet statutory deadlines?
- Do individuals assigned to the audit have governmental experience?
- Can the firm offer ongoing assistance and are they available for other services?
- Others that you feel are necessary.

A sample contract for audit services is also included in Section I. D.07.01.

**REQUEST FOR PROPOSAL  
TO PROVIDE AUDIT SERVICES FOR  
City/Town**

**I. BACKGROUND INFORMATION**

The (city/town) of \_\_\_\_\_ was incorporated in \_\_\_\_\_ and currently has the following funds and account groups:\_\_\_\_\_. In addition to the funds and account groups mentioned, there are additional component organizations that are part of the reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement 14; they are \_\_\_\_\_. Total revenue for all funds and component organizations was \$\_\_\_\_\_ for the fiscal year ended June 30, 20\_\_\_\_. (city/town) uses lotus/etc. software for its accounting applications which is supported by (IBM-PC/Harris Mainframe/etc.) hardware.

city/town is required by State law to provide an annual audit of its financial statements by a Certified Public Accountant in accordance with generally accepted auditing standards. This audit must be submitted to the State Auditor's Office within six months after the end of the fiscal year.

**II. OBJECTIVE AND SCOPE**

A single/financial audit is requested for the fiscal year ended June 30, 20\_\_\_\_. The audit shall be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA); the *AICPA Audits of State and Local Governmental Units* audit and accounting guide; and the *Government Auditing Standards*, published by the U.S. General Accounting Office. Federal compliance test work will be done in accordance with Office of Management and Budget Circular A-133 (*This sentence should be used only when single audit is selected in the 1<sup>st</sup> sentence*).

The audit must be completed, and the report issued prior to \_\_\_\_\_. The auditor must deliver copy(copies) of the report to the State Auditor's Office and copies to the city/town.

The auditor will be involved in drafting, typing, and printing financial statements, and will assist management's efforts to obtain the Government Finance Officers Association's Certificate of Achievement of Excellence in Financial Reporting.

**III. REPORT REQUIREMENTS**

For financial audits, the auditor shall examine the financial statements and records of the entity and shall issue an auditor's opinion on the entity's financial statements with an in-relation-to opinion on combining and supplementary information, if any. Such financial statements shall be prepared in conformity with generally accepted accounting principles.

The auditor shall issue a compliance report based on an audit of general purpose or basic financial statements and a report on the internal control structure; both in accordance with *Government Auditing Standards*.

The auditor shall prepare and include a statement expressing positive assurance of compliance with State fiscal laws identified by the state auditor and other financial issues related to the expenditure of funds received from Federal, State, or local governments. (*This statement is in addition to the compliance opinion required as part of a single audit.*)

The auditor shall prepare a comprehensive management letter including the auditor's findings and recommendations relative to the internal accounting and administrative controls, compliance with laws and regulations as applicable and adherence to generally accepted accounting principles.

The auditor shall include the written responses from city/town for each recommendation included in the state compliance letter and the management letter required by the *State of Utah Legal Compliance Audit Guide*.

*(For audits completed in accordance with the Single Audit Act, the auditor shall examine the financial systems and records as they relate to the various federal grants and agreements and shall issue auditor's reports on internal and administrative control and on compliance with federal and state laws and regulations as required by generally accepted auditing standards promulgated by the AICPA.)*

#### IV. AUDIT TERM

If the selected certified public accounting firm performs satisfactorily for the June 30, 19\_\_ audit, it is anticipated that the same firm will be engaged to perform the audit for the succeeding years, subject to an annual evaluation and city/town council appropriation. But, in any event, it will not exceed years.

#### V. PROPOSAL QUALIFICATION REQUIREMENTS

Interested certified public accounting firms should include the following information in their proposal to perform the audit of the fiscal year ending June 30, 20\_\_:

##### A. Profile of the Independent Auditor

The profile of the proposers should provide general background information. This should include:

1. The organization and size of the proposer, whether it is local, regional, national or international in operations.
2. The locations of the office from which the work is to be done and the number of professional staff, by staff level, employed at the office.
3. A statement on the proposer's staff capability to audit computerized systems.
4. A positive statement that the following mandatory criteria are satisfied:
  - (a) An affirmation that the proposer is properly licensed for practice as a certified public accountant in the State of Utah.
  - (b) An affirmation that the proposer meets the independence requirements of the American Institute of Certified Public Accountants and the *Government Auditing Standards*, 1994 revision, published by the U.S. General Accounting Office.
  - (c) An affirmation that the firm meets the continuing education and external quality control review requirements contained in the *Government Auditing Standards*, 1994 revision, published by the U.S. General Accounting Office.

##### B. Proposer's Qualifications

1. Identify the audit partners, audit managers, field supervisors and other staff who will work on the audit, including staff from other than the local office. Resumes including relevant experience and continuing education for the staff auditors up to the individual with final responsibility for the engagement should be included.
2. Describe the recent local office auditing experience similar to the type of audit requested.
3. If other auditors are to participate in the audit, those auditors should be required to provide similar information.

C. Proposer's Approach to the Examination

Submit a general audit work plan to accomplish the scope defined in these guidelines. The audit work plan should demonstrate the proposer's understanding of the audit requirements and the audit tests and procedures to be applied in completing the audit plan. The plan should detail the expected number of audit hours by staff level. The planned use of specialists should also be specified.

D. Time Requirements

Detail how the reporting deadline requirements of the audit will be met.

E. Fees

Supply the billing rates, estimated number of billable hours, other billable expenses and a "not-to-exceed" fee for the audit, inclusive of travel, per diem and all other out-of-pocket expenses. As noted in section IV, it is expected that if the selected certified public accounting firm performs satisfactorily for the June 30, 20\_\_\_\_ audit, it will be engaged to perform the audit for the succeeding \_\_\_\_\_ years. Therefore, the not-to-exceed fee information requested above should be provided on an annual basis for years.

F. Non-discrimination Clause

Affirm that the firm does not discriminate against any individual because of race, religion, sex, color, age, handicap or national origin, and that these shall not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

VI. CONTRACTUAL ARRANGEMENTS

- A. Audit programs, work papers and reports must be retained for a period of three years after the completion of the audit and made available for inspection by the city/town or government auditor's if requested by them.
- B. Payment for the audit will be made upon receipt of the audit reports required in section III.
- C. City/town staff will be available to prepare schedules, trial balances, and provide documentation to assist the auditor as their schedules permit during the course of the audit.

VII. EVALUATION OF PROPOSALS

The following criteria will be considered when making an evaluation of the proposals:

A. Technical Factors

- 1. Responsiveness of the proposal in clearly stating an understanding of the audit services to be performed.
  - (a) Appropriateness and adequacy of proposed procedures.
  - (b) Reasonableness of time estimates and total audit hours.
  - (c) Appropriateness of assigned staff levels.
- 2. Technical experience of the firm.



3. Qualifications of staff.
4. Size and structure of firm, considering the scope of the audit.
5. Geographic location of key personnel and responsible office.

B. Cost of the audit

C. Right to Reject

City/town reserves the right to reject any and all proposals submitted and to request additional information from all proposers. Any contract awarded will be made to the independent certified public accounting firm who, based on evaluation of all responses, applying all criteria and oral interviews, if necessary, is determined to be the best to perform the audit.

### VIII. SUBMISSION OF PROPOSALS

\_\_\_\_\_ copies of your proposal must be submitted to contact person, city/town, address, no later than date. Selection of the CPA firm will be made by date, and all firms submitting proposals will be notified immediately as to the selection results. No proposal will be considered that is not received at or prior to the above time and date.

### IX. SOURCES OF INFORMATION

There will be a pre-proposal conference held at time/address to allow for questions and clarification, and responsible individual can be contacted at phone number for information necessary to complete the proposal. Audit reports and management letters from prior years will be available for inspection.

**STATE OF UTAH  
UNIFORM ACCOUNTING MANUAL**

**Reference:** I.D.07.01  
**Subject:** Sample Contract For Audit Services  
**Effective Date:** 1 October 1992  
**Revision Date:** 1 September 1997

**CONTRACT FOR AUDITING SERVICES**

**BETWEEN**

**[name of city, town, county, or district]**

**and**

**[name of CPA firm]**

**CERTIFIED PUBLIC ACCOUNTANTS**

THIS AGREEMENT, entered into as of this \_\_\_ day of \_\_\_\_, 20\_\_\_, by and between [name of entity], hereinafter referred to as the "CITY," and the firm of [CPA firm], Certified Public Accountants, hereinafter referred to as the "AUDITOR," provides for audit services for the fiscal year ended June 30, 20\_\_\_.

WITNESSETH THAT:

WHEREAS, the CITY is required by law to cause an audit to be made of the accounts of all officers of the CITY, and

WHEREAS, the CITY desires to have performed a financial and compliance audit of the CITY for the fiscal year ended June 30, 20\_\_\_.

WHEREAS, the CITY has received funds from the Federal Government under grants, agreements, and programs which require audits under the guidelines of the Office of Management and Budget (OMB) Circular A-133, and

WHEREAS, in order to meet the requirements of OMB Circular A-133, the CITY desires to have performed a single compliance audit of those federal awards for the fiscal year ending June 30, 20\_\_\_.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto, legally intending to be bound hereby, do covenant and agree for themselves and their respective successors and assigns, as follows:

**I. AUDITOR'S DUTIES**

- A. Standards: The AUDITOR shall perform all test work and prepare all reports in accordance with the following professional standards and federal audit requirements:
1. Generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), including applicable statements of position and audit guides;

2. *Government Auditing Standards* issued by the comptroller General of the United States;
3. The Single Audit Act as amended by the Single Audit Act Amendments of 1996;
4. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and
5. OMB Circular A-133 *Compliance Supplement*.

B. Reports: The AUDITOR shall, in accordance with the above standards, prepare the following reports:

1. Report on Financial Statements

For the fiscal year ended June 30, 20\_\_\_, the AUDITOR, in accordance with generally accepted auditing standards, as promulgated by the AICPA, the AICPA *Audits of State and Local Governmental Units* audit and accounting guide, and the *Government Auditing Standards*, published by the U.S. General Accounting Office, shall audit the financial statements and records of the CITY and shall issue an AUDITOR's opinion on the CITY's financial statements (with an in-relation-to opinion on combining and supplementary information). Such financial statements shall be prepared in conformity with generally accepted accounting principles. Reports on internal control and compliance, as referred below, shall also be issued.

2. Management Report Based on the Audit of the Financial Statements

The following three sections of this report should be bound together in a single document.

- (a) Report on Compliance and on Internal Controls Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

The AUDITOR shall report on their testing of compliance with federal and state laws and regulations performed as part of the financial and compliance audit. The report must identify occurrences of noncompliance with laws and regulations that are material and all instances or indications of illegal acts which could result in criminal prosecution. The report must contain a statement of positive assurance on items tested.

The AUDITOR shall report on their understanding of the CITY's internal control over financial reporting and the assessment of control risk made as part of the financial and compliance audit. The report shall identify as a minimum: (a) the scope of the AUDITOR'S work in obtaining an understanding of the CITY's internal control over financial reporting and in assessing the control risk and (b) the reportable conditions, including the identification of material weaknesses, identified as a result of the AUDITOR's work in understanding and assessing the control risk.

- (b) Findings and Recommendations

The AUDITOR shall report findings and recommendations relative to compliance with laws and regulations, internal control over financial reporting, adherence to generally accepted accounting principles, and efficiency of operations. The report shall contain all reportable conditions and all instances or indications of illegal acts.

The AUDITOR shall request written responses and corrective action plans, where necessary, from CITY officials for each recommendation and shall include such responses in the report.

(c) Status of Prior Findings and Recommendations

The AUDITOR shall also report on the CITY's progress in implementing prior audit recommendations.

3. Single Audit Report

For the fiscal year ending June 30, 20\_\_, the AUDITOR, in accordance with the standards cited above and the additional standards contained in the Single Audit Act as amended by the Single Audit Act Amendments of 1996, OMB Circular A-133, and AICPA standards related to compliance auditing, shall issue the following reports: (These reports shall be bound together with the CITY's Schedule of Expenditures of Federal Awards and accompanying Notes.)

(a) Report on Federal Awards: This report covers major program compliance, internal controls over federal awards, and the Schedule of Expenditures of Federal Awards.

- (1) The AUDITOR shall express an opinion as to whether the CITY complied, in all material respects, with the specific requirements applicable to major federal financial assistance programs. This opinion may be included as part of the Auditor's Report on Financial Statements required by paragraph I. B1.
- (2) The Auditor shall express an opinion as to whether the City complied, in all material respects, with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs identified in the summary of auditor's results section of the schedule of findings and questioned costs.
- (3) The report is required to address the AUDITOR's consideration of the internal control policies and procedures over compliance with requirements that could have a direct and material effect on major federal programs. This report should be prepared in accordance with the criteria set forth in Statement on Auditing Standards (SAS) No. 78, *Consideration of the Internal Control in a Financial Statement Audit*, SAS No. 60, *Communication of Internal Control Structure Related Matters Noted in an Audit*, and SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*.
- (4) The report should comply with SAS No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor Submitted Documents*. The report must reference to the audit having been performed in accordance with standards for financial and compliance audits contained in the *Governments Auditing Standards*, to meet the requirements of the OMB Circular A-133.

(b) Schedule of Findings and Questioned Costs: This report should include the following three components as required by OMB Circular A-133:

- (1) A summary of the AUDITOR's results, including:
  - A) The type of report the AUDITOR issued on the financial statements;

- B) Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses;
  - C) A statement as to whether the audit disclosed any noncompliance which is material to the financial statements;
  - D) Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses;
  - E) The type of report the AUDITOR issued on compliance for major programs;
  - F) A statement as to whether the audit disclosed any audit findings which the AUDITOR is required to report in accordance with OMB Circular A-133;
  - G) An identification of major programs;
  - H) The dollar threshold used to distinguish between Type A and Type B programs, as described in OMB Circular A-133; and
  - I) A statement as to whether the CITY qualified as a low-risk auditee.
- (2) Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).
- (3) Findings and questioned costs for federal awards, including, where applicable:
- A) Reportable conditions in internal control over major programs;
  - B) Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program;
  - C) Known questioned costs which are greater than \$10,000, or are likely greater than \$10,000, for a type of compliance requirement for a major program;
  - D) Known questioned costs which are greater than \$10,000 for a Federal program which is not audited as a major program;
  - E) The circumstances concerning why the AUDITOR's report on compliance for major programs is other than an unqualified opinion;
  - F) Known fraud affecting a Federal award; and
  - G) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the CITY materially misrepresents the status of any prior audit finding.
- (4) The AUDITOR shall request a written corrective action plan from CITY officials for each finding included in the Schedule of Findings and Questioned Costs. The corrective action plan shall

provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. The corrective action plan shall be bound with the single audit reports.

4. Report on State Legal Compliance

For the fiscal year ended June 30, 20\_\_, the AUDITOR, in accordance with the *State of Utah Legal Compliance Audit Guide*, shall issue the following reports bound together in a single document:

(a) Report on State Legal Compliance

The AUDITOR shall express an opinion on the CITY's compliance with the state legal requirements identified in the *State of Utah Legal Compliance Audit Guide*.

(b) The AUDITOR's Management Letter

The Management Letter shall identify any reportable conditions in internal controls over state legal compliance and all instances of noncompliance with state legal issues discovered by the AUDITOR.

(c) CITY's Response to the Management Letter

The AUDITOR shall bind the CITY's response with the AUDITOR's Management Letter.

C. Other Services: The AUDITOR shall perform the following services in conjunction with preparation of the above reports:

1. Delivery of Reports

- (a) All reports shall be addressed to the CITY.
- (b) The AUDITOR is to deliver a draft of the Report on the Financial Statements to the CITY no later than (date).
- (c) The AUDITOR is to deliver 5 copies of the final Report on the Financial Statements to the CITY no later than (date).
- (d) The AUDITOR is to deliver 5 copies of the Management Report Based on the Audit of the Financial Statements to the CITY no later than (date).
- (e) The AUDITOR is to deliver 5 copies of the Single Audit Report to the CITY no later than (date).
- (f) The AUDITOR is to deliver 5 copies of the Report on State Legal Compliance to the CITY no later than (date).
- (g) The deadlines noted above may be extended by the CITY if, in the opinion of the CITY, circumstances existing beyond the control of the AUDITOR prevent completion by that date.

2. Availability of Working Papers

The AUDITOR agrees to make available all working papers, audit programs, and time control records associated with the audit of the CITY upon request by the CITY during performance of the audit or at the completion of the audit, for a quality control review. The AUDITOR also agrees to furnish copies of all working papers, audit programs and time control records upon request. Working papers and reports shall be retained by the AUDITOR for a minimum of three years from the date of the audit report. These same documents will be made available to federal and state agencies in accordance with OMB Circular A-133 and state law.

3. Inform CITY of the Following:

(a) Irregularities

The AUDITOR shall promptly inform the CITY regarding any indication of errors, irregularities or illegal acts that may come to their attention in connection with the audit.

(b) Changes in Personnel

The AUDITOR agrees to notify the CITY in writing prior to changes of partner, manager, supervisor or senior personnel obligated in the AUDITOR's bid proposal.

II. CITY'S DUTIES

The CITY shall furnish the following to the AUDITOR:

- A. All financial records, books of accounts, supporting documents, and other related records for and related to the period being audited.
- B. Copies of CITY ordinances, minutes of Council [Board, Commission] meetings, policy directives, grant agreements, contracts, leases, budgets, laws, and other pertinent documents or data, and such other information as may be required for the audit.
- C. A management representation letter confirming oral representations made to the AUDITOR.
- D. Adequate working space and other facilities for the conduct of the audit.
- E. All working papers normally prepared by the CITY in connection with the accounting system, all original documents, as requested, evidencing audited transactions.
- F. Assistance of personnel in all reasonable requests from the AUDITOR as the CITY staff time and budget will permit, including, but no limited to, the preparation of account analyses, summaries, and other working papers requested.

III. FEE PROVISIONS

- A. It is understood that the not-to-exceed fee, including all out-of-pocket expenses, for the services of the AUDITOR, as set forth in Section I. above, shall be \$\_\_\_\_ (fee)\_\_. The not-to-exceed fee consists of \$\_\_\_\_ for the financial audit services and \$\_\_\_\_ for the single audit services. Billings for interim test work are to be submitted to the CITY by June 30, 20\_\_.
- B. The CITY shall have the option to extend this contract to the succeeding ( \_\_#\_\_ ) fiscal year(s). If the option is exercised for the fiscal year ending June 30, 20\_\_ the not-to-exceed fee, including all out-of-

pocket expenses, for the services of the AUDITOR will be \$(fee) , consisting of \$\_\_\_\_\_ for the financial audit services and \$\_\_\_ for the single audit services.

- C. Separate progress billings to the CITY are allowed for time and expense incurred during the audit with the stipulation that progress billings cannot exceed 75% of the fees stated above. A statement of the current and cumulative hours incurred shall be submitted with each billing. The statement of actual hours incurred must separately report hours incurred for services performed in connection with the financial audit and hours incurred for services performed in connection with the single audit.
- D. Final payment shall be made upon completion of the audit and upon receipt of the AUDITOR's reports as stipulated in paragraph I.C.1., a final statement of actual hours incurred as described in paragraph III.C., and the final billing.
- E. It is expressly understood and agreed that in no event will the amounts to be paid by the CITY to the AUDITOR under this contract exceed the fee and conditions made a part of this contract.
- F. Payments by the CITY are expressly subject to appropriation therefore, and in the absence thereof, this agreement shall be terminated forthwith.

#### IV. **INDEMNIFICATION**

- A. The CITY assumes no liability for any legal expenses, other than for its own defense.
- B. The AUDITOR hereby agrees to indemnify and save harmless the CITY and its officers, agents, and employees, from and against any and all loss, damage, injury, liability, and claims thereof, including claims for personal injury or death, howsoever caused, resulting directly or indirectly, from the performance of the contract by the AUDITOR.

#### V. **AUDITOR REPRESENTATIONS**

- A. The AUDITOR confirms that he is independent of the CITY as defined in the AICPA's Rules of Conduct, Rule 101, and the requirements of the *Government Auditing Standards*, published by the U.S. General Accounting Office.
- B. The AUDITOR confirms that he is properly licensed for public practice as a certified public accountant in the State of Utah and that he does not have a record of substandard work.
- C. The AUDITOR agrees not to discriminate against any individual because of race, color, religion, age, sex, handicap, or national origin, and that these shall not be a factor in consideration for employment, selection for training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.
- D. Said AUDITOR shall be an independent contractor, and as such, shall have no authorization, express or implied, to bind the CITY or its agencies, in any agreement, settlement, liability, or understanding whatsoever, and shall not perform any acts as agent for the CITY except as herein expressly set forth.

#### VI. **CONTRACT TERMINATION**

This contract may be terminated upon 30 days written notice by either party hereto and may be immediately terminated for cause or other bad performance by either party.



IN WITNESS THEREOF, the CITY and the AUDITOR have executed this contract as of the date first indicated above.

\_\_\_\_\_  
(Name of CPA firm)  
CERTIFIED PUBLIC ACCOUNTANTS

\_\_\_\_\_  
(Partner)

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Name of City)

\_\_\_\_\_  
(Chairman, Mayor, City Council)

\_\_\_\_\_  
Date

After selecting an auditor, remember the purpose of the audit is to make sure that the City or Town is in compliance with the law. **REMEMBER; DO NOT VIEW THIS PERSON AS YOUR ENEMY.**

The first year is always the hardest but after that, if you continue with the same auditor, you will know what is needed and what is expected of you and what you expect from the auditor.

During the year, do not hesitate to call on your City or Town Auditor. Asking questions prevents problems later on.

When it's all over – Take a big breath, pat yourself on the back and just think – You get to do it all again next year!

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**Single Audit Requirements for Local Governments**

Single audits have been required of local governments since 1986. The Single Audit Act Amendments of 1996 and the revised OMB Circular A-133, dated June 24, 1997, have significantly changed the audit requirements for governmental entities that receive federal awards. This section of the Uniform Accounting Manual describes the single audit requirements for obtaining an audit, the local government's and the independent auditor's responsibilities for the audit, and the reports required to be filed. This section is only a summary of the single audit requirements. Local governments who receive federal awards, whether directly or through state or other non-federal sources, should be familiar with the requirements of the revised OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. (OMB Circular A-133 is available on the internet at the following address: [www.whitehouse.gov/OMB/circulars/a133/a133.html](http://www.whitehouse.gov/OMB/circulars/a133/a133.html).)

Single Audits Required When Federal Expenditures Exceed \$300,000

Local governments that expend \$300,000 or more of federal awards in a year must have a single audit conducted in accordance with OMB Circular A-133. Entities that have only one federal award can elect to have a program-specific audit as long as the federal program's laws, regulations, or grant agreements do not require a financial statement audit of the entity.

The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-federal entity to an interest subsidy; and, the period when insurance is in force.

Local Government Responsibilities

Local governments who are required to obtain a single audit are responsible for the following actions related to the audit:

1. Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the federal agency, and name of the pass-through entity.

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2. Maintain internal control over federal programs that provides reasonable assurance that the local government is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
3. Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.
4. Prepare appropriate financial statements, including the schedule of expenditures of federal awards.
5. Ensure that the audits required by OMB Circular A-133 are properly performed and submitted when due.
6. Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.

Report Submission

The local government is responsible for preparing the following statements and schedules and obtaining the following auditor's reports which must be filed as part of the single audit reporting package. Further guidance regarding these required statements, schedules, and reports can be found in OMB Circular A-133 according to the references shown in the following schedule.

<b>SINGLE AUDIT REPORTING PACKAGE</b>		
<i>Statement, Schedule, or Report</i>	<i>Prepared by</i>	<i>A-133 Reference</i>
Data Collection Form	Local Government and Auditor	§ __.320(b)
Financial Statements	Local Government	§ __.310(a)
Schedule of Expenditures of Federal Awards	Local Government	§ __.310(b)
Summary Schedule of Prior Audit Findings	Local Government	§ __.315(b)
Financial Statement Opinion	Auditor	§ __.505
Government Auditing Standards Internal Control and Compliance Reports	Auditor	§ __.505
Single Audit Internal Control and Compliance Reports	Auditor	§ __.505
Opinion on Schedule of Expenditures of Federal Awards	Auditor	§ __.505
Schedule of Findings and Questioned Costs including the following: <ul style="list-style-type: none"> <li>• Summary of Auditor Results</li> <li>• Findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS)</li> <li>• Findings and questioned costs related to federal awards</li> </ul>	Auditor	§ __.505
Corrective Action Plan	Local Government	§ __.315(c)

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The reporting package described above must be submitted within the earlier of 30 days after receipt of the auditor's reports, or 13 months after the end of the audit period. However, for fiscal years beginning after June 30, 1998, the audit must be completed and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports, or nine months after the end of the audit period. One copy of the reporting package should be submitted to the federal clearinghouse at the following address:

Federal Audit Clearinghouse  
Bureau of the Census  
1201 E. 10<sup>th</sup> Street  
Jeffersonville, IN 47132

In addition, local governments that receive federal awards from state, local government, or other non-federal sources (pass-through entities) must submit one copy of the reporting package to the pass-through entity when there are current or prior year findings related to funding received from that pass-through entity. If there are no findings related to the pass-through entity, the local government can choose to either submit a copy of the reporting package or provide written notification to the pass-through entity that an audit was conducted and there were no current or prior audit findings related to the federal award(s) that the pass-through entity provided.

The reporting package must also be submitted to the State Auditor's Office and possibly other state or local government agencies as may be required by law, regulation, contract, or grant agreement.

Finally, the local government should keep one copy of the reporting package on file for three years from the date of submission to the central clearinghouse.

Auditor Responsibilities

The responsibility of the independent auditors who perform single audits is to:

1. Determine whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
2. Determine whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
3. With respect to internal controls pertaining to the compliance requirements for each major program, obtain an understanding of internal controls; assess control risk; and perform tests of controls unless the controls are considered ineffective.
4. Determine whether the non-federal entity has complied with the provision of laws, regulations, and contracts or grants pertaining to federal awards that have a direct and material effect on each major program.
5. Follow up on prior audit findings, review the summary schedule of prior audit findings prepared by the local government and report, as a current year audit finding, when the results of the follow up are different from those reported in the summary schedule of prior audit findings.

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6. Prepare the required auditor's reports including: an opinion on the financial statements; internal control and compliance reports as required by government auditing standards; single audit internal control and compliance reports; an opinion on the schedule of expenditures of federal awards; and a schedule of findings and questioned costs. The schedule of findings and questioned costs has three components: the summary of auditor results; findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards; and findings and questioned costs related to federal awards.  
The summary of auditor's results is a new component of the single audit reporting package. This new summary report should address:
  - a. The type of report the auditor issued on the financial statements;
  - b. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses;
  - c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements;
  - d. Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses;
  - e. The type of report the auditor issued on compliance for major programs;
  - f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under §\_\_.510(a) of OMB Circular A-133;
  - g. An identification of major programs;
  - h. The dollar threshold used to distinguish between Type A and Type B programs; and
  - i. A statement as to whether the local government qualified as a low-risk auditee.
7. Retain working papers and reports for a minimum of three years after the date of issuance of the auditor's reports to the local government.
8. Make working papers available upon request to the cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or GAO at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with the purposes of this part. Access to working papers includes the right of federal agencies to obtain copies of working papers, as is reasonable and necessary.