

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

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Subject: Generally Accepted Accounting Principles
Effective Date: 1 April 1987
Revision Date: 1 July 2006

The Governmental Accounting Standards Board (GASB) develops, promulgates, and interprets standards of accounting, financial reporting, and related financial management activities for state and local governmental entities. It also develops and promulgates appropriate methods practices and procedures for the effective implementation of such stands. The GASB was formed in April of 1984 and consists of two full time and three part-time members.

In 1988, the Government Finance Officers Association (GFOA) published the 1988 Governmental Accounting, Auditing and Financial Reporting (GAAFR) usually referred to as the "Blue Book." This book has since gone through many revisions. GAAFR is intended to provide governmental finance officers, elected officials, independent auditor, and others with detailed guidance for the effective application of GASB principles related the accounting and financial reporting of local governments. This publication should be part of every local government's library on accounting principles. However, it is emphasized that the text neither establishes nor authoritatively interprets generally accepted accounting principles (GAAP) for governments.

Section I A of the General section attempts to summarize some of the very basic fundamentals of governmental accounting as outlined in GAAFR. This section is in the process of being updated and is not included in the Manual at this time.

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Reference: I. B. 01
Page: 1 of 1
Subject: General Budgetary Requirements
Effective Date: 1 April 1987
Revision Date: 1 July 2006

All governmental units having the power to tax and public entities created by other governmental units must prepare and adopt a budget. The specific procedures to be followed in the preparation and adoption of a budget varies somewhat as these procedures are set forth in the various laws for each type of governmental entity. These specific procedures are discussed in detail in the section of the manual applicable to each type of governmental entity. However, the following budgetary concepts and requirements are applicable to all governmental entities.

Individuals that pay taxes or fees to support governmental services have the right to attend a meeting held for the purpose of discussing a tentatively adopted budget and have the right to be heard regarding that budget. *Utah Code* Section 59-2-913 requires any property tax levy to be supported by "...a budget which has been duly adopted and approved prior to the setting of the levy..." Except as may be set forth differently in State laws, "duly adopted and approved" means that a tentative budget was adopted by the governing authority of a governmental entity and that after proper notice, a public meeting was held to discuss the budget before final adoption.

The Fiscal Procedures Acts for each type of government require that each budget document include information for three years: actual amounts for the last completed fiscal year, estimated amounts for the current fiscal year, and the budgeted estimate for the ensuing fiscal year. All three years are required to be included in both the tentative budget made available to the public, and the final adopted budget reported to the State Auditor's Office.

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Reference: I. B. 02
Page: 1 of 1
Subject: Setting of Property Tax Rates
Effective Date: 1 April 1987
Revision Date: 1 July 2006

Truth-in-Taxation laws impact all governmental units that levy property taxes. In general, the county within which each city, town, school district, and special taxing district is contained, provides a statement showing the aggregate valuation of all taxable property located within each entity and the certified tax rate and levy worksheets to each taxing district by June 8 of each year. The taxing units will then need to determine the required tax levy, adopt a proposed or final tax rate, and send this information back to the county auditor before June 22 of each year.

If there is no increase in the certified tax rate, entities on a June 30 fiscal year end adopt a final tax rate and budget before June 22. Entities on a calendar year adopt final budgets by December 31 and set their tax rates before the following June 22. However, *Utah Code* Section 59-2-918 requires entities with a calendar year end to also hold a tax-increase hearing in conjunction with their budget hearing when setting their budgets in December.

Entities adopting an increase in the certified tax rate are subject to additional disclosure requirements and have until August 17 to adopt a final tax rate. Sections 59-2-918 and 59-2-919 contain information on the additional requirements.

In all cases, a copy of the final budget shall be submitted to the State Auditor within 30 days of adoption. A copy of the budget shall also be available within each entity for inspection by the public.

Utah Code Section 59-2-912 sets forth the requirements to submit the tax levy information to the county auditor and indicates the actions taken if the information is not received from the local governments.

The county legislative body of each taxing entity shall, before June 22 of each year, adopt a proposed or, if the tax rate is not more than the certified tax rate, a final tax rate for the taxing entity. The county legislative body shall report the rate and levy, and submit the statement required under Section 59-2-913 and any other information prescribed by rules of the commission for the preparation, review, and certification of the rate, to the county auditor of the county in which the taxing entity is located. If the county legislative body of any taxing entity fails to comply with this section, the county executive of the county in which the taxing entity is located shall notify the taxing entity by certified mail of the deficiency and forward all available documentation to the commission. The commission shall hold a hearing on the matter and certify an appropriate rate.

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Reference: I. B.02.01
Page: 1 of 4
Subject: Property Tax Calendar
Effective Date: 1 April 1987
Revision Date: 1 July 2006

DUTIES TO BE COMPLETED	STATUTE	STATUTE DATE
Lien date (real and personal property) Market value reduction of residential property	59-2-103 & 59-2-1302	1/1
Payment of taxes Unsecured Personal Property (payment of taxes) Secured Personal Property	59-2-1302	Upon demand. 11/30 if pers. prop. is filed with real prop. before 1/1
Taxing districts with either June or December year end notify county of date, time, and place of public hearing. December year end notify for following fiscal year.	59-2-919(7) 59-2-918(5)	3/1
County Treasurer to settle taxes charged and collected for previous year.	59-2-1365	3/31
Budget officer of cities shall prepare and file with the council a tentative budget for the next fiscal year.	10-6-111	1 st scheduled council meeting in May
Board of equalization meets on matters of exemption.	59-2-1101 & 59-2-1102	5/1(before)
Mayor of towns shall prepare and have available tentative budget 7 days before adoption.	10-5-107	6/15(before)
Tax commission reports value of Centrally Assessed Property to counties.	59-2-802	6/1(before)
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property.	59-2-924	6/1(before)
County auditor send valuation, certified tax rate and levy worksheets to each taxing district.	59-2-924	6/8
Tax Commission certifies the state-wide rate for the cost of assessing and collecting property taxes to each county auditor.	59-2-905	6/8
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor.	59-2-912	6/22(before)

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Subject: Property Tax Calendar
Effective Date: 1 April 1987
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DUTIES TO BE COMPLETED	STATUTE	STATUTE DATE
County to adopt proposed tax rates, or if there is no increase in certified tax rate, a <u>final</u> tax rate is adopted.	59-2-909	6/22(before)
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate (see 59-2-923) ¹ . If there is no increase in certified tax rate, a <u>final</u> tax rate is adopted.	59-2-924(3)	6/22
County auditor to submit levy worksheets & supporting Documentation to tax commission.	59-2-913	6/22(before)
Tax commission to notify county auditor of tax rate set for general state purposes.	59-2-901	6/22(before)
Tax commission to notify county auditor to implement levies as set.	59-2-914	
County auditor mails notice of intent to exceed certified rate (at least 10 days prior to board of equalization or public hearing to exceed).	59-2-919(4)	7/22
Taxing district must advertise its intention to increase property tax revenue (excluding new growth) at the same time it advertises its intention to fix its budget.	59-2-918	
No tax rate in excess of certified rate may be levied until a resolution has been approved by the governing body, 1/4 page advertisement in newspaper of general circulation to run once each week for two weeks ² . Meeting shall not be less than seven days after the 1 st day the advertisement is published. The meeting on the proposed increase may coincide with the hearing on the proposed budget.		
County auditor mail notice of county board of equalization meetings.	59-2-919(4)	7/22

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Reference: I. B.02.01
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Subject: Property Tax Calendar
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DUTIES TO BE COMPLETED	STATUTE	STATUTE DATE
Adoption of final budgets by taxing districts after public hearings to adopt proposed increases sent to county auditor. Adopted and approved tax resolution shall be forward to commission by county auditor. If taxing entity does not send resolution to county auditor by August 17, the county auditor will forward certified tax rate to commission.	59-2-920	8/17
Until the hearing is held and a final budget and tax rate are adopted, the taxing district may expend monies based on, (1) its tentative budget after adoption or, (2) its prior year 's adopted final budget as amended, which must be re-adopted by resolution at a regular meeting of the governing body. (see 59-2-924).	59-2-923	
County board of equalization hearings.	59-2-1001	8/8 - 10/1
Board of equalization – hearings of appeals ³	59-2-1005	no later than 10/1
Appeal to tax commission	59-2-1006	30 days after tax notice hearing
Copy of final budget to State Auditor within 30 days of adoption.	10-6-118	9/17
County auditor reports valuation and taxes to tax commission.	59-2-325	11/1(before)
County treasurer to mail tax notice.	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to county treasurer.	59-2-326	11/1(before)
Counties must have tentative budget available for inspection 10 days prior to adoption.	17-36-11	before 12/22
Payment and delinquency date.	59-2-1331	11/30
Counties adopt final budget.	17-36-15	
Delinquency list published.	59-2-1332.5	12/31

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¹Only entities on a July 1 to June 30 fiscal year set tentative budgets. Calendar entities report previously adopted budgets.

²Taxing districts may petition the tax commission to authorize the use of weekly newspaper where the weekly paper would provide equal or greater notice to the taxpayer OR use of a direct notice to each taxpayer if the cost of the advertisement would cause undue hardship. This direct notice would be in addition to the noticed mailed by the county auditor.

³The board of equalization may begin at an earlier date depending upon the mailing of the Notice of Property Valuation and Tax Changes.

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Reference: I. B. 03
Page: 1 of 1
Subject: Budget Adjustments and Modifications
Effective Date: 1 April 1986
Revision Date: 1 July 2006

Once a budget has been adopted, it remains in effect until it has been formally revised. If any obligations are contracted that are in excess of the adopted budget, they are not valid or enforceable against the governmental unit. If such obligations are paid by the local governmental unit, they may represent debts to the governmental unit incurred in violation of Article XIV, Section 3 of the Constitution of Utah. Also, various State statutes refer to the responsibility of local governmental financial officers to certify that claims being paid are within budgeted amounts.

From the above comments, it should be very evident that before expenditures are made in excess of the adopted budget, the budget should be formally revised. Governmental units are generally given the authority to modify the budget from one department to another or from one account to another within the same department as long as the total budget expenditures of each fund of the governmental unit are not exceeded. Generally, these governmental units that have governmental fund types, i.e. general fund, special revenue funds, debt service funds and capital projects funds, are required to have a public hearing before the budget expenditures from any of these funds can be increased. The budgets for enterprise funds or special purpose districts that are accounted for as enterprise funds can generally be increased with the approval of the governing authority.

Specific details for each type of governmental unit are contained in the applicable sections of this manual.

A budget serves many purposes. Two of the most important purposes are (1) it provides a plan for the orderly expenditure of public funds, and (2) it is the formal process for appropriating the entity's funds. By state law, funds cannot be spent until they are appropriated as required by the Fiscal Procedures Acts. Therefore, as stated above, a local government should not spend funds in excess of the amount originally appropriated until an appropriate budget hearing has been advertised and held and the new budget adopted. Since the major purpose of a budget is to appropriate funds, budgets may not be reopened after the end of the fiscal year to cover over-expenditures.

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Reference: I. B. 04
Page: 1 of 1
Subject: Program and Performance Budgets
Effective Date: 1 April 1986
Revision Date: 1 July 2006

The growth in government has created a need for governing bodies to find better ways to establish financial accountability. Growth restricts the ability of those responsible for a governmental unit to get directly involved in its daily operations. Program and performance budgeting and reporting provide a useful tool to evaluate operational areas of a government. It also allows the governing authority to establish and financially control specific programs.

The main objective of program and performance budgets is to require all levels of the government organization to establish goals and objectives. It also allows the governing authority to determine if budgeted costs and performance goals are being met.

To establish and account for revenue and expense on a program level, the government must first establish and use a good cost accounting system. Utilizing cost accounting procedures to produce program costs and to generate performance measurements provides an effective and useful tool for projecting and establishing future budgets. The government, by estimating the required increase in performance due to growth, can determine the budgetary impact by using performance cost measurements created in prior and current years' cost accounting reports.

The use of program and performance measurements requires planning and performance evaluation on a departmental and program level. It also requires administration and supervisory personnel to make financial and operational commitments on a program level with budgeted performance costs.

Local entities are urged to adopt measurements and accumulate costs which can be consistently compared for prior years and projected for future years. Annual reporting of unit costs and comparison with prior years, budget objectives, similar entities, etc., can provide a whole new dimension of management decision making and of accountability reporting.

The recommended chart of accounts for each type of governmental unit can be added to in order to provide sub-accounts which can be used to identify specific projects, departmental sub-functions, operating cost centers or administrative areas of responsibility. This increased level of accounting can be handled without a great deal of additional time or cost for those governmental units utilizing a computer system. Smaller governmental units on a manual system can also maintain this greater level of detail but a significant increase in the time required to do the accounting may result.

Additional information on program and performance budgeting can be obtained from a government's independent auditor or from various books published on this topic.

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Reference: I. C. 01
Page: 1 of 1
Subject: Interim Financial Reports
Effective Date: 1 April 1986
Revision Date: 1 December 2006

As a matter of policy, the governing body of all governmental units should review the financial status and condition of that unit on a monthly basis. This is necessary for the governing board to (1) meet their fiduciary responsibilities, (2) to ensure that problems such as revenue shortfalls will be identified on a timely basis, and (3) to demonstrate that employees of the governmental unit are recording and accounting for all fiscal transactions on a timely basis.

The laws regarding interim financial reports vary by type and size of unit. However, most units are required to prepare some type of monthly or quarterly financial report. (See applicable section of manual for specific requirements of each type of unit.) In many cases, the monthly reports can be a summary of fiscal transactions and a detailed financial report is required on a quarterly basis.

The important concept to keep in mind regarding interim reports is that they need to reflect the same level of detail as the budget to ensure budgetary compliance.

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Reference: I. C. 02
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Subject: Financial Reporting Laws
Effective Date: 1 April 1986
Revision Date: 1 December 2006

The general audit and financial reporting laws pertaining to all governmental units or entities created by these units are found in *Utah Code* Sections 51-2a-201 through 51-2a-301. In general, all governmental units with revenues or expenditures of \$350,000 or more shall cause an audit to be made of its accounts by a competent certified public accountant.

Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues or expenditures of all funds is at least \$200,000 but less than \$350,000 shall cause a review to be made of its accounts by a certified public accountant.

Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues or expenditures of all funds is at least \$100,000 but less than \$200,000 shall cause a compilation to be made of its accounts by a certified public accountant.

Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues and expenditures of all funds is less than \$100,000 shall cause a fiscal report to be made on forms provided by the state auditor.

Forms and instructions for financial reports for towns under \$100,000 are contained in sections IV.D.03.01 and IV.D.03.02 and are also available from the State Auditor's Office. Forms and instructions for financial reports for special districts under \$100,000 are contained in section V.D.06 and are also available from the State Auditor's Office. The forms are also available on the State Auditor's web site at www.sao.utah.gov/resources/resources-lg.htm.

All expenditures of all funds should be included in this calculation, including capital expenditures in proprietary funds, etc. Also, all revenues of all funds should be included in the calculation, including bond proceeds, etc.

ACCOUNTING REPORTS FROM POLITICAL, SUBDIVISIONS, INTERLOCAL ORGANIZATIONS, AND OTHER LOCAL ENTITIES

ACCOUNTING REPORTS

51-2a-201. Accounting reports required.

- (1) The governing board of an entity whose revenues or expenditures of all funds is \$350,000 or more shall cause an audit to be made of its accounts by a competent certified public accountant.

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- (2) Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues or expenditures of all funds is at least \$200,000 but less than \$350,000 shall cause a review to be made of its accounts by a certified public accountant
- (3) Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues or expenditures of all funds is at least \$100,000 but less than \$200,000 shall cause a compilation to be made of its accounts by a certified public accountant.
- (4) Unless otherwise required by the state auditor under Section 51-2a-301, the governing board of an entity whose revenues and expenditures of all funds is less than \$100,000 shall cause a fiscal report to be made on forms provided by the state auditor.

51-2a-202. Reporting requirements.

- (1) The governing board of each entity required to have an audit, review, compilation, or fiscal report shall ensure that the audit, review, compilation, or fiscal report is:
 - (a) made at least annually; and
 - (b) filed with the state auditor within six months of the close of the fiscal year of the entity.
- (2) If the political subdivision, interlocal organization, or other local entity receives federal funding, the audit, review, or compilation shall be performed in accordance with both federal and state auditing requirements.

51-2a-203. Audit reports – Preservation

- (1) The governing body of each political subdivision and each interlocal organization or other local entity required to submit an accounting report shall:
 - (a) file and preserve all accounting reports; and
 - (b) file copies of all accounting reports with the state auditor.
- (2) Copies of the accounting reports are open to inspection during regular office hours by any interested persons, where the accounting reports are filed.
- (3) The state auditor shall have access to all accounting report work papers created under this chapter.

STATE AUDITOR DUTIES

51-2a-301. State auditor responsibilities.

- (1) Except for political subdivisions that do not receive or expend public funds, the state auditor shall adopt guidelines, qualifications criteria, and procurement procedures for use in the procurement of audit services for all entities that are required by Section 51-2a-201 to cause an accounting report to be made.
- (2) The state auditor shall follow the notice, hearing, and publication requirements of Title 63, Chapter 46a, Utah Administrative Rulemaking Act.

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- (3) The state auditor shall:
 - (a) review the accounting report submitted to him under Section 51-2a-201; and
 - (b) if necessary, conduct additional inquiries or examinations of financial statements of the entity submitting that information.
- (4) The governing board of each entity required by Section 51-2a-201 to submit an accounting report to the state auditor's office shall comply with the guidelines, criteria, and procedures established by the state auditor.
- (5) Each fifth year, the state auditor shall:
 - (a) review the dollar criteria established in Section 51-2a-201 to determine if they need to be increased or decreased; and
 - (b) if the auditor determines that they need to be increased or decreased, notify the Legislature of that need.
- (6)
 - (a) The state auditor may require a higher level of accounting report than is required under Section 51-2a-201.
 - (b) The state auditor shall:
 - (i) develop criteria under which a higher level of accounting report may be required; and
 - (ii) provide copies of those criteria to entities required to analyze and report under Section 51-2a-201.

PENALTIES FOR NONCOMPLIANCE

51-2A-401. Withholding allocated state funds from an entity that does not comply with the accounting report requirements.

- (1) The state auditor shall withhold allocated state funds sufficient to pay the cost of the accounting report from any political subdivision, interlocal organization, or other local entity that does not comply with the accounting report requirements of Section 51-2a-201.
- (2)
 - (a) If no allocated state funds are available for withholding, the local entity shall reimburse the state auditor for any cost incurred in completing the accounting reports required under Section 51-2a-402.
 - (b) The state auditor shall release the withheld funds when the accounting report requirements are not either voluntarily or by action under Section 51-2a.402.

51-2a-402. Accounting reports of entity not complying with the report requirements.

- (1) The statement auditor shall make, or shall cause an accounting report to be made, of any entity that does not comply with the accounting report requirements as provided in Title 51, Chapter 2a, Part 2, Accounting reports.
- (2) The state auditor shall contract with a licensed certified public accountant to complete the accounting report.

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51-2a-403. General Fund reimbursed for accounting report of nonappropriated activities – Amount of reimbursement

- (1) The General Fund shall be reimbursed by the entity for which an audit, review, or compilation are in whole or in part performed, whenever the state auditor or legislative auditor general is required by law or constitutional provision to perform that audit, review, or compilation or cause that audit, review, or compilation to be made for any office, department, division, board, agency, commission, council, authority, institution, hospital, school, college, university, or other instrumentality of the state or any of its political subdivisions for nonappropriated activities including associated students' accounts, auxiliary enterprise funds, nonprofit corporations, contracts with the federal government, federal grants-in-aid, and federal assistance programs.
- (2)
 - (a) The reimbursement amount shall be a pro rata share of that auditor's total cost, based upon a time-spent factor.
 - (b) An audit includes an audit of state-appropriated funds.
 - (i) If state-appropriated funds are not involved in the accounting report, the reimbursement may not be less than the average hourly cost of the operations of that auditor's office nor more than the average rate attainable from certified public accounting firms performing similar services for this state.
 - (ii) Reimbursement charges may be negotiated with that auditor's office within these limitations.

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Reference: I. C. 03
Page: 1 of 3
Subject: The Financial Reporting Entity
Effective Date: 1 October 1992
Revision Date: 1 December 2006

Many governments have created separate organizations to assist in accomplishing their goals; to achieve greater efficiency; to overcome constitutional or statutory limitations on debt, etc; or to provide autonomy over a particular function. Whatever the reason for creation of those separate organizations, comprehensive financial reporting from a public accountability perspective requires determining which of these organizations should be included as part of a financial reporting entity.

This broad-based notion of accountability by elected officials leads to the underlying concept of the governmental financial reporting entity: Governmental organizations are responsible to elected governing officials at the federal, state, or local level; therefore, financial reporting by a state or local government should report the elected officials' accountability for those organizations.

GASB Statement No. 14 establishes standards for defining and reporting on the financial reporting entity. It also establishes standards for reporting participation in joint ventures. It applies to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand alone governments; and it applies to the separately issued financial statements of governmental component units. In addition, this Statement should be applied to governmental and non governmental component units when they are included in a governmental financial reporting entity.

GASB Statement No. 14 has essentially three sections. The first section describes the financial reporting entity and provides standards for determining whether a potential component unit should be included in the reporting entity. The second section establishes standards for reporting component units in the reporting entity's financial statements. The third section describes the disclosures that should be made regarding component units and their relationship to the primary government.

WHO SHOULD BE REPORTED IN THE FINANCIAL REPORTING ENTITY:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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Subject: The Financial Reporting Entity
Effective Date: 1 October 1992
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A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval of the primary government.

HOW IT SHOULD BE REPORTED:

The financial statements of the reporting entity generally should allow the users to distinguish between the primary government and its component units. To accomplish this goal, the financial statements should generally communicate information about the component units and their relationships with the primary government rather than create the perception that the primary government and all of its component units are one legal entity.

Most component units should be included in the financial reporting entity by discrete presentation. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government. Certain information should be disclosed about each major component unit included in the component units column. The required information may be presented by using more than one column in the general purpose financial statements (GPFS) for the component units and either including appropriate combining statements for the discretely presented component units in the reporting entity's GPFS or presenting appropriate condensed financial statements of the discretely presented component unit in the notes to the reporting entity's financial statements.

Some component units, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government and should be reported as part of the primary government. That is, the component unit's balances and transactions should be reported in a manner similar to the balances and transactions of the primary government itself. This method of inclusion is known as blending.

REQUIRED DISCLOSURES:

The notes to the reporting entity's financial statements should distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units. The reporting entity's financial statements should make those component unit

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disclosures that are essential to fair presentation of the financial reporting entity's GPFS. The notes to the financial statements also should include a brief description of the component units and their relationships to the primary governments as well as information about how the separate financial statements of component units may be obtained.

GASB Statement No. 14 also requires disclosures about the entity's relationships with organizations other than component units, including related organizations, joint ventures, jointly governed organizations, and component units of another government with characteristics of a joint venture or jointly governed organization. The statement also provides financial display requirements for joint ventures in which the participating government has an equity interest.

COMPONENT UNIT REPORTING AND DISCLOSURES:

Blended Component Units - Generally, blended component units are not required to report separately by the State Auditor's Office.

Discretely Presented Component Units - A discretely presented component unit should acknowledge that it is a component by disclosing that fact in its own financial statements. That acknowledgment may be made on the cover of the report and/or in the auditor's opinion by stating the following:... XYZ District, a component unit of ABC County,....

In addition, the component unit in its financial statement note on the reporting entity should explain that in accordance with GASB Statement No. 14 the XYZ District has been determined to be a component unit of ABC County.

CHECKLIST:

The following subsection includes a checklist prepared by the State Auditor's Office that may be used in defining entity and evaluating potential component units. However, each entity should refer to GASB Statement No. 14 when determining the reporting entity.

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Potential Component Unit:		Year End:
Contact Name:		Title
Prepared By:		Reviewed By:
Date:	Date:	Date:
		Phone #:

INTRODUCTION

GASB Statements 14 & 39 establish standards for defining and reporting on the financial reporting entity. GASB 14 also establishes standards for reporting participation in joint ventures. These standards apply to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand-alone governments. They also apply to the separately issued financial statements of governmental component units. In addition, the Statement should be applied to governmental and nongovernmental component units (CU) when they are included in a governmental financial reporting entity.

The financial reporting entity consists of (a) the primary government (PG), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the PG are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A PG is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the PG. A PG may also be financially accountable for governmental organizations that are fiscally dependent on it.

A PG has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the PG (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Other organizations – Certain organizations warrant inclusion because of the nature and significance of their relationship with the PG. A legally separate, tax-exempt organization is a CU if all of the following criteria are met: a) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the PG, the PG's component units, or its constituents; 2) the PG, or its CU, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the PG is entitled to, or has the ability to otherwise access, are significant to the PG. In addition, other organizations should be evaluated for inclusion if they are closely related to, or financially integrated with, the PG.

Most CU's should be included in the financial reporting entity by discrete presentation. Some CU's, despite being legally separate from the PG, are so intertwined with the PG that they are, in substance, the same as the PG and should be reported as part of the PG by blended presentation.

There may be organizations that do not meet the definition for inclusion in the financial reporting entity. They should, nevertheless, be reported as a fiduciary fund of the primary government if the primary government has a fiduciary responsibility for them.

CONCLUSION (Check one)

This potential component unit should be reported (in the financial statements of the primary government) in the following manner:

- | | |
|---|---|
| <p>_____ - Excluded From Presentation</p> <p>_____ - Related Organization Footnote Disclosure</p> | <p>_____ - Reported as Part of the Primary Government (not as a CU)</p> <p>_____ - Blended with Primary Government (as a CU)</p> <p>_____ - Discrete Component Unit</p> |
|---|---|

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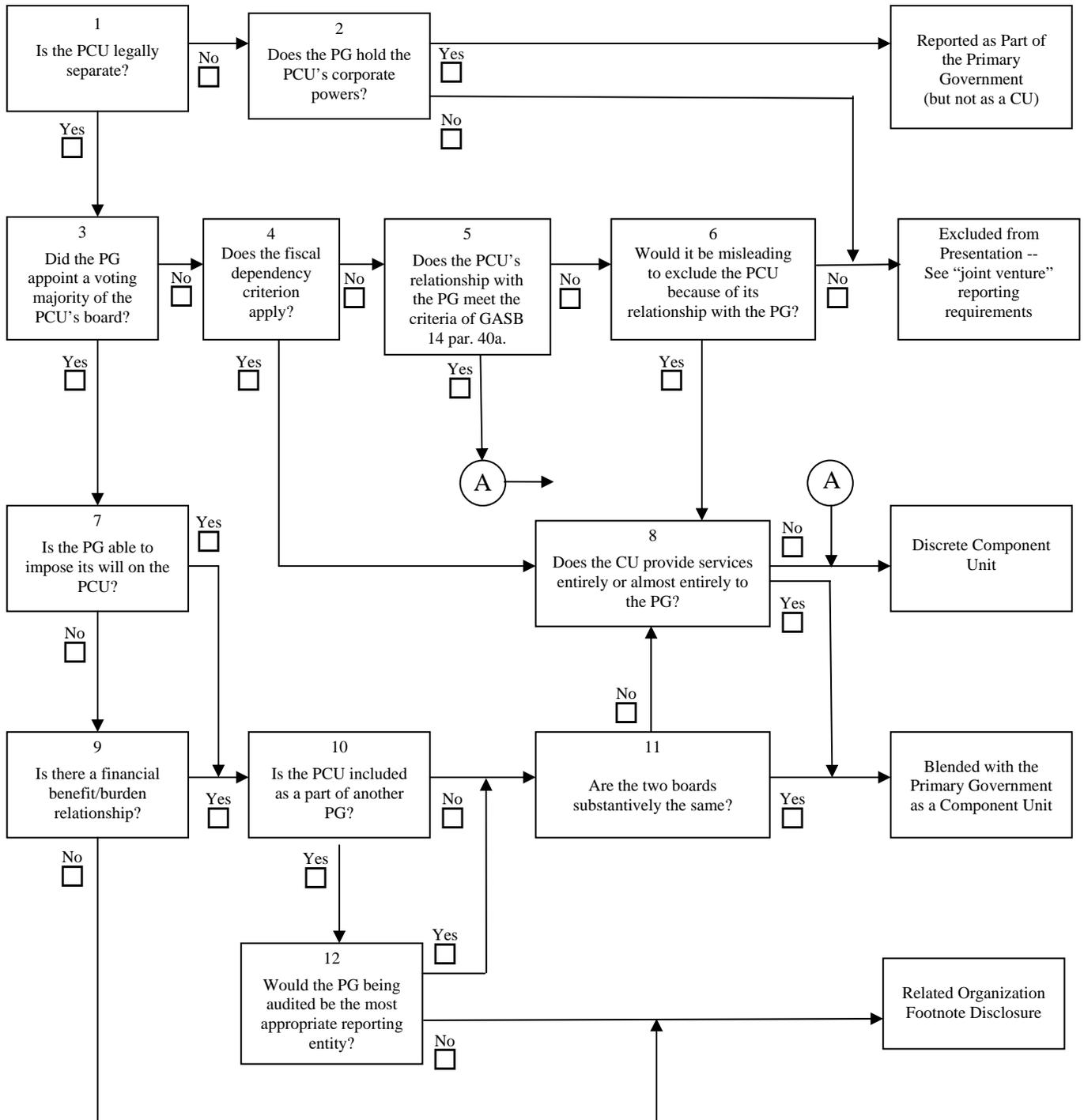
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FINANCIAL REPORTING ENTITY FLOWCHART

Check the appropriate boxes:



PCU - Potential Component Unit
PG - Primary Government

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FLOWCHART QUESTIONS

These questions correspond to the flowchart questions on the previous page. ¶ numbers refer to GASB Statement No. 14.

1. **Is the PCU legally separate? (¶15)** ___ Yes ___ No ___ N/A
If answer is "Yes," proceed to question #3., otherwise proceed to next question.

Consider:

Do either of these conditions exist? ___ Yes ___ No ___ N/A

- a. Per review of the (check as applicable) ___ corporate charter or ___ *Utah Code* (provide *Code* reference _____), the PCU was created as a "body corporate" or a "body corporate and politic."
- b. The PCU possesses the corporate powers that would distinguish it as being legally separate from the PG. [See description of "corporate powers" in question #2. below.]

Explanations:

2. **Does the PG hold the PCU's corporate powers? (¶15)** ___ Yes ___ No ___ N/A
If answer is "Yes," proceed to page #1 of this form and conclude.

Consider:

Corporate powers generally give an organization the capacity to have a name; the right to sue and to be sued in its own name without recourse to a state or local governmental unit; and the right to buy, sell, lease, and mortgage property in its own name.

Explanations:

3. **Did the PG appoint a voting majority of the PCU's board (¶22-24)** ___ Yes ___ No ___ N/A
If answer is "Yes," proceed to question #7., otherwise proceed to next question.

Consider:

Do all of the following conditions exist? ___ Yes ___ No ___ N/A

- a. The PG appoints a controlling majority of the PCU's governing board.
- b. The legal provisions for appointment of the PCU's officials provide for continued appointment authority, or if not, the PG has the ability to unilaterally abolish the PCU.
- c. The PG's appointment authority is substantive and not severely limited by a nominating or confirming process.

Explanations:

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4. **Does the fiscal dependency criterion apply? (§16-18, 21b)** ___ Yes ___ No ___ N/A
If answer is "Yes," proceed to question #8., otherwise proceed to next question.

Consider:

- a. Does the PG have substantive authority to do any of the following: ___ Yes ___ No ___ N/A
- 1) Approve and modify the PCU's budget.
 - 2) Approve the PCU's tax rates or other rates or charges.
 - 3) Approve the PCU's issuance of bonded debt, if it is legal to issue bonded debt.
- b. PCU dependence upon PG funding is not considered when answering this question. However, this may be considered in answering question #6.

Explanations:

5. **Does the PCU's relationship with the PG meet the criteria of §40a?** ___ Yes ___ No ___ N/A
If answer is "Yes," the PCU should be included as a discrete component unit. If answer is "No," proceed to question #6.

GASB 14 §40a Criteria to Consider:

Is the PCU a tax exempt organization that meets all of the following:

- 1) The economic resources received or held by the PCU are entirely or almost entirely for the direct benefit of the PG, its component units, or its constituents. ___ Yes ___ No ___ N/A

- 2) The PG, or its CU, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the PCU. The ability to otherwise access the resources of an organization does not necessarily imply control over that organization's resources; rather it entails a broader concept. As noted in paragraph 29 of Statement 14, the ability to access the resources of an organization – not necessarily whether there was an actual transaction during the period – is the important factor for determining when a primary government is entitled to an organization's resources. A PG's ability to otherwise access may be demonstrated in several ways. For example, the PG or its CU historically may have received, directly or indirectly, a majority of the economic resources provided by the organization, the PCU previously may have received and honored requests to provide resources to the PG, or the PCU is a financially interrelated organization, a recipient organization that has a duty to hold and manage assets for the benefit of the PG or its CU in accordance with a charitable trust agreement, as defined by FASB Statement No. 136. ___ Yes ___ No ___ N/A

- 3) The economic resources received or held by the PCU that the PG, or its component unit, is entitled to, or has the ability to otherwise access, are significant to the PG. ___ Yes ___ No ___ N/A

Explanations:

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6. **Would it be misleading to exclude the PCU because of its relationship with the PG? (§39-41)** ___ Yes ___ No ___ N/A

If answer is "Yes," proceed to question #8., otherwise proceed to page #1 of this form and conclude. Also, if answer is "No," consider the joint venture reporting requirements in ¶69-78.

Consider:

- a. Is the nature and significance of the relationship between the PCU and the PG such that exclusion from the financial reporting entity would render the PG's financial statements incomplete or misleading? ___ Yes ___ No ___ N/A
- b. Some specific criteria that may be considered include the following:
 - 1) Was the PCU created to provide temporary fiscal assistance to a PG? ___ Yes ___ No ___ N/A
 - 2) Does the PCU issue debt on behalf of the PG and collect dedicated revenues to pay off the PG's debt? ___ Yes ___ No ___ N/A
 - 3) Does the temporary nature of the PCU emphasize that the debt and revenues are, in substance, the debt and revenues of the PG? ___ Yes ___ No ___ N/A
 - 4) Is the PCU so closely related to or so financially integrated with the PG that it would be misleading to exclude? ___ Yes ___ No ___ N/A

Explanations:

7. **Is the PG able to impose its will on the PCU? (§25-26)** ___ Yes ___ No ___ N/A

If answer is "Yes," proceed to question #10., otherwise proceed to question #9.

Consider:

- a. Does the PG have the ability to do any of the following: ___ Yes ___ No ___ N/A
 - 1) Remove appointed members of the PCU's board at will?
 - 2) Modify or approve the budget of the PCU?
 - 3) Modify or approve rate or fee changes affecting revenues?
 - 4) Veto, overrule, or modify the decisions (other than those in 2) and 3) above) of the PCU's governing body?
 - 5) Appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the PCU?
- b. This criterion is based on the PG's ability or authority, not necessarily the demonstrated ability, to impose its will on the PCU.
- c. Other conditions may also indicate that a PG has the ability to impose its will on a PCU.

Explanations:

8. **Does the component unit provide services entirely or almost entirely to the PG? (§53b)** ___ Yes ___ No ___ N/A

If answer is "Yes," proceed to page #1 of this form and conclude.

Consider:

- Do either of these conditions exist? ___ Yes ___ No ___ N/A
- a. [Direct Services] The PCU provides direct services entirely, or almost entirely, to the PG.

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- b. [Exclusive, indirect benefit] The PCU provides services exclusively, or almost exclusively, which benefit the PG even though the PCU does not provide the services directly to the PG?

Explanations:

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9. **Is there a financial benefit/burden relationship? (§27-33)** _____ Yes _____ No _____ N/A
If answer is "No," proceed to page #1 of this form and conclude; otherwise, proceed to next question.

Consider:

Do any of the following conditions exist, either directly or indirectly, for the PG or for any of the PG's component units? (A transaction did not have to occur in order to meet any of the following.) _____ Yes _____ No _____ N/A

- a. Legally entitled to or can otherwise access the PCU's resources (other than a residual interest in the event of a dissolution).
- b. Legally obligated, or has otherwise assumed the obligation, to finance the deficits of the PCU.
- c. Legally obligated, or has otherwise assumed the obligation, to provide financial support to the PCU.
- d. Obligated "in some manner" for the debt of the PCU. (Any of the following conditions would indicate that a PG is obligated "in some manner.")
 - 1) The PG is legally obligated to honor deficiencies to the extent that proceeds from other default remedies are insufficient.
 - 2) The PG is required to temporarily cover deficiencies with its own resources until funds from the primary repayment source or other default remedies are available.
 - 3) The PG is required to provide funding for reserves maintained by the debtor PCU, or to establish its own reserve or guarantee fund for the debt.
 - 4) The PG is authorized to provide funding for reserves maintained by the debtor PCU or to establish its own reserve or guarantee fund and the PG establishes such a fund. (If a fund is not established, the considerations in 6) and 7) below may nevertheless provide evidence that the PG is obligated "in some manner.")
 - 5) The PG is authorized to provide financing for a fund maintained by the debtor PCU for the purpose of purchasing or redeeming the PCU's debt, or to establish a similar fund of its own, and the PG establishes such a fund. (If a fund is not established, the considerations in 6) and 7) may nevertheless provide evidence that the PG is obligated "in some manner.")
 - 6) The debtor PCU explicitly indicates by contract, such as the bond agreement or offering statement, that in the event of default the PG may cover deficiencies although it has no legal obligation to do so. That is, the bond offering statement may specifically refer to a law that authorizes the PG to include an appropriation in its budget to provide funds, if necessary, to honor the debt of the PCU.
 - 7) Legal decisions within the state or previous actions by the PG related to actual or potential defaults on another organization's debt make it probable that the PG will assume responsibility for the debt in the event of default.

Explanations:

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10. **Is the PCU included as a part of another PG? (§38)** ___ Yes ___ No ___ N/A
If answer is "Yes," proceed to question #12., otherwise proceed to next question.

Consider:

In some instances, the financial accountability criteria indicate that a PCU is a component unit of a particular PG. However, that PCU may also be fiscally dependent on another state or local government. However, a PCU should be included as a component unit of only one reporting entity.

Explanations:

11. **Are the two boards substantively the same? (§53a)** ___ Yes ___ No ___ N/A
If answer is "No," proceed to question #8., otherwise proceed to page #1 of this form and conclude.

Consider:

"Substantively the same" means sufficient representation of the PG's entire governing body on the component unit's governing body to allow complete control of the component unit's activities. This criterion will rarely, if ever, apply to a state government because of the impracticality of providing sufficient representation of the state's entire governing body.

Explanations:

12. **Would this PG be the most appropriate reporting entity? (§38)** ___ Yes ___ No ___ N/A
If answer is "Yes," proceed to question #11., otherwise proceed to page #1 of this form and conclude.

Consider:

Professional judgment should be used to determine the most appropriate entity. Usually, fiscal dependency on a local government, not the financial burden on the state created by legislatively established aid distribution formulas, should govern in determining the appropriate reporting entity of school districts.

Explanations:

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Utah Code Section 51-2-1(3) requires audits to be “performed and financial statements presented in accordance with generally-accepted auditing standards and accounting principles and procedures adopted by recognized authoritative bodies...” Generally accepted accounting principles (GAAP), including financial reporting requirements for state and local governments, are currently established by the Governmental Accounting Standards Board (GASB). Copies of the GASB Codification and GASB standards as they are issued should be obtained by local governmental fiscal officers and by independent auditors performing audits of local governmental units.

Copies of the current GASB Codification text can be obtained from:

Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
(203) 847-0700 ext. 10

The GASB has a subscription service which provides the subscriber with all past publications and future publications as they are issued. A complete Illustrative Comprehensive Annual Financial Report (CAFR) is presented on page 505 of GFOA’s *Governmental Accounting, Auditing and Financial Reporting* (2005 Edition). The governmental unit and the independent auditor should be aware that a complete comprehensive annual financial report, as illustrated, while beneficial to medium and larger governmental units, is not required to meet GAAP reporting requirements. Rather, the report must contain Management’s Discussion and Analysis, the basic financial statements, including government-wide and final financial statements, footnotes, Required Supplemental Information, and the combining and individual statements and schedules, as necessary, to support the financial statements and provide a sufficient level of detail for management purposes.

The state’s primary emphasis in financial reporting of local governmental unit is to ensure that reports are presented in accordance with GAAP. During 1989 however, the legislature felt the need to more closely monitor the expenditure of government funds and amended the audit requirements of *Utah Code*.

The Law now requires the filing of financial reports with the State Auditor by all nonprofit corporations that receive at least 50% of their funds from federal, state, or local government entities as a condition for receiving such aid.

The Law also requires the State Auditor to establish guidelines, qualifications criteria, and audit procurement procedures for all entities that file financial reports. This is accomplished, in part, by the issuance of official rules dealing with auditor qualifications and audit procurement. The complete text of the adopted rules are included in this manual in I.C.04.01.

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Finally, the Law requires that each audit report include three additional documents: (1) a statement by the auditor expressing positive assurance of compliance with State fiscal laws identified by the State Auditor, (2) a copy of the auditor's letter to management that identifies any material weaknesses in internal controls discovered by the auditor and other financial issues related to the expenditure of funds received from federal, state, or local governments; and (3) management's response to the specific recommendations.

All audits of local governments and nonprofit corporations required by *Utah Code* Section 51-2a-102 to have audits, must be conducted in accordance with *Government Auditing Standards* issued by the U.S. General Accounting Office. These standards include the following requirements in addition to those required by generally accepted auditing standards:

- (1) The persons conducting the audit must meet certain continuing professional education (CPE) and quality review requirements.
- (2) Audit reports must include an auditor's report on internal control and an auditors report on compliance.

In addition to these basic requirements, the state has a number of special purpose requirements relating to financial reporting and auditing. For instance the county reports should contain a Treasurer's Settlement Statement. (See II.D.05) Cities, towns, counties and special districts are required to provide additional reporting in their financial reports when they collect impact fees. (See *Utah Code* Sections 10-5-129; 10-6-150; 17-36-37; and 17a-1-4)

In an effort to help local government auditor's monitor the use of state funds, the State Auditor's Office has issued a *Legal Compliance Audit Guide* which outlines the basic compliance audit requirements imposed by the laws passed by the 1989 Legislature. The audit guide contains a general compliance section covering areas such as public debt, purchasing requirements, justice court compliance and also a section containing specifics on numerous major state grants distributed through and administered by state departments. This audit guide has been distributed to all independent CPAs performing government audit work in the state of Utah. Any firm entering into government auditing service may refer to this manual by accessing the state auditor's web site at <http://www.sao.utah.gov/sulcag/index2006.htm>.

Federal Grants - Federal grants require the State to monitor the expenditure of grant funds, which includes the audit of the expenditures. The independent auditors for local governmental units perform most audit effort necessary on these grants. As noted in the "Single Audit Concepts and Requirements" section of this part of the manual, major compliance features of these grants have been identified by the Federal Office of Management and Budget. By auditing these grants to ensure compliance with these features, the independent auditor can satisfy state and federal audit requirements. (See section I.C.06 for additional information.)

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R123-5 Audit Requirements for Audits of Political Subdivisions and Nonprofit Organizations

R123-5-1 Authority

1. As required by Section 51-2a-201, this rule provides the guidelines, qualifications criteria, and procurement procedures for audits required to be made by Section 51-2a-202.

R123-5-2 Definitions

1. "Auditor" means a certified public accountant licensed to conduct audits in the state and includes any certified public accountant firm as defined by Section 58-26a-102.
2. "Political subdivision" means all cities, counties, school districts, special districts, interlocal organizations, and any other entity established by a local governmental unit that receives tax exempt status for bonding or taxing purposes.
3. "Nonprofit organization" means any corporation created under *Utah Code* Chapter 16-6a.

R123-5-3 Audit Standards and Requirements

1. The audits of all entities required to have an audit made by Section 51-2a-102 and 202 shall be performed in accordance with Government Auditing Standards most recently published and issued by the Comptroller General of the United States.
2. The State Auditor shall adopt and maintain a legal compliance audit guide containing those fiscal laws and compliance requirements for state funds distributed to, and expended by, political subdivisions and non-profit organizations. This legal compliance audit guide may specify:
 - a. which grants and programs shall be considered major grants, and the compliance requirements which must be tested by the auditor,
 - b. the general compliance requirements applicable to all political subdivisions, and the audit requirements applicable to general compliance requirements,
 - c. the format for the auditor's statement expressing positive assurance with state fiscal laws identified by the State Auditor, and
 - d. those items related to internal controls and other financial issues which shall be included in the auditor's letter to management that must be filed with the audited financial statements.
3. The audits of all entities required to have an audit made by Section 51-2a-102 & 202, shall be performed in accordance with the legal compliance audit guide maintained by the State Auditor.

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R123-5-4 Audit Procurement

The decision to retain an entity's auditor rests with the governing body of the entity. However, the auditor performing the audit must meet the peer review and continuing education requirements of Government Auditing Standards issued by the Comptroller General of the United States. If the governing body rebids the audit of its financial statements, it shall comply with the following audit procurement requirements:

- a. Proposals will be obtained from any interested and qualified certified public accountant licensed to perform audits in the state which may include the auditor currently performing the entity's audit. Notice may be given to potential auditors either through invitation or by notice published in a newspaper of general circulation. To promote competition it is recommended that at least three auditors be invited to participate in bidding for the audit.
- b. The entity shall distribute a "request for proposal" to all auditors who meet the qualification criteria set by the procuring organization interested in bidding for the audit. As a minimum, the request for proposal shall contain the following:
 - (i) the name and address of the entity requesting the audit and its designated contact person,
 - (ii) the entity to be audited, the scope of services to be provided, and specific reports, etc. to be delivered,
 - (iii) the period to be audited,
 - (iv) the format in which the proposals should be prepared,
 - (v) the date and time proposals are due, and
 - (vi) the criteria to be used in evaluating the bid.
- c. The entity may select the auditor or audit firm that the governing body desires to perform its audit and may reject any bid.

R123-5-5 Responsibility for Audit Quality

1. The governing body of each political subdivision is responsible to ensure that the political subdivision obtains a quality audit of its financial records.
2. The governing body may appoint an audit committee with the responsibility of making recommendations to the governing body for selection of an auditor, ensuring that the auditor meets qualification requirements, and ensuring that the auditor complies with professional standards.
3. If the governing body appoints a separate audit committee, then the governing body shall review the recommendations of the audit committee and make the selection of the auditor.
4. The audit committee will report its assessment of the auditor's compliance with professional standards to the governing body.
5. The auditor shall report the results of the audit to the governing body.
6. The governing body shall respond to the specific recommendations included in the auditor's letter to management. This response shall be remitted with the audited financial statements to the state auditor.

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The primary purpose of a governmental body is to provide the services its citizens require within the framework of controls established by laws. A significant aspect of the governmental audit, therefore, is to ascertain whether, in obtaining and expending public funds, the unit is in compliance with the applicable statutes.

GASB Codification Section 2300 requires notes to the financial statements:

...essential to fair presentation, including disclosures of material violations of finance-related legal and contractual provisions and other important matters that are not apparent from the face of the financial statements.

In 1996, Congress amended the Single Audit Act to respond to recommendations made by the President's Council on Integrity & Efficiency, the GAO, OMB, and other professional groups. Under the modified Single Audit Act of 1996, entities are required to have a Single Audit whenever federal expenditures equal or exceed \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) in a fiscal year. There are no federal audit requirements for entities with federal expenditures less than \$300,000. (\$500,000 for fiscal years ending after December 31, 2003)

See the single audit section (I.C.06) for additional compliance reporting requirements for audits of governmental units receiving federal funds.

The necessary audit disclosures for these finance-related legal and contractual compliance requirements as set forth by the AICPA are discussed in the AICPA industry audit guide. Independent auditors should review this section carefully as they plan and report on their audits of local governmental units. Also, other authoritative professional publications, such as SASs 54 and 74, need to be considered by independent auditors as they review their compliance reporting responsibilities.

The State Auditor has broad responsibilities to monitor local governmental units to help ensure compliance with Utah State fiscal laws. This monitoring of uniform accounting, budgeting and financial reporting is accomplished in a large degree by the State Auditor's review of annual audited financial statements. It is important that independent auditor's disclose noncompliance with state and federal laws to assist the State Auditor's Office in identifying those areas where additional training, assistance, or guidance may be required by local units. This monitoring and assistance benefits both the taxpaying public and governmental officials.

Accordingly, the following reporting of non-compliance with finance-related legal and contractual provisions should be made. Material violations should be reported by the governmental entity in the notes to the financial statements and by the independent auditor in the management letter or audit opinion, as appropriate. The management letter should also contain areas of non-compliance that the independent auditor is aware of, even though in his opinion, they are not material enough to require financial statement disclosure. *Utah Code 51-2-3* requires that, in addition to the management letter, the audit report contain

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a statement of positive assurance of compliance with state fiscal laws identified by the state auditor. That Code Section also requires management to respond to the specific recommendations made by the auditor. *The State of Utah Legal Compliance Audit Guide* issued by the State Auditor's Office identifies specific compliance requirements for the state funds received by the local governments.

The Report on State Legal Compliance, management letter, and response should be sent to the State Auditor's Office along with the annual audit report in accordance with State law.

These management letters will then be used by the State Auditor's Office to identify those governmental units that need individual assistance and also to identify those areas where additional training or guidance is required. In addition to the assistance provided to local governmental officials, this process should assist the independent auditors in maintaining a professional working relationship with their governmental clients while helping ensure that necessary changes are made by governmental officials.

To assist local governments in becoming more aware of some of the finance-related legal and contractual provisions as set forth in the *Utah Code*, a summary of some of the general compliance requirements is provided here. These laws are in addition to those provided in the Fiscal Procedures Acts for Cities, Counties, and Special Districts. The Fiscal Procedures Acts are presented both in summary form and full text form within the appropriate sections of the manual. Also, particular attention should be given to the budgetary procedures part of the appropriate sections.

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State Allocated Road Funds

Legislative changes have attempted to simplify and clarify the requirements and procedures for the use of state allocated Class B & C road funds. The compliance audit responsibility to ensure that these funds are appropriately spent should be met by the governmental units' independent auditors. While the Utah Department of Transportation (UDOT) may visit a city or county to verify the reports submitted to them or to collect other information necessary for a federal report, they rely primarily upon the independent auditor for compliance verification.

Section 72-3-103 to 110, 72-6-108 to 110 and 72-7-106 of the *Utah Code* set forth the requirements for the use of these funds. The independent auditor may also want to refer to *Regulations Governing Class B & C Road Funds*, which is published by UDOT. These rules and regulations are available from UDOT at 4501 South 2700 West, SLC, Utah 84119 or a copy should be available in the city or county being audited. Questions regarding this area should be directed to Brett Hadley or Kevin Anderson of UDOT at 965-4366 or 964-4542 respectively. The independent auditors should disclose non compliance with these statutes in a management letter as set forth in the section of this manual entitled "GAAP and State Reporting Requirements".

72-3-103. County roads – Class B roads – Construction and maintenance by counties.

- (1) County roads comprise all public highways, roads, and streets within the state that:
 - (a) are situated outside of incorporated municipalities and not designated as state highways;
 - (b) have been designated as county roads; or
 - (c) are located on property under the control of a federal agency and constructed or maintained by the county under agreement with the appropriate federal agency.
- (2) County roads are class B roads.
- (3) The state and county have joint undivided interest in the title to all rights-of-way for all county roads.
- (4) The county governing body exercises sole jurisdiction and control of county roads within the county.
- (5) The county shall construct and maintain each county road using funds made available for that purpose.
- (6) The county legislative body may expend funds allocated to each county from the Transportation Fund under rules made by the department.
- (7) A county legislative body may use any portion of the class B road funds provided by this chapter for the construction and maintenance of class A state roads by cooperative agreement with the department.
- (8) A county may enter into agreements with the appropriate federal agency for the use of federal funds to construct, improve, or maintain county roads within or partly within national forests.

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72-3-104. City streets – Class C roads – Construction and maintenance.

- (1) City streets comprise:
 - (a) Highways, roads, and streets within the corporate limits of the municipalities that are not designated as class A state roads or as class B roads; and
 - (b) Those highways, roads, and streets located within a national forest and constructed or maintained by the municipality under agreement with the appropriate federal agency.
- (2) City streets are class C roads.
- (3) Except for city streets within counties of the first and second class as defined in Section 17-50-501, the state and city have joint undivided interest in the title to all rights-of-way for all city streets.
- (4) The municipal governing body exercises sole jurisdiction and control of the city streets within the municipality.
- (5) The department shall cooperate with the municipal legislative body in the construction and maintenance of the class C roads within each municipality.
- (6) The municipal legislative body shall expend or cause to be expended upon the class C roads the funds allocated to each municipality from the Transportation Fund under rules made by the department.
- (7) Any town or city in the third, fourth, or fifth class may:
 - (a) contract with the county or the department for the construction and maintenance of class C roads within its corporate limits; or
 - (b) transfer, with the consent of the county, its:
 - (i) class C roads to the class B road system; and
 - (ii) funds allocated from the Transportation Fund to the municipality to the county legislative body for use upon the transferred class C roads.
- (8) A municipal legislative body of any city of the third, fourth, or fifth class may use any portion of the class C road funds allocated to the municipality for the construction of sidewalks, curbs, and gutters on class A state roads within the municipal limits by cooperative agreement with the department.

72-3-105. Class D roads – Maps to be prepared by county – Indication of roads.

- (1) As used in this section, “class D road” means any road, way or other land surface route that has been or is established by use or constructed and has been maintained to provide for usage by the public for vehicles with four or more wheels that is not a class A, class B, or class C road under this title.
- (2) Each class D road is part of the highway and road system within the state with the same force and effect as if the class D road had been included within this system upon its being first established or constructed.
- (3) The state and county have joint undivided interest in the title to all rights-of-way for class D roads.
- (4) The county governing body exercises sole jurisdiction and control of class D roads within the county.
- (5) Each county shall prepare maps showing to the best of its ability the class D roads within its boundaries which were in existence as of October 21, 1976. Preparation of these maps may be done by the county itself or through any multi-county planning district in which the county participates.
- (6) Any class D road which is established or constructed after October 21, 1976, shall be reflected on maps prepared as provided in Subsection (5).
- (7) The county shall provide a copy of any map under Subsection (5) or (6) upon completion to the

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department.

- (8) The department shall scribe each road shown on its own county map series. The department is not responsible for the validity of any class D road and is not responsible for its being inventoried. The department shall also keep on file an historical map record of the roads as provided by the counties.

72-3-106. Actions to determine priority of use of public roads.

- (1) The county attorney under the direction of the county legislative body shall determine a priority of public use of all county roads.
- (2) This action may be instigated by the written request of ten taxpayers of the county to the county legislative body.
- (3) The county legislative body shall request the county attorney to instigate action within a reasonable length of time.

72-3-107. County executive to keep plats of roads and highways.

- (1) The county executive of each county shall determine all county roads existing in the county and prepare and keep current plats and specific descriptions of the county roads.
- (2) The plats and specific descriptions shall be kept on file in the office of the county clerk or recorder.

72-3-108. County roads – Vacation and narrowing.

- (1) A county may, by ordinance, vacate, narrow, or change the name of a county road without petition or after petition by a property owner.
- (2) A county may not vacate a county road unless notice of the hearing is:
 - (a) published in a newspaper of general circulation in the county once a week for four consecutive weeks prior to the hearing, or
 - (b) posted in three public places for four consecutive weeks prior to the hearing; and
 - (c) mailed to the department and all owners of property abutting the county road.
- (3) The right-of-way and easements, if any, of a property owner and the franchise rights of any public utility may not be impaired by vacating or narrowing a county road.
- (4) Except as provided in Section 72-5-305, if a county vacates a county road, the state's right-of-way interest in the county road is also vacated.

72-3-109. Division of responsibility with respect to state highways in cities and towns.

- (1) Except as provided in Subsection (3), the jurisdiction and responsibility of the department and the municipalities for state highways within municipalities is as follows:
 - (a) The department has jurisdiction over and is responsible for the construction and maintenance of:
 - (i) The portion of the state highway located between the back of the curb on either side of the state highway; or
 - (ii) If there is no curb, the traveled way, its contiguous shoulders, and appurtenances.
 - (b) The department may widen or improve state highways within municipalities.

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- (c) (i) A municipality has jurisdiction over all other portions of the right-of-way and is responsible for construction and maintenance of the right-of-way.
- (ii) If a municipality grants permission for the installation of any pole, pipeline, conduit, sewer, ditch, culvert, billboard, advertising sign, or any other structure or object of any kind or character within the portion of the right-of-way under its jurisdiction:
 - (A) the permission shall contain the condition that any installation will be removed from the right-of-way at the request of the municipality, and
 - (B) the municipality shall cause any installation to be removed at the request of the department when the department finds the removal necessary:
 - (I) to eliminate a hazard to traffic safety;
 - (II) for the construction and maintenance of the state highway; or
 - (III) to meet the requirements of federal regulations.
- (d) If it is necessary that a utility, as defined in Section 72-6-116, be relocated, reimbursement shall be made for the relocation as provided for in Section 72-6-116.
- (e) (i) The department shall construct curbs, gutters, and sidewalks on the state highways if necessary for the proper control of traffic, driveway entrances, or drainage.
- (ii) If a state highway is widened or altered and existing curbs, gutters, or sidewalks are removed, the department shall replace the curbs, gutters, or sidewalks.
- (f) The department may furnish and install street lighting systems for state highways, but their operation and maintenance of the state highways, the cost of the storm sewer facilities shall be borne by the state and the municipality in a proportion mutually agreed upon between the department and the municipality.
- (g) If new storm sewer facilities are necessary in the construction and maintenance of the state highways, the cost of the storm sewer facilities shall be borne by the state and the municipality in a proportion mutually agreed upon between the department and the municipality.
- (2) (a) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the department shall make rules governing the location and construction of approach roads and driveways entering the state highway. The rules shall:
 - (i) include criteria for the design, location and spacing of approach roads and driveways based on the functional classification of the adjacent highway, including the urban or rural nature of the area,
 - (ii) be consistent with the "Manual on Uniform Traffic Control Devices" and the model access management policy or ordinance developed by the department under Subsection 72-2-117(9);
 - (iii) include procedures for:
 - (A) the application and review of a permit for approach roads and driveways including review of related site plans that have been recommended according to local ordinances; and
 - (B) approving, modifying, denying, or appealing the modification or denial of a permit for approach roads and driveways within 45 days of receipt of the application; and

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- (iv) require written justifications for modifying or denying a permit.
 - (b) The department may delegate the administration of the rules to the highway authorities of a municipality.
 - (c) In accordance with this section and Section 72-7-104, an approach road or driveway may not be constructed on a state highway without a permit issued under this section.
- (2) The department has jurisdiction and control over the entire right-of-way of interstate highways within municipalities and is responsible for the construction, maintenance, and regulation of the interstate highways within municipalities.

72-3-110. Proposal to bypass or provide alternate route through city or town -- Notice and hearing required.

- (1) Whenever the department proposes to construct a highway bypassing any city or town, or to provide an alternate route through or outside any city or town, the commission shall notify the governing officials of the city or town and hold a public hearing, on a date set, for the purpose of advising the citizens of the city or town of the reason or reasons for the highway proposed to be constructed.
- (2) The hearing shall be held within the city or town to be bypassed, except that if the highway proposed will bypass or provide an alternate route through or outside of several cities or towns located within close proximity to each other, the commission may combine the hearings and hold them in one city or town centrally and conveniently located to the others at which time each city and town shall be given ample opportunity to be heard.
- (3) Subsequent to the hearing, the commission shall notify in writing the officials of the city or town, or of each of the cities or towns if the hearings are combined, of the decision reached as a result of the hearing within ten days from the time the decision is reached.

72-6-108. Class B and C roads -- Improvement projects -- Contracts -- Retainage.

- (1) A county executive for class B roads and the municipal executive for class C roads shall cause plans, specifications, and estimates to be made prior to the construction of any improvement project, as defined in Section 72-6-109, on a class B or C road if the estimated cost for any one project exceeds the bid limit as defined in Section 72-6-109 for labor, equipment, and materials
- (2)
 - (a) All projects in excess of the bid limit shall be performed under contract to be let to the lowest responsible bidder.
 - (b) If the estimated cost of the improvement project exceeds the bid limit for labor, equipment, and materials, the project may not be divided to permit the construction in parts, unless each part is done by contract.
- (3) The advertisement on bids shall be published in a newspaper of general circulation in the county in which the work is to be performed at least once a week for three consecutive weeks. If there is no newspaper of general circulation, the notice shall be posted for at least 20 days in at least five public places in the county.

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- (4) The county or municipal executive or their designee shall receive sealed bids and open the bids at the time and place designated in the advertisement. The county or municipal executive or their designee may then award the contract but may reject any and all bids.
- (5) The person, firm, or corporation that is awarded a contract under this section is subject to the provisions of Title 63, Chapter 56, Utah Procurement Code.
- (6) If any payment on a contract with a private contractor for construction or improvement of a class B or C road is retained or withheld, the payment shall be retained or withheld and released as provided in Section 13-8-5.

72-6-109. Class B and C roads -- Construction and maintenance -- Definitions -- Estimates lower than bids -- Accountability.

- (1) As used in this section and Section 72-6-108
 - (a) "Bid limit" means
 - (i) for the year 2003, \$125,000; and
 - (ii) for each year after 2003, the amount of the bid limit for the previous year, plus an amount calculated by multiplying the amount of the bid limit for the previous year by the lesser of 3% or the actual percent change in the Consumer Price Index during the previous calendar year
 - (b) "Consumer Price Index" means the Consumer Price Index for All Urban Consumers as published by the Bureau of Labor Statistics of the United States Department of Labor.
 - (c) (i) "Construction" means the work that would apply to
 - (A) any new roadbed either by addition to existing systems or relocation;
 - (B) resurfacing of existing roadways with more than two inches of bituminous pavement; or
 - (C) new structures or replacement of existing structures, except the replacement of drainage culverts.
 - (ii) "Construction" does not include maintenance, emergency repairs, or the installation of traffic control devices as described in Section 41-6a-301.
 - (d) "Improvement project" means construction and maintenance as defined in this section except for that maintenance excluded under Subsection (2).
 - (e) "Maintenance" means the keeping of a road facility in a safe and usable condition to which it was constructed or improved, and includes:
 - (i) the reworking of an existing surface by the application of up to and including two inches of bituminous pavement;
 - (ii) the installation or replacement of guardrails, seal coats, and culverts;
 - (iii) the grading or widening of an existing unpaved road or flattening of shoulders or side slopes to meet current width and safety standards; and
 - (iv) horizontal or vertical alignment changes necessary to bring an existing road in compliance with current safety standards.
 - (f) "Project" means the performance of a clearly identifiable group of associated road construction activities or the same type of maintenance process, where the construction or maintenance is performed on any one class B or C road, within a half-mile proximity and occurs within the same calendar year.

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- (2) The following types of maintenance work are not subject to the contract or bid limit requirements of this section:
- (a) the repair of less than the entire surface by crack sealing or patching; and
 - (b) road repairs incidental to the installation, replacement, or repair of water mains, sewers, drainage pipes, culverts, or curbs and gutters
- (3) (a) (i) If the estimates of a qualified engineer referred to in Section 72-6-108 are substantially lower than any responsible bid received or in the event no bids are received, the county or municipality may perform the work by force account
- (ii) In no event shall "substantially lower" mean estimates that are less than 10% below the lowest responsible bid.
- (b) If a county or municipality performs an improvement project by force account, it shall
- (i) provide an accounting of the costs and expenditures of the improvement including material, labor, and direct equipment costs to be calculated using the Cost Reference Guide for Construction Equipment by Dataquest Inc.;
 - (ii) disclose the costs and expenditures to any person upon request and allow the person to make a copy and pay for the actual cost of the copy; and
 - (iii) perform the work using the same specifications and standards that would apply to a private contractor.

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Reference: I. C.05.02
Page: 1 of 1
Subject: Public Treasurer Bonding Requirements
Effective Date: 1 April 1986
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All public treasurers are required to be bonded in accordance with Rule Number 4 of the Utah State Money Management Council. The following schedule sets forth the amount each public treasurer should be bonded for according the annual budget of the governmental unit.

The basis use shall be budgeted gross revenue for the previous year (either calendar or fiscal, based on the governmental unit's accounting system). Budgeted gross revenue includes all funds collected or handled by the public treasurer.

<u>Budget</u>	<u>Percent For Bond</u>	<u>Minimum Bond</u>
0 to 10,000	N/A	0
10,001 to 100,000	9% but not less than	5,000
100,001 to 500,000	8% but not less than	9,000
500,001 to 1,000,000	7% but not less than	40,000
1,000,001 to 5,000,000	6% but not less than	70,000
5,000,001 to 10,000,000	5% but not less than	300,000
10,000,001 to 25,000,000	4% but not less than	500,000
25,000,001 to 50,000,000	3% but not less than	1,000,000
50,000,001 to 500,000,000	2% but not less than	1,500,000
over 500,000,000		10,000,000

Bonds must be issued by a corporate surety licensed to do business in the State of Utah and rated XII or better by the latest issue of Best's Rating Guide.

Bonds should be effective as of the date the treasurer assumes the duties of the office or is sworn in.

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Reference: I. C.05.03
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Subject: Public Debt Limitation
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Public Debt Limitation

Article XIV of the State Constitution provides limitations for the incurrence of public debt (beyond one fiscal year) and also for the amount of debt that may be incurred.

Section 3. [Certain debt of counties, cities, towns, school districts, and other political subdivisions not to exceed taxes -- Exception -- Debt may be incurred only for specified purposes.]

- (1) No debt issued by a county, city, town, school district, or other political subdivision of the State and directly payable from and secured by ad valorem property taxes levied by the issuer of the debt may be created in excess of the taxes for the current year unless the proposition to create the debt has been submitted to a vote of qualified voters at the time and in the manner provided by statute, and a majority of those voting thereon has voted in favor of incurring the debt
- (2) No part of the indebtedness allowed in this section may be incurred for other than strictly county, city, town, school district, or other political subdivision purposes respectively.

Section 4. [Limit of indebtedness of counties, cities, towns, and school districts -- Larger indebtedness may be allowed.]

- (1) (a) If authorized to create indebtedness as provided in Section 3 of this Article, no county may become indebted to an amount, including existing indebtedness, exceeding two per centum of the value of taxable property in the county.
(b) No city, town, school district, or other municipal corporation, may become indebted to an amount, including existing indebtedness, exceeding four per centum of the value of the taxable property therein.
- (2) For purposes of Subsection (1), the value of taxable property shall be ascertained by the last assessment for State and County purposes previous to the incurring of the indebtedness, except that in incorporated cities the assessment shall be taken from the last assessment for city purposes.
- (3) A city of the first or second class, if authorized as provided in Section 3 of this Article, may be allowed to incur a larger indebtedness, not to exceed four per centum, and any other city or town, not to exceed eight per centum additional, for supplying such city or town with water, artificial lights or sewers, if the works for supplying the water, light, and sewers are owned and controlled by the municipality.

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The authority to issue bonds payable from taxes upon taxable property in the district shall be conditioned upon the assent of a majority of the qualified electors of the district. Limitations on bonded indebtedness is set by the laws authorizing the respective types of special districts, as follows:

<u>District Type</u>	<u>Bonding Capacity</u>
Cemetery Maintenance (17A-2-223)	Limited to .0001 per dollar of taxable value of taxable property within the district.
County Service Area (17A-2-423 to 424)	May issue both G.O. and revenue bonds. Bond election is required. No limit on revenue bonds. G.O. debt limited to 12% of FMV
Fire Protection (17A-2-622 & 623)	Limited to .4% of FMV and 8 years. Election required
County Improvement (17A-3-228)	Special improvement bonds authorized, not to exceed the unpaid balance of assessments.
Health District (26A-1-114)	No bonded indebtedness authorized.
County Water & Sewer Improvement (17A-2-306 to 310)	G.O. bonds of the district require an election. May not exceed 2.4% of taxable value of taxable property in the district. No limit on revenue debt and no election required on revenue debt.
Irrigation (17A-2-712 & 713)	Revenue debt only. No limit.
Drainage (17A-2-543 & 544)	Bonds may be issued with certain restrictions. Amount of bonds issued may not exceed the benefits assessed. Election required.

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Metropolitan Water (17A-2-818(g) and 824)	May issue revenue bonds without election. Election must be held before issuing G.O. bonds. G.O. debt limited to 10% of FMV. No limit on revenue debt.
Mosquito Abatement (17A-2-901)	No bonded indebtedness authorized.
Municipal Improvement (17A-3-328)	Special improvement bonds authorized, not to exceed the unpaid balance of assessments.
Parking/Business Improvement (17A-3-412)	No bonded indebtedness authorized.
Public Transit (17A-2-1035)	Authorizes G.O. bonds of up to 3% of FMV. No limit on revenue bonds.
Special Service District (17A-2-1312 & 1317)	G.O. debt not to exceed 12% of FMV. G.O. debt requires approval at election. No limit on revenue debt
Interlocal Agencies (11-13-218)	May issue revenue bonds with no limit.
Municipal Building Authority (17A-3-909 to 911)	May issue revenue bonds with no limit. Referendum vote may be required on petition of 20% of voters.
Water Conservancy (17A-2-1440)	May issue either G.O. bonds or revenue bonds. Election required for G.O. bonds. Election may be required under certain circumstances for revenue bonds. (See 17A-2-1440 (5). No limits stated.

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Reference: I.C.05.04
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Subject: Organizational Structure and Incompatible Functions of Governmental Officials
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Various State statutes deal with the organizational structure and functions of the governmental officials within these structures. A few examples for cities are listed below. However, this listing is far from inclusive and the independent auditors should become familiar with the laws establishing the organizational structure and functions of the governmental unit they are auditing.

10-3-803. Officers limited to one office - Exceptions

In cities of the first class, the mayor, commissioners, recorder and treasurer shall administer only one office under the city government , except that the offices of the city recorder and auditor may be held by one person.

10-3-810. Additional powers and duties of elected officials in cities of the third class and towns.

All cities of the third, fourth, or fifth class or a town may by resolution prescribe additional duties, powers and responsibilities for any elected or appointed official which are not prohibited by any specific statute except that the mayor may not serve as recorder and neither the mayor nor the recorder may serve as treasurer. A justice court judge may not hold any other municipal office or position of employment with the municipality.

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Reference: I. C. 05.05
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Subject: Fines, Fees, etc., Collected by Justice Courts - and Other Fiscal Issues
Effective Date: 1 July 1986
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Article VIII, Section 1 of the Utah Constitution creates what is known as the Justice Courts, which are courts “not of record” and are operated by either the county or municipality in which they are located. The territorial jurisdiction of a county justice court extends to the limits of the precinct for which the justice court is created and includes all cities and towns within the precinct, except cities where a municipal justice court or municipal department or primary location of the circuit court exists. The territorial jurisdiction of a municipal justice court extends to the limits of the city or town boundaries for which it was created. Approximately two-thirds of all justice courts are municipal courts. (See *Utah Code*, Section 78-5-101 through 103).

DEPOSITS OF RECEIPTS

In accordance with *Utah Code*, Section 78-5-135, Municipal and county justice courts shall deposit within seven days, or more often if required by the governing body, all fines, fees, costs, and forfeitures collected, in an account controlled by the treasurer of the municipality or county as the case may be. *Utah Code*, Section 51-4-2 requires justice court judges to deposit receipts at least every three days. Since *Utah Code*, Section 51-4-2 is the most recent legislation we would assume that the most current intent of the legislature is to have the fund deposited within 3 days.

DISPOSITION OF RECEIPTS

1. The treasurer shall report to the city recorder or county auditor, as applicable, the sums collected and deposited. The city recorder or county auditor shall then apportion and remit the collected proceeds according law:
 - a. Fines and forfeitures collected by a justice court shall be remitted one-half to the treasurer of the local government responsible for the court and one-half to the treasurer to the local government which prosecutes the violation.
 - b. Fines and forfeitures collected for violation of Title 23 (wildlife violations) shall be allocated 85% to the Division of Wildlife Resources and 15% to the local government responsible for the justice court.
 - c. Fines and forfeitures collected for violation of Chapter 18, Title 73 (Boating Act) shall be allocated 85% to the Division of Perks and Recreation and 15% to the local government responsible for the justice court.
2. The court shall impose a surcharge on all criminal fines penalties and forfeitures. The surcharge shall be 85% upon conviction of a felony, class A misdemeanor, violation of Title 41, Chapter 6, Article 5, or a Class B misdemeanor not classified within Title 41, Motor Vehicles, including violation of comparable county or municipal ordinances, and 35% upon conviction of any other offence, including violation of county or municipal ordinance not subject to the 85% surcharge, except: non-moving traffic violations and when the court orders the offender to perform community service work in lieu of paying a fine. This surcharge shall be paid to the state treasurer and the local government in accordance with *Utah Code*, Section 63-63a.

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Utah Code, Section 63-63a-2:

- The amount of the surcharge and the amount of criminal fines, penalties, and forfeitures imposed under this chapter by courts not of record shall be collected concurrently.
- a. As monies are collected on criminal fines, penalties, and forfeitures subject to the 85% surcharges, the monies shall be divided pro rata so that the local governmental collecting entity retains 54% of the collected monies and the state retains 46% of the collected monies.
 - b. As monies are collected on criminal fines, penalties, and forfeitures subject to the 35% surcharge, the monies shall be divided pro rata so that the local governmental collecting entity retains 74% of the collected monies and the state retains 26% of the collected monies.
 - c. The court shall deposit with the State Treasurer the surcharge portion of all monies as they are collected.
3. The court, at sentencing, assess against the defendant, in addition to any fine, an amount that would fully compensate agencies that treat the defendant for violation addressed in *Utah Code*, Section 41-6a-502. (Alcohol and Drugs) The assessments imposed under 62A-8-302 may, pursuant to court order, either:
- a. be collected by the clerk of the court in which the person was convicted; or
 - b. be paid directly to the licensed alcohol or drug treatment program.
- Those assessments collected by the court shall either be forwarded to the state treasurer for credit to a special account in the General Fund designated as the "Intoxicated Driver Rehabilitation Account"; or forwarded to a special non-lapsing accounted created by the county treasurer of the county in which the fee is collected.
4. The municipality shall retain all small claims filing fees including the government filing fee for actions filed by the municipality. (See *Utah Code*, Section 78-5-135-1c)
5. The county shall retain all small claims filing fees including the governmental filing fee for actions filed by the county. (See *Utah Code*, Section 78-5-135-2c)
6. With the approval of the governing body, a trust or revolving account may be established in the name of the justice court and the treasurer for the deposit of money collected including bail, restitution, unidentified receipts and other money that requires special accounting. Disbursements from this account do not require the approval of the auditor, recorder of governing body. The account shall be reconciled at least quarterly by the governing body. (See *Utah Code*, Section 78-5-135)

Money received or collected or any civil process or order issued from a justice court shall be paid within seven days to the party entitled or authorized to receive it. (See *Utah Code*, Section 78-5-126)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. C. 05.05
Page: 3 of 4
Subject: Fines, Fees, etc., Collected by Justice Courts - and Other Fiscal Issues
Effective Date: 1 July 1986
Revision Date: 1 December 2006

REPORTS

Every justice court judge shall file monthly with the State Court Administrator a report of the judicial business of the judge. The report shall be on forms supplied by the State Court Administrator. The report shall state the number of criminal and small claims actions filed, the disposition entered, and other information as specified in the forms. A copy of the report shall be furnished by the justice court judge to the governing body in the municipality or county, or to the person or office in the county, city or town designated by the governing body (see *Utah Code*, Section 78-5-130).

All justice courts are required to deposit with the state treasurer before the tenth day of each month, all funds received by them during the preceding month (see *Utah Code*, Section 51-4-2).

DISPOSITION OF JUSTICE COURT FINES, FEES AND FORFEITURES

Receipts	Type of Ordinance	Disposition
Fines and Forfeitures	Municipal or State (<i>Utah Code</i> , Section 78-5-116)	1/2 to Local Gov. Responsible for court 1/2 Local Gov. which prosecutes case
Fines and Forfeitures	Wildlife, UC 23-13 (<i>Utah Code</i> , Section 78-5-116)	85% to State Wildlife Division 15% to Local Gov. Responsible for court
Fines and Forfeitures	Boating Act, UC 73-18 (<i>Utah Code</i> , Section 78-5- 116)	85% to State Div. of Parks & Recreation 15% to Local Gov. responsible for court
Surcharge	85% Felony Surcharge 35% Surcharge on any other offense except non-moving traffic violation or when community service is ordered in lieu of fine (<i>Utah Code</i> , Section 63-63a-1)	State
DUI Assessment	Full compensation for treatment (<i>Utah Code</i> , Section 62A-8-302 and 303)	State or rehabilitation agency
Small Claims Filing Fee	Filed by Municipality	City or town
Small Claims Filing Fee	Filed by County	County

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NOTE: In accordance with *Utah Code*, Section 63-63a-2:

The amount of the surcharge and the amount of criminal fines, penalties, and forfeitures imposed under this chapter by courts not of record shall be collected concurrently.

- a. As monies are collected on criminal fines, penalties, and forfeitures subject to the 85% surcharges, the monies shall be divided pro rata so that the local governmental collecting entity retains 54% of the collected monies and the state retains 46% of the collected monies.
- b. As monies are collected on criminal fines, penalties, and forfeitures subject to the 35% surcharge, the monies shall be divided pro rata so that the local governmental collecting entity retains 74% of the collected monies and the state retains 26% of the collected monies.
- c. The court shall deposit with the State Treasurer the surcharge portion of all monies as they are collected.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. C.05.06
Page: 1 of 2
Subject: Cash Management
Effective Date: 1 October 1992
Revision Date: 1 December 2006

All public funds shall be deposited daily, whenever practicable, but not later than three days after receipt. (*Utah Code*, Section 51-4-2(2).)

A public treasurer may conduct investment transactions only through qualified depositories, certified dealers, or directly with issuers of the investment securities. (*Utah Code*, Section 51-7-11(1).)

The remaining term to maturity of an investment may not exceed the period of availability of funds to be invested. For example, if the local government receives quarterly sales tax money which will be used during the following quarter for operating purposes, this money cannot be invested in one-year instruments because the investment will not mature before the funds are needed. (*Utah Code*, Section 51-7-11(2).)

All public funds, may be deposited or invested in those instruments and assets authorized in *Utah Code*, Section 51-7-11(3).

Funds held for employees under Internal Revenue Code Section 457 are exempted from the Money Management Act. (*Utah Code*, Section 51-7-2.)

The public treasurer shall ensure that all purchases and sales of securities are settled within 15 days of the trade date. (*Utah Code*, Section 51-7-11(7).) Public treasurers must have custody (take delivery) of all securities purchased or held and all evidence of deposits and investments of public funds. (Exceptions apply to non qualifying repurchase agreements.) This may be accomplished by having the securities delivered to a safe keeping custodian. (*Utah Code*, Section 51-7-7.)

Selection of investments shall be made with the exercise of that degree of judgement and care which men of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital, as well as the probable benefits to be derived. (*Utah Code*, Section 51-7-14.) Also, public treasurers should meet the following objectives when investing public funds: (1) safety of principal; (2) need for liquidity; (3) yield on investments; (4) recognition of the different investment objectives of operating and permanent funds; and (5) maturity of investments, so that the maturity date of the investment does not exceed the anticipated date of the expenditure of funds. (*Utah Code*, Section 51-7-17.)

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Reference: I. C.05.06
Page: 2 of 2
Subject: Cash Management
Effective Date: 1 October 1992
Revision Date: 1 December 2006

The local government is responsible to submit certain funds to the State Treasurer, including but not limited to: Wildlife Resources, State Boating Act, Fines and Forfeitures, Felony Surcharge, DUI Assessment and treatment costs, Property Tax Equalization - Assessment and Collection, B & C Road Fund (overweight assessment).

All public funds invested in deposit instruments should be invested with qualified depositories within Utah, except that if national market rates on instruments of similar quality and term exceed those offered by qualified depositories within the state, then investments may be made in out-of-state deposit instruments that meet the quality criteria set by the rules of the Money Management Council. (*Utah Code*, Section 51-7-17(3).)

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. C.05.07
Page: 1 of 1
Subject: Procurement Policies
Effective Date: 1 April 1997
Revision Date: 1 December 2006

The Utah Procurement Code (*Utah Code 63-56*) specifies general requirements for purchasing by "local public procurement units." A local public procurement unit is any political subdivision of the State or an agency of any subdivision, public authority, and any other entity which expends public funds for the procurement of supplies, services, and construction. This part of the Code specifically exempts counties, municipalities, and entities created by counties and municipalities under the Interlocal Cooperation Act from the requirements of this act. However, the Uniform Fiscal Procedures Act for Cities requires cities to adopt an ordinance or resolution governing purchasing procedures. The *Utah Code* does not require counties to adopt purchasing procedures. However, counties are required by section II.F.06 of this manual to establish purchasing procedures that are not inconsistent with the appropriate sections of the Utah Procurement Code. These procedures should be adopted by ordinance or resolution.

Purchasing policies shall contain the following provisions; and purchases of travel, supplies, services, capital assets, and construction shall be made in accordance with those provisions.

1. Policies shall be adopted governing the preparation and content of specifications for supplies, services and construction and the extent to which outside parties who have prepared specifications may participate in the procurement of these goods and services (*Utah Code 63-56-301*).
2. All specifications shall seek to promote overall economy and best use for the purposes intended and encourage competition, and shall not be unduly restrictive (*Utah Code 63-56-303*).
3. Contracts shall be awarded by competitive sealed bidding or competitive sealed proposals except for small purchases, emergency purchases, or where there is only one source for the required supply, service, or construction item. An invitation for bids or proposals shall be issued by public notice. Bids/proposals shall be opened publicly. Bids/proposals shall be accepted without alteration except as provided by the Procurement Code (*Utah Code 63-56-401 and 408*).
4. Rules and regulations may be made regarding the separate handling of small purchases. However, purchases shall not be artificially divided up so as to qualify for purchasing under the small purchases rules (*Utah Code 63-56-409*).
5. "Cost-plus-a-percentage-of-cost" contracts are prohibited (*Utah Code 63-56-416*).
6. A purchasing agent shall be appointed (*Utah Code 63-56-203*).
7. An appeals procedure shall be included (*Utah Code 63-56-807*).
8. An ethics in public contracting provision shall be included (*Utah Code 63-56-1001 and 1002*).

STATE OF UTAH

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Reference: I. C.05.08
Page: 1 of 1
Subject: Liquor Law Enforcement
Effective Date: 1 April 1997
Revision Date: 1 December 2006

The state provides funds to counties and municipalities for projects which prevent, detect or prosecute alcohol-related offenses. These funds are distributed based on population, convictions for alcohol-related offenses, number of state liquor stores, package agencies, liquor licensees in the jurisdiction, and, number of confinements and rehabilitation's. (See *Utah Code* 32A-1-115 (2d) and 3.)

Cities, towns and counties submit qualification letters to the State Tax Commission. The Department of Alcoholic Beverage Control provides the number of outlets by location. The State Court Administrator's Office provides the number of DUI/alcohol-related convictions by location. These factors are used to distribute the funds per State law. It is recommended that activities financed from these funds be accounted for in a separate account.

Funds must be used for programs or projects targeted for the prevention, detection or prosecution of alcohol-related offenses. Counties may also use funds for construction or maintenance of facilities for confinement or rehabilitation.

Funds are available to all incorporated towns, cities, and counties. Entities are required to submit a letter detailing the programs for which funds will be used.

Liquor Law Enforcement funds are intended to supplement the budget of Law Enforcement Agencies, and are not intended to replace funds which would otherwise be allocated for law enforcement and confinement or rehabilitation of persons arrested for or convicted of alcohol-related offenses.

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UNIFORM ACCOUNTING MANUAL

Reference: I. C.05.09
Page: 1 of 1
Subject: Uniform Building Code Standards
Effective Date: 1 April 1997
Revision Date: 1 Decemer 2006

Utah Code 58-56 provides a uniform building standards for the State of Utah 58-56-4(1) adopted the Uniform Building Code, the Uniform Plumbing Code, the Uniform Mechanical Code and the National Electrical Code as the building standards for the State of Utah. These codes mandate that local jurisdictions issue building permits and perform inspections for construction within their jurisdictions. A schedule of fees is to be established by those jurisdictions for the issuing of building permits.

Utah Code Section 58-56-9(4) mandates that each compliance agency shall charge a 1 percent surcharge on all building permits issued and shall remit 80% of the surcharge collected to the Division of Occupational/Professional Licensing. The amount thus collected is to be deposited with the Division as a dedicated credit and to be used by the Division to provide individuals with the necessary training, education and testing to meet the minimum qualifications to become licensed as building inspectors. The surcharge should be charged on all building permits and inspection fees, but is not required on plan check fees or on impact fees.

Each county or municipality is required to file a quarterly report, on a form provided by the Division. The report shows the total amount collected for building permits and the 80 percent due the Division on the one percent surcharge. The amount due the Division is to be remitted with the report no later than 30 days following the end of each quarter.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. C.05.10
Page: 1 of 1
Subject: Fund Balance Limitations
Effective Date: 1 April 1997
Revision Date: 1 December 2006

Appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal. (*Utah Code* 17-36-17(1); 10-6-117(1); 10-5-114; 17a-1-416(1)). The State Auditor has taken the position that a deficit fund balance in one or more funds, created by expenditures being made in excess of those budgets, is an illegally created debt and in violation of the Utah Constitution, Section XIV. As such, the following fiscal year's budget should include sufficient revenues to eliminate the illegal deficit. Deficits arising from emergencies are not illegal and may be retired over 5 years.

Counties, municipalities, and other governmental units may accumulate fund balances in any fund; however, the general fund balance amounts must be within the following limits:

Counties: *Utah Code* 17-36-16(2) indicates that the maximum fund balance in general fund may not exceed the estimated revenues from property taxes in the current fiscal year; except, that in counties with a taxable valuation of \$750,000,000 or more and a population of 100,000 or more, the maximum shall be limited to 20 percent of the total revenues of the general fund for the current fiscal year. Counties must also maintain a minimum fund balance of 5% of total revenues.

Cities: *Utah Code* 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the General Funds may be utilized for budget purposes." In other words, 5 percent of total revenues must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18 percent of the total estimated revenue of the general fund. See *Utah Code* Section 10-6-116(2).

Towns: The maximum amount in the general fund may not exceed 75 percent of the total estimated revenue of the general fund. See *Utah Code* Section 10-5-113(2).

School Districts: The undistributed reserve may not exceed 5 percent of the maintenance and operations budget. See *Utah Code* Section 53A-19-103(1).

Special Districts: *Utah Code* 17A-1-415(2) indicates that the general funds balance is restricted to the following: The greater of:

1. 100% of the current year's property tax: or
2. 25% of the total general fund's revenues, if the annual general fund budget is greater than \$100, 000, or,
3. 50% of the total general fund's revenues, if the annual general fund budget is equal to or less than \$100,000.

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UNIFORM ACCOUNTING MANUAL

Reference: I. C.05.11
Page: 1 of 2
Subject: Impact Fees
Effective Date: 1 April 1997
Revision Date: 1 December 2006

An impact fee is any fee which is imposed, as a condition of development approval, to raise revenue for new or expanding public facilities. The Impact Fees Act (*Utah Code, Section 11-36*) mandates that tap fees, hook up fees, or any other fee charged to make a connection to public utilities must not exceed the approximate average costs of the services provided to make the connection. Any fee which exceeds the approximate average costs of the services provided to make the connection must comply with the provisions of the Impact Fees Act.

The Impact Fees Act was intended to impose limitations on the use of impact fees and standardize the procedures for establishing impact fees while still leaving a method for local governments to generate revenues for expanding capacity caused by development and growth.

The Impact Fees Act applies to all local political subdivisions with the exception of school districts. Impact fee activities for school districts are governed by *Utah Code, Section 53A-20-100.5*. Currently there is a moratorium prohibiting a county, city, town, local school board, or any other political subdivision from imposing or collecting a school impact fee.

Some of the significant compliance requirements of the Impact Fees Act are as follows:

1. Impact fees may only be imposed for the development of authorized “public facilities” as defined in *Utah Code, Section 11-36-102 (12)*. “Public facilities” means only the following capital facilities that have a life expectancy of ten or more years and are owned or operated by or on behalf of a local political subdivision:
 - a. water rights and water supply, treatment, and distribution facilities;
 - b. wastewater collection and treatment facilities;
 - c. storm water, drainage, and flood control facilities;
 - d. municipal power facilities;
 - e. roadway facilities;
 - f. parks, recreation facilities, open space, and trails; and
 - g. public safety facilities (excluding jails, prisons, or other places of involuntary incarceration).
2. Before imposing an impact fee, the local political subdivision must prepare a capital facilities plan and a written analysis of the impact fee. The local political subdivision must also pass an impact fee enactment. The plan, analysis and the enactment must comply with specific requirements in *Utah Code, Section 11-36*. The plan and enactment must also have been subject to public notice and public hearing requirements defined by the Act.
3. The Impact Fees Act requires the local political subdivision to separately account for the receipts and disbursements of each type of impact fee. Interest earned on impact fees must remain in the account of the appropriate impact fee. Impact fee expenditures must only be for authorized “public facilities” which have been identified in the capital facilities plan and for the specific public facility type for which the fee was collected.

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4. The local political subdivision must expend or encumber the impact fees collected within six years. The fees may be held for longer than six years if the local political subdivision documents in writing the extraordinary and compelling reasons why the fees should be held longer than six years and an absolute date by which the fees will be expended.
5. A local political subdivision must refund any impact fees paid by a developer, plus interest earned, when:
 - a. the developer does not proceed with the development activity and has filed a written request for a refund;
 - b. the fees have not been spent or encumbered; and
 - c. no impact has resulted.

The information presented above is a summary of the Impact Fees Act. Before imposing an impact fee, a local government should carefully consider the detailed requirements of the Impact Fees Act (*Utah Code, Section 11-36*) and should consult with their attorney to ensure compliance with all aspects of the Act.

STATE OF UTAH

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Reference: I. C.06
Page: 1 of 5
Subject: Single Audit Concepts and Requirements
Effective Date: 1 April 1997
Revision Date: 1 December 2006

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)

Single Audits Required When Federal Expenditures Exceed \$500,000

Local governments that expend \$500,000 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.

<i>SINGLE AUDIT REPORTING PACKAGE</i> <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

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<i>SINGLE AUDIT REPORTING PACKAGE</i> <i>Statement, Schedule, or Report</i>	<i>Prepared by</i>	<i>A-133 Reference</i>
Opinion on Schedule of Expenditures of Federal Awards	Auditor	' ____.505
Schedule of Findings and Questioned Costs including the following: <input checked="" type="checkbox"/> Summary of Auditor Results <input checked="" type="checkbox"/> Findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS) <input checked="" type="checkbox"/> Findings and questioned costs related to federal awards	Auditor	' ____.505
Corrective Action Plan	Local Government	' ____.315(c)

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. 10th 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.

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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.
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;

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- 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.

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Reference: I. C.06.01
Page: 1 of 1
Subject: Confirmations of State and Federal grants
Effective Date: 1 April 1987
Revision Date: 1 December 2006

Following is a list of entities and their addresses to which confirmations of State and Federal funds should be sent:

Confirms: All State funds (liquor control allocations,
sales tax, safe sidewalk, etc.)
All Federal funds passed through the State

Rick Beckstead, State Accountant
State Division of Finance
2110 State Office Building
Salt Lake City, UT 84114

Federal funds which are received directly and are not passed through the State must be confirmed by the respective Federal agency or department which granted the funds.

Confirms: Payments-in-lieu of taxes (PILT)

Department of Interior
Bureau of Land Management
18th & C Street, N.W.
Room 3559
Washington, D.C. 20240

Addresses of other Federal agencies are available in the Catalog of Federal Domestic Assistance or your original grant documents or contract.

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Reference: I. C.07
Page: 1 of 1
Subject: Master Chart of Accounts (Introduction)
Effective Date: 1 April 1987
Revision Date: 1 December 2006

Various sections of the Uniform Fiscal Procedures Act set forth the legislative intent for uniform accounting, budgeting and financial reporting for governmental entities and the State Auditor's responsibility in that regard.

It is recognized that there are differences in size, complexity and organizational structure of governmental entities. However, the master chart of accounts, or the optional simplified chart of accounts, should be used where possible. Modification of the account codes may be made where necessary to facilitate variances in organizational structure, need for greater detail, performance measurement criteria, etc.

Even though the chart of accounts may be modified, the budget forms submitted to the State Auditor's Office must account for revenues and expenditures in the categories provided on the forms. Also, year end financial reports must conform to the basic fund structure envisioned in the master chart of accounts.

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Reference: I. C.07.01
Page: 1 of 1
Subject: Coding Transactions by Account Numbers
Effective Date: 1 April 1987
Revision Date: 1 December 2006

Coding of accounts is a system of classifying each receipt and disbursement with a code number to facilitate proper identification of the transaction in the accounting records of the governmental entity by reference to the assigned numbers. It is an expeditious method of grouping together several transactions affecting the same account. It eliminates the necessity of writing out the names or titles of accounts to which they are to be posted, and it is particularly essential for automated accounting.

Coding the accounts reveals the relationships between the various accounts more clearly and facilitates the preparation of financial statistics. Through a combination of code numbers it is possible to recognize immediately the fund involved and the source of revenue or the specific nature of an expenditure.

It should be noted that the same object account carries the same code number regardless of the fund within which it is used, with the exception of the number identifying the fund itself.

Use of the assigned numbers given in the chart of accounts described previously with a numerical code is demonstrated in the following examples:

Example 1: Receipt of money from the current general property tax levy for the general fund and debt service funds would be coded:

11 - 3110
30 - 3110

11 - The code for the general fund
30 - The code for the specific bond issue of the debt service fund
3110 - The code for tax revenues - general property taxes - current

Example 2: Expenditures for payment of salaries of deputies in the police department would be coded:

11 - The code for the general fund
4210 - The code for Police Department
110 - The code for permanent salaries and wages

Example 3: Expenditure for purchase of road oil charged to Streets and Highways - Road Maintenance activity of the general fund would be coded:

11 - 4410 - 410

11 - The code for the general fund
4410 - The code for Road Maintenance activity
410 - The code for Specials Departmental Supplies

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MASTER CHART OF ACCOUNTS Account Coding Format

Account Structure:

00	0000	000	000
FUND	TYPE & SOURCE	SUB DETAIL SOURCE CODES	PROGRAM, PERFORMANCE AND COST CODES

FUND:

Each fund has two-digits that identify the fund type.

TYPE AND SOURCE:

1st digit	Identifies the <i>financial classification</i> (i.e., 1000 - assets, 2000 - liabilities, 3000 - revenues, and 4000 - expenditures/expenses).
2nd digit	Identifies the <i>category</i> of assets, liabilities and revenues. Identifies the <i>function</i> for expenditures/expenses.
3rd digit	This is the <i>account identification</i> for assets and liabilities. It is the <i>source</i> code for revenues and the <i>department</i> code for expenditures/expenses.
4th digit	This is the <i>sub account identification</i> for assets and liabilities. It is the <i>sub source</i> for revenue and the <i>activity</i> code for expenditures/expenses.

SUB DETAIL SOURCE CODES:

These are optional account codes providing additional detail of the account for assets and liabilities. For revenues they provide additional details on the revenue source. For expenditures these digits may be used to provide the character (1st digit), object (2nd digit), and sub object (3rd digit) of the expenditure/expense.

PROGRAM, PERFORMANCE & COST CODES:

These are optional account codes which may be used to identify the related program (1st digit), performance (2nd digit), and cost (3rd digit) codes.

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10 GENERAL FUND

20 SPECIAL REVENUE FUNDS

23 - (Use as needed)

24 - (Use as needed)

30 DEBT SERVICE FUNDS (Bond Redemption and Interest Funds)

31 - Bond Issue

32 - Bond Issue

33 - Bond Issue

40 CAPITAL PROJECTS FUNDS (Bond Construction Funds)

41 - Bond Fund

42 - Bond Fund

43 - (Use as needed)

44 - Construction Fund

45 - Capital Projects Funds

Use a separate fund for each bond issue and construction project.

50 ENTERPRISE FUNDS (Public Utilities and Other Enterprise Funds)

51 - Water Utility Fund

52 - Sewer Fund

53 - Electric Utility Fund

54 - Municipal Airport Fund

55 - Golf Course Fund

56 - Swimming Pool Fund

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60 INTERNAL SERVICE FUNDS (Working Capital and Revolving Funds)

- 61 - Equipment Maintenance Funds
- 62 - Stores Revolving Fund
- 63 - Insurance Revolving Fund

70 TRUST AND AGENCY FUNDS

- 71 - Cash Deposits Fund
- 72 - Library Board Fund
- 73 - Federal Revenue Sharing

90 SPECIAL GROUPS OF ACCOUNTS

- 91 - General Fixed Assets
- 95 - General Long-Term Debt

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BALANCE SHEET ACCOUNTS

ASSETS

- 1100 CASH
 - 1111 Cash in Bank
 - 1121 Cash in Custody of Treasurer
 - 1131 Petty Cash
 - 1141 Cash with Fiscal Agents

- 1150 INVESTMENTS
 - 1151 Interest Bearing Cash Deposit
 - 1161 Treasury Time Deposits
 - 1181 Other Investments
 - 1185 Unamortized Premiums on Investments
 - 1186 Unamortized Discounts on Investments (Credit)

- 1200 SPECIAL DEPOSITS
 - 1211 Special Deposits

- 1300 RECEIVABLES
 - 1311 Accounts Receivable
 - 1312 Allowance for Uncollectible Accounts (Credit)
 - 1321 Notes receivable
 - 1331 Accrued Interest Receivable
 - 1351 Taxes Receivable - Current
 - 1352 Estimated Uncollectible Taxes - Current (Credit)
 - 1361 Taxes Receivable - Delinquent
 - 1362 Estimated Uncollectible Taxes - Delinquent (Credit)
 - 1371 Deposits Receivable

- 1400 DUE FROM OTHERS
 - 1411 Due form Other Governmental Units
 - 1421 Due from Other Funds
 - 1431 Advances to Other Funds

- 1500 INVENTORIES & PREPAID EXPENSES
 - 1511 Inventories
 - 1521 Special Inventories
 - 1531 Inventory for Resale

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1561 Prepaid Expenses
1571 Engineering and Development Expense

1600 FIXED ASSETS

1611 Land
1621 Building
1622 Allowance for Depreciation - Building
1631 Improvements Other Than Buildings
1632 Allowance for Depreciation - Improvements Other Than Buildings
1641 Office Furniture and Equipment
1642 Allowance for Depreciation - Office Furniture & Equipment
1651 Machinery and Equipment
1652 Allowance for Depreciation - Machinery & Equipment
1661 Automobiles and Trucks
1662 Allowance for Depreciation - Auto & Trucks

1700 WORK IN PROGRESS

1711 Construction Work in Progress

1800 SPECIAL FUND ASSETS

1811 Bonds Authorized - Unissued
1821 Improvement District Projects Authorized
1831 Amounts Available for Bond Payments
1841 Amounts to be Provided for Bond Payment

LIABILITIES

2100 WARRANTS OUTSTANDING & GENERAL PAYABLES

2111 Warrants Outstanding
2121 Vouchers Payable
2131 Accounts Payable
2141 Accrued Expense Payable
2151 Due to Fiscal Agent

2200 PAYROLL ACCRUAL & PAYABLES

2211 Accrued Payroll
2221 Withholding Taxes Payable
2231 Other Deductions Payable

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- 2300 CONTRACTS & NOTES PAYABLE
 - 2311 Contracts Payable
 - 2321 Notes Payable
 - 2331 Revenue Collected in Advance
 - 2341 Completed Construction Contracts Payable

- 2400 DUE TO OTHERS
 - 2411 Due to Other Governmental Units
 - 2421 Due to Other Funds

- 2500 PAYABLES
 - 2511 Matured Bonds Payable
 - 2521 Matured Interest Payable
 - 2531 Bonds Payable
 - 2541 Unamortized Premiums on Bonds Sold
 - 2542 Unamortized Discount on Bonds Sold (Debit)
 - 2551 Interest Payable - Accrued

- 2600 RESERVE FOR ENCUMBRANCES
 - 2611 Reserve-Current Year Encumbrances
 - 2621 Reserve-Prior Year Encumbrances

- 2700 BUDGETARY ACCOUNTS
 - 2711 Estimated Revenue (Debit)
 - 2721 Appropriations (Credit)
 - 2731 Revenues (Credit)
 - 2741 Expenditures (Debit)
 - 2751 Encumbrances (Debit)

- 2800 CONTRIBUTIONS
 - 2811 Contributions from Governmental Units
 - 2821 Contributions from Other Funds
 - 2831 Contributions from Customers
 - 2841 Contributions from Subdividers

- 2900 FUND BALANCE
 - 2911 Reserve for Bond Retirement
 - 2921 Reserve for Special Improvements Guaranteed
 - 2922 Reserve for Authorized Expenditures
 - 2931 Reserve (Other)

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2932 Reserve for Uncollected Taxes
2933 Reserve for Revenue Bond Debt Service
2935 Reserve for Revenue Bond Contingency
2936 Reserve for Employees Contributions
2937 Reserve for Employer Contributions
2938 Actuarial Deficiency in Reserve for Employer Contributions
2939 Reserve for Membership Annuities
2941 Reserve for Variations in Actuarial Assumptions
2942 Reserve for Undistributed Interest Earnings
2951 Fund Balance - Unappropriated
2961 Fund Balance - Appropriated
2971 Investment in General Fixed Assets
2981 Retained Earnings

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ASSETS AND OTHER DEBITS

1. ASSETS - OTHER THAN FIXED

- 1111. CASH IN BANK. Comprises currency, coin, checks, postal and express money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits.
- 1121. CASH IN CUSTODY OF TREASURER. Amount of monies held by the City Treasurer either for investment purposes or held in trust.
- 1131. PETTY CASH. A sum of money set aside for the purpose of making change or paying small obligations, and handled on an imprest method whereby, at intervals, the cash disbursed is replenished by a check drawn on the fund or funds to which the items disbursed are chargeable.
- 1141. CASH WITH FISCAL AGENT. Deposits with fiscal agents, such as commercial banks, for the payment of matured bonds and interest.
- 1151. TREASURY BEARING CASH DEPOSITS. Amount of cash held in a bank investment.
- 1161. TREASURY TIME DEPOSITS. Amount of cash held in government securities.
- 1181. OTHER INVESTMENTS. Securities and real estate held for the production of income in the form of interest, dividends, rental, or lease payments. The term does not include fixed assets used in governmental operations.
- 1185. UNAMORTIZED PREMIUMS ON INVESTMENTS. That portion of the excess of the amount paid for the securities over the face value which has not yet been amortized.
- 1186. UNAMORTIZED DISCOUNTS ON INVESTMENTS. (Credit). That portion of the excess of the face value of securities over the amount paid for them which has not yet been written off.
- 1211. SPECIAL DEPOSITS. Guarantee deposits made with state or other authorities are carried in this account. An example would be a deposit with the State Insurance Fund.

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1311. **ACCOUNTS RECEIVABLE.** Amounts owing on open accounts from private persons, firms, or corporations for goods and services furnished by a governmental unit (but not including amounts due from other funds or from other governmental units). Although taxes and special assessments receivable are covered by this term, they should be recorded and reported separately in the Taxes Receivable and Special Assessments Receivable accounts.
1312. **ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS.** (Credit). That portion of the accounts receivable which it is estimated will not be collected. The account is shown on the balance sheet as a deduction from the accounts receivable to arrive at the net accounts receivable.
1321. **NOTES RECEIVABLE.** An unconditional written promise, signed by the maker to pay a certain sum of money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. The note may be held by the governmental unit as designated payee or by endorsement.
1331. **ACCRUED INTEREST RECEIVABLE.** The balance of accrued interest earned but not received on savings accounts, notes receivables and investments.
1341. **SPECIAL ASSESSMENTS RECEIVABLE.** Claims which a governmental unit has upon properties until special assessments levied against them have been paid. The term normally applies to those delinquent special assessments for the collection of which legal action has been taken through the filing of claims.
1351. **TAXES RECEIVABLE - CURRENT.** The uncollected portion of taxes currently levied by a governmental unit which has become due but on which no penalty for non-payment is attached.
1352. **ESTIMATED UNCOLLECTABLE TAXES - CURRENT (Credit).** That portion of current taxes receivable which is estimated will never be collected. The account is shown on the balance sheet as a deduction from the Taxes Receivable - Current account in order to arrive at the net current taxes receivable.
1361. **TAXES RECEIVABLE - DELINQUENT.** Taxes remaining unpaid on and after the date on which a penalty for non-payment attached. Even though the penalty may be subsequently waived and a portion of the taxes may be abated or canceled, the unpaid balances continue to be delinquent taxes until paid, abated, canceled, or converted into tax liens.

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1362. ESTIMATED UNCOLLECTABLE TAXES - DELINQUENT (Credit). That portion of delinquent taxes receivable which is estimated uncollectable. The account is shown on the balance sheet as a deduction from the taxes Receivable - Delinquent account to arrive at the net delinquent taxes receivable.
1371. DEPOSITS RECEIVABLE. An asset account representing the amounts deposited with other agencies under a service contract agreement requiring such deposit as a supplement to a working capital fund, such as is required by regulation of the State Industrial Commission for their purpose of creating a reserve fund to supplement insurance premiums paid to the State Insurance Fund for industrial insurance. This deposit is returnable when the purpose for which it was made has been accomplished.
1411. DUE FROM OTHER GOVERNMENTAL UNITS. Amount due from another governmental unit. These amounts may represent grants-in-aid, shared, taxes, taxes collected for the reporting unit by another unit, loans, and charged for services rendered by the reporting unit for another government.
1421. DUE FROM OTHER FUNDS. An asset account used to indicate amounts due from a particular fund by another fund, in the same governmental unit, for goods sold or services rendered. This account includes only short-term obligations on open account and not long-term loans.
1431. ADVANCES TO OTHER FUNDS. An asset account used to record a long-term loan by one fund to another fund in the same governmental unit - sometimes an interfund loan receivable.
1511. INVENTORIES. The cost value of materials and supplies on hand. This account is primarily for use in the enterprise fund, but may be used in any fund for which its value is significant.
1521. SPECIAL INVENTORIES. The cost value of materials and supplies special in its existence and use. An example would be road supplies to be used in a contracted project or for work performed for other local units.
1531. INVENTORY FOR RESALE. The value of goods held by a governmental enterprise for resale rather than for use in its own operation.
1561. PREPAID EXPENSE. Expenses entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time and are regularly recurring costs of operation. Examples of prepaid expenses are prepaid rent, prepaid interest, and unexpired insurance premiums.

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1571. ENGINEERING AND DEVELOPMENT EXPENSE. This account is carried in an enterprise fund and represents the cost of surveys or investigations made for the purpose of determining the feasibility of a project or projects. If the project proves to be feasible, the engineering and development expense should be charged to it. If it does not prove to be feasible, the amount should be charged off as an expense.

2. FIXED ASSETS

1611. LAND. A fixed asset account which reflects the acquisition value of land owned by a governmental unit. If land is purchased, this account includes the purchase price and costs such as legal fees, filing and excavation costs, etc., which are incurred to put the land in condition for its intended use. If land is acquired by gift, the account reflects its appraised value at time of acquisition.
1621. BUILDINGS. A fixed asset account which reflects the acquisition value of permanent structures used to house persons and property owned by the governmental unit. If buildings are purchased or constructed, this account includes the purchase or contract price of all permanent buildings and fixtures attached to and forming a permanent part of such buildings. If buildings are acquired by gift, the account reflects the appraised value at time of acquisition.
1622. ALLOWANCE FOR DEPRECIATION - BUILDINGS (Credit). An accumulation of periodic credits made to record the expiration in the service life of buildings attributable to wear and tear through the use and lapse of time, obsolescence, inadequacy, or other physical or functional cause. The account is shown in the balance sheets of enterprise and internal service funds as a deduction from buildings in order to arrive at the net book value of buildings. Buildings carried in the accounts of Trust and Agency Funds may or may not be depreciated, depending on the conditions prevailing in each case.
1631. IMPROVEMENT OTHER THAN BUILDINGS. A fixed asset account which reflects the acquisition value of permanent improvements, other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels, and bridges. If the improvements are purchased or constructed, this account contains the purchase or contract price. If the improvements are obtained by gift, it reflects the appraised value at the time of acquisition.
1632. ALLOWANCE FOR DEPRECIATION - IMPROVEMENTS OTHER THAN BUILDINGS (Credit). An account which is of the same nature and is used in the same manner as the account Allowance for Depreciation - Buildings
1641. OFFICE FURNITURE AND EQUIPMENT. The cost of all furniture and equipment owned and used within the fund organization. Account is most commonly used in

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enterprise funds.

- 1642. ALLOWANCE FOR DEPRECIATION-OFFICE FURNITURE AND EQUIPMENT (Credit). An account which is the same nature and is used in the same manner as the account Allowance for Depreciation - Buildings.
- 1651. MACHINERY AND EQUIPMENT. Tangible property of a more or less permanent nature, other than land, buildings, or improvements thereto, which is useful in carrying on operations. Examples are machinery, tools, trucks, cars, furniture and furnishings.
- 1652. ALLOWANCE FOR DEPRECIATION-MACHINERY AND EQUIPMENT (Credit). An account which is the same nature and is used in the same manner as the account Allowance for Depreciation-Buildings.
- 1661. AUTOMOBILES AND TRUCKS. The cost of all automobiles and trucks owned by the organization.
- 1662. ALLOWANCE FOR DEPRECIATION-AUTOMOBILES AND TRUCKS (Credit). An account which is the same nature and is used in the same manner as the account Allowance for Depreciation - Buildings.
- 1711. CONSTRUCTION WORK IN PROGRESS. The cost of construction work undertaken by not yet completed.

C. SPECIAL FUND ASSETS

- 1811. BONDS AUTHORIZED-UNISSUED. Bonds which the governmental unit can issue without further proceedings other than to direct the sale. The account is included among the resources of the Capital Projects Fund. In the first named fund it is offset by a credit to Appropriations and in the latter to Bonds Eligible to be Sold. When the bonds are sold, a reverse entry would be made in the capital projects fund. In the capital projects fund, the account is a memorandum account only, as to Bond's Eligible to be Sold. An alternative approach in either fund is not to show the Bonds Authorized - Unissued account or the Bonds Eligible to be Sold account in the balance sheet but merely to call attention to the amount of bonds that have been authorized and not issued in a footnote to the appropriate balance sheet.

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1821. IMPROVEMENT DISTRICT PROJECTS AUTHORIZED. An account in the capital projects fund, established at the time a special assessment project is authorized. When a project is approved, the account is debited and Appropriations is credited. Subsequently, when assessments are levied, the Assessments Receivable-Deferred account or the Assessments Receivable-Current accounts, or both, are debited and the Improvements Authorized account is credited. When the local government also is meeting part of the cost, a debit is made to Governmental Unit's Share of Special Assessments Improvement Cost account.
1831. AMOUNTS AVAILABLE FOR BOND PAYMENTS. An account in the General Long-Term Debt Group of Accounts which designates the amount of assets in the debt service fund for the retirements of general obligations bonds.
1841. AMOUNTS TO BE PROVIDED FOR BOND PAYMENT. An account in the General Long-Term Debt Group of Accounts which represents the amount to be provided from taxes or other general revenue to retire outstanding general obligation bonds.

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LIABILITIES AND OTHER CREDITS

A. LIABILITIES - OTHER THAN LONG-TERM

- 2111. WARRANTS OUTSTANDING. Warrants drawn against the cash funds of the treasurer that have not cleared the appropriate banking account.
- 2121. VOUCHERS PAYABLE. Liabilities for goods and services evidenced by vouchers which have been preaudited and approved for payment but which have not been paid.
- 2131. ACCOUNTS PAYABLE. Liabilities on open account owing to private persons, firms, or corporations for goods and services received by a governmental unit (not including amounts due to other funds of the same governmental unit or to other governmental units).
- 2141. ACCRUED EXPENSES PAYABLE. A liability account for expenses that have accumulated at the end of an accounting period, but not due to be paid until a subsequent period. Example of such accruals are rentals, interest, etc.
- 2151. DUE TO FISCAL AGENT. Amounts due to fiscal agents, such as commercial banks, for servicing a governmental unit's maturing indebtedness.
- 2211. ACCRUED PAYROLL. A liability for salaries and wages accrued between the last payroll and the reporting date.
- 2221. WITHHOLDING TAXES PAYABLE. A liability for taxes which have accrued since the last payment date but which are not yet due. Normally this liability will be found only in the enterprise fund of a governmental unit; however, it is recommended for use in all funds.
- 2231. OTHER DEDUCTIONS PAYABLE. A liability for deductions withheld from the employee's payroll for such items as retirement and insurance premiums. This account is also for the employer's share of these benefits and accrued amounts.
- 2311. CONTRACTS PAYABLE. Amounts due on contracts for assets, goods, and services received by a governmental unit.
- 2321. NOTES PAYABLE. Will consist of a promissory note issued by governmental unit or fund.

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- 2331. REVENUE COLLECTED IN ADVANCE. This account represents any collections which are normally considered revenues but which have not been earned at the date of collection, for instance, rent collected in advance on a lease.
- 2341. COMPLETED CONSTRUCTION CONTRACTS PAYABLE. The amount of a contract on a construction project completed on the balance sheet date, should be recorded in this account and offset against the appropriate asset or expense account.
- 2411. DUE TO OTHER GOVERNMENTAL UNITS. Amounts owed by the reporting governmental units to other governmental units.
- 2421. DUE TO OTHER FUNDS. A liability used to indicate amounts owed by a particular fund to another fund in the same governmental unit for goods and services rendered. These amounts include only short-term obligations on open account and not long-term loans.
- 2511. MATURED BONDS PAYABLE. Bonds which have reached or passed their maturity date but which remains unpaid.
- 2521. MATURED INTEREST PAYABLE. Interest on bonds which have reached the maturity date but which remain unpaid.
- 2531. BONDS PAYABLE. Revenue Anticipation Bonds sold by governmental units: Enterprise Revenue or Tax Bonds.
- 2541. UNAMORTIZED PREMIUMS ON BONDS SOLD. An account in a debt service or enterprise fund which represents that portion of the excess of bond proceeds over par value and which remains to be amortized over the remaining of such bonds.
- 2542. UNAMORTIZED DISCOUNTS ON BOND SOLD (Debit). An amount in a debt service or enterprise fund which represents that portion of the par value of bonds sold not received and which will be paid at the maturity of such bonds.
- 2551. INTEREST PAYABLE-ACCRUED. A liability account which represents the amount of interest accrued at the balance sheet date but which is not due until a later date.
- 2661. RESERVE – CURRENT YEAR ENCUMBRANCES. A reserve representing the segregation of a portion of a fund balance to provide for unliquidated current encumbrances.

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2621. RESERVE-PRIOR YEAR ENCUMBRANCES. A reserve representing the segregation of a portion of a fund balance to provide for unliquidated encumbrances of prior years. Any balance remaining in the encumbrances account of any budgetary fund, debit or credit, after all transactions are completed should be transferred to and reported in sundry expense, or a similar account, in the non departmental expenditure category of the statement of revenues and expenditures of that fund.
2711. ESTIMATED REVENUE (Debit). The amount of revenues estimated to be received or to become receivable during the fiscal period. At the end of such period, the account is closed out and does not appear in the balance sheet prepared as of the close of the fiscal period.
2721. APPROPRIATIONS (Credit). This account records authorizations granted by the legislative body to make expenditures and to incur obligations for specific purposes. This account only appears in a balance sheet prepared during the fiscal period. At the end of the fiscal period, the Appropriations account is closed out and does not appear in the balance sheet. An exception to this is appropriations to a capital projects fund which is allowed to be carried past a fiscal year end and reported on a balance sheet.
2731. REVENUES (Credit). The increase in ownership equities during a designated period of time. The account appears only in a balance sheet prepared during the fiscal period and is shown as deduction from Estimated Revenues, to arrive at the amount of estimated revenues remaining to be realized. At the end of the fiscal period, it is closed out and does not appear in a balance sheet prepared as of the close of the fiscal period.
2741. EXPENDITURES (Debit). This account appears in the balance sheet prepared during the fiscal period and designates the total of expenditures charged against appropriations during such period. The account is shown in each balance sheet account as a deduction from Appropriations, to arrive at the unexpended balance of total appropriations. At the end of the fiscal period, the account is closed and does not appear in a balance sheet prepared at that time.
2751. ENCUMBRANCES (Debt). This account designates obligations in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. In an interim balance sheet, encumbrances are deducted along with the expenditures to arrive at the unencumbered balance. At the end of the fiscal period the account is closed out and does not appear in the balance sheet prepared at that time

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- 2811. CONTRIBUTIONS FROM GOVERNMENTAL UNITS. An equity account in an enterprise fund which shows the amount of permanent fund capital contributed to the enterprise by the governmental revenues and resources. A similar account may be used in an internal service fund.
- 2821. CONTRIBUTIONS FROM OTHER FUNDS. This account is identical to Contribution from Governmental Units except that the specific fund of origin is indicated.
- 2831. CONTRIBUTIONS FROM CUSTOMERS. An equity account in an enterprise fund which shown the amount of permanent fund capital contributed to the enterprise by its customers, generally through connection fees.
- 2841. CONTRIBUTIONS FROM SUBDIVIDERS. An equity account in an enterprise fund which shows the amount of permanent fund capital contributed to a utility or other enterprise by subdivision developers and builders.
- 2911. RESERVE FOR BOND RETIREMENT. This account will be used in connection with term or special bonds and represents the amount which has been accumulated at the balance sheet date, to retire the bond principal when it matures.
- 2921. RESERVES FOR SPECIAL IMPROVEMENTS GUARANTEED. This account will appear only in an improvement district fund.
- 2922. RESERVE FOR AUTHORIZED EXPENDITURES. This account appears in the balance sheets of capital projects and improvement districts funds. It reflects authorization granted to make expenditures and incur obligations for specific purposes. At the end of each fiscal year the account is reduced by the expenditures incurred during the period and the balance appears in the balance sheet representing a continuation of the authorization.
- 2931. RESERVE (Other). Appropriate reserves of fund balance.
- 2932. RESERVE FOR UNCOLLECTED TAXES. A reserve account equal to the amount of taxes receivable. This account will be used when accounting for property tax revenues on a cash basis.

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2933. RESERVE FOR REVENUE BOND DEBT SERVICE. A reserve in an enterprise fund which represents the segregation of a portion of retained earnings equal to current assets that are restricted to current servicing of revenue bonds in accordance with the terms of a bond indenture.
2935. RESERVE FOR REVENUE BOND CONTINGENCY. A reserve in an enterprise fund which represents the segregation of a portion of retained earnings equal to current assets that are restricted to meeting various contingencies as may be specified and defined in the revenue bond indenture.
2936. RESERVE FOR EMPLOYEE'S CONTRIBUTIONS. A reserve in a trust fund for a public employees' retirement system, which represents the amount of accumulated contributions made by member employees plus interest earning credited in accordance with applicable legal provisions.
2937. RESERVE FOR EMPLOYER CONTRIBUTIONS. A reserve in a trust fund for a public employees' retirement system which represents the amount of accumulated contributions paid by the governmental unit as employer plus interest earnings credited in accordance with applicable legal provisions.
2938. ACTUARIAL DEFICIENCY IN RESERVE FOR EMPLOYER CONTRIBUTIONS. A reserve in a trust fund for a public employee retirement system which represents the amount of the actuarial deficiency in contributions made by a governmental unit as the employer.
2939. RESERVE FOR MEMBERSHIP ANNUITIES. A reserve in a trust fund for a public employee retirement system which represents the amount set aside for payment of annuities to retired members. In a joint contributory system, this reserve is established at the time of employee retirement by transfers from accumulations in the Reserve for Employee Contributions and the Reserve for Employer Contributions.
2941. RESERVE FOR VARIATIONS IN ACTUARIAL ASSUMPTIONS. An unallocated reserve in a trust fund for a public employee retirement system which reflects adjustments to reserves for retirement benefits in force resulting from variations in mortality, turnover, and interest experience.

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- 2942. RESERVE FOR UNDISTRIBUTED INTEREST EARNINGS. An allocated reserve in a trust fund for a public employee retirement system which represents interest earnings of the system that have not been distributed to other reserves such as the Reserve for Employee Contributions and the Reserve for Employer Contributions.
- 2951. FUND BALANCE-UNAPPROPRIATED. The unappropriated excess of the assets of a fund over its liabilities and reserves except for the amounts appropriate for the ensuing budget.
- 2961. FUND BALANCE-APPROPRIATED. The balance of fund balance appropriated in the ensuing year budget. It represents the excess of appropriations approved in the ensuing budget over estimated revenues.
- 2971. INVESTMENT IN GENERAL FIXED ASSETS. An account in the general fixed assets group of accounts which represents the governmental unit's equity in general fixed assets. The balance of this account is subdivided, according to the source of funds which financed the asset acquisition, such as current revenue, bond issues, contributions, etc.
- 2981. RETAINED EARNINGS. The accumulated earnings of an enterprise fund or an internal service fund which have been retained in the fund and which are not reserved for any specific purpose.

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REVENUE ACCOUNTS

GENERAL INFORMATION

A major problem of cities is the raising of sufficient revenue to finance their various functions and projects. Increasing demands for new or expanded services have greatly enhanced the costs of local government. The current trend is for cities to make special charges for the additional services where practicable to do so. Consequently, cities may have numerous sources of revenue and the kinds of revenue collected may vary considerably between cities.

The following classification is based on sources of general revenues commonly found in the general, special revenue, debt service, capital projects, and enterprise funds of a large governmental unit. The purpose of the revenue listing presented here is to provide a logically structured and reasonably complete revenue classification which can be adapted to meet the managerial and reporting needs of the cities.

The revenue accounts may generally be classified under eight major sources as follows:

<u>Classification Number</u>	<u>Source</u>
3100	Taxes
3200	Licenses and Permits
3300	Intergovernmental Revenue
3400	Charges for Services
3500	Fines and Forfeitures
3600	Miscellaneous Revenue
3700	Other Enterprise and Utility Revenue
3800	Contributions and Transfers

Most of the revenues listed will apply to the general fund. Other funds may have only one or possibly two revenue sources. The particular revenue account or accounts as required should appear under each of the applicable funds.

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3100 - TAXES

3110 - General Property Taxes - Current

3120 - Prior Year's Taxes - Delinquent

3130 - General Sales and Use Taxes

3140 - Franchise Taxes

3150 - Transient Room Tax

3160 - Assessing & Collecting

3161 - Re-appraisals

3162 - Assessing and Collecting - State-wide Levy

3163 - Assessing and Collecting - County Levy

3170 - Fee-in-Lieu of Personal Property Taxes

3190 - Penalties and Interest on Delinquent Taxes

3200 - LICENSES AND PERMITS

3210 - Business Licenses and Permits

3211 - Alcohol and Beverage Licenses

3212 - Health

3213 - Police and Protective

3214 - Corporations or Business

3215 - Public Utilities

3216 - Professional and Occupational

3217 - Amusements

3218 - Other

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- 3220 - Non-Business Licenses and Permits
 - 3221 - Buildings, Structures and Equipment
 - 3222 - Marriage Licenses
 - 3223 - Motor Vehicle Operation
 - 3224 - Cemetery - Burial Permits
 - 3225 - Animal
 - 3226 - Street and Curb Permits
 - 3229 - Other

3300 - INTERGOVERNMENTAL REVENUE

- 3310 - Federal Grants
 - 3311 - General Government
 - 3312 - Public Safety
 - 3313 - Highways and Streets
 - 3314 - Sanitation
 - 3315 - Health
 - 3316 - Welfare
 - 3317 - Cultural - Recreation
 - 3318 - Conservation of Natural Resources
 - 3319 - Other

3320 - Federal Shared Revenue

3330 - Federal Payments in Lieu of Taxes

3340 - State Grants

- 3350 - State Shared Revenue
 - 3351 - Property Taxes
 - 3352 - Individual Income Taxes
 - 3353 - Corporation Income Taxes
 - 3354 - General Sales and Use Taxes
 - 3356 - Class "C" Road Fund Allotment
 - 3358 - State Liquor Fund Allotment
 - 3359 - Other

3360 - State Payments in Lieu of Taxes

3370 - Grants From Local Units (Specify Unit)

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3380 - Shared Revenue From Local Units (Specify Unit)

3390 - Payments From Local Units in Lieu of Taxes

3400 - CHARGES FOR SERVICES

3410 - General Government

- 3411 - Court Costs, Fees and Charges (Clerk)
- 3412 - Recording of Legal Documents (Recorder)
- 3413 - Zoning and Subdivision Fees
- 3414 - Plan Checking Fees
- 3415 - Sale of Maps and Publications
- 3416 - Auditor's Fees
- 3417 - Surveyor's Fees
- 3418 - Treasurer's Fees
- 3419 - Other

3420 - Public Safety

- 3421 - Special Police Services
- 3422 - Special Protective Services
- 3423 - Corrective Fees (Jail)
- 3424 - Protective Inspection Fees
- 3425 - Other

3430 - Streets and Public Improvements

- 3431 - Street, Sidewalk and Curb Repairs
- 3432 - Parking Meter Revenue
- 3433 - Street Lighting Charges
- 3434 - Bridge and Tunnel Fees
- 3435 - Other

3440 - Sanitation

- 3441 - Sewer Charges
- 3442 - Street Sanitation Charges
- 3443 - Refuse Collection Charges
- 3444 - Sale of Waste and Sludge
- 3445 - Weed Removal and Cleaning Charges
- 3446 - Other

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3450 - Health

- 3451 - Vital Statistics
- 3452 - Health Inspection Fees
- 3453 - Hospital Fees
- 3454 - Clinic Fees
- 3455 - Animal Control and Shelter Fees
- 3456 - Other

3470 - Parks and Public Property

- 3471 - Golf Fees
- 3472 - Swimming Pool Fees
- 3473 - Playground Fees
- 3474 - Park and Recreation Concessions
- 3475 - Auditorium Use Fees
- 3477 - Zoo Charges
- 3478 - Other

3480 - Cemeteries

- 3481 - Sale of Cemetery Lots
- 3482 - Perpetual Care
- 3483 - Grave Digging Charges
- 3484 - Use of Devices
- 3485 - Charges for Removal of Bodies
- 3486 - Other

3490 - Miscellaneous Services

- 3491 - (As defined)
- 3492 - (As defined)
- 3493 - (As defined)
- 3494 - Other

3500 - FINES AND FORFEITURES

3510 - Fines

- 3511 - Court
- 3512 - Library
- 3513 - Other

3520 - Forfeitures

- 3521 - Bail and Bond Forfeitures
- 3522 - Confiscations

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3600 - MISCELLANEOUS REVENUE

3610 - Interest Earnings

3620 - Rents and Concessions

3640 - Sale of Fixed Assets Including Compensation for Loss

3650 - Sale of Materials and Supplies

3660 - Premium of Bonds Sold

3670 - Sale of Bonds

3680 - Other Financing Sources-Capital Lease Obligations

3690 - Sundry Revenue

3700 - OTHER ENTERPRISE AND UTILITY REVENUE

3710 - Water Fund (Operating)

3720 - Water Fund (Non-operating)

3725 - Water Fund Impact Fees

3730 - Sewer Fund (Operating)

3740 - Sewer Fund (Non-operating)

3745 - Sewer Fund - Impact Fees

3750 - Electric Fund (Operating)

3760 - Electric Fund (Non-operating)

3770 - Waste Collection and Disposal Fund (Operating & Non-operating)

3780 - Airport Fund - Aviation

3790 - Airport Fund - Terminal Building

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3800 - CONTRIBUTIONS AND TRANSFERS

3810 - Transfers from Other Funds

3820 - Transfers from Other Governmental Units

3830 - Contributions from Other Funds

3840 - Contributions from Other Governmental Units

3850 - Loans from Other Funds

3860 - Loans from Other Governmental Units

3870 - Contributions from Private Sources

3880 - Beginning Class "C" Road Fund Balance to be Appropriated

3890 - Beginning General Fund Balance to be Appropriated

3900 - SPECIAL FUND REVENUE

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REVENUE ACCOUNTS

3100 TAXES - Separate accounts segregated as follows:

- 3110 General Property Taxes - Current. Ad valorem taxes levied on an assessed valuation of real and personal property in the current year. These taxes are collected by the county treasurer and remitted by him to the taxing unit for which they were collected.

- 3120 Prior Years' Taxes – Delinquent. Includes the taxes collected by the county treasurer which were levied for general property taxes in prior years but had remained uncollected at the close of the year of assessment.

- 3130 General Sales and Use Taxes. Taxes imposed upon the sale or consumption of goods and/or services, and paid by the general public as an addition to the sale price of retail purchases. All such sales taxes collected by the retail merchants are remitted to the State Tax Commission, which in turn reallocates the taxes to the local governmental units participating.

- 3140 Franchise Taxes. Taxes imposed upon privately-owned utilities which have been given a franchise to operate in the governmental entity, using the governmental unit's property for standards, wiring, underground pipes, etc. A separate revenue account may be set up for each type of utility company.

- 3150 Transient Room Tax. Revenue from a tax imposed upon the rental of suites or rooms of motor courts, motels, hotels, inns, etc. This revenue is restricted for the use of establishing, financing and promoting recreational, tourist and convention bureaus.

- 3160 Assessing and Collecting. This group of accounts includes revenue set aside for assessing, re-appraisal, and collection of property tax.

- 3161 Re-appraisals (cost for an approved re-appraisal program may be recovered as part of assessing and collecting). Revenues from these costs should be shown separately because they are exempted from the tax rate ceiling on assessing and collecting.

- 3162 Assessing and Collecting - State-wide Levy. Ad valorem taxes levied on an assessed valuation of real property on a state-wide basis. Collected by the county treasurer. These taxes are equalized by the State Auditor, based on a formula established by state law.

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Taxes collected in excess of the county's share determined by the formula are remitted to the State Treasurer.

- 3163 Assessing and Collecting - County Levy. Ad valorem taxes levied on an assessed valuation of real property on a county-wide basis. These revenues offset the costs of assessing and collecting property taxes within the county.
- 3170 Fee-in-Lieu of Personal Property Taxes. The fee collected in lieu of taxes on personal property (i.e. autos, boats, RVs, etc.)
- 3190 Penalties and Interest on Delinquent Taxes. Includes all money received from the county treasurer as a result of penalties and interest charged against property owners for delinquencies in paying property taxes.
- 3200 LICENSES AND PERMITS - Separate accounts segregated as follows:
 - 3210 Business Licenses and Permits. This group of accounts includes revenue from businesses and occupations which must be licensed before doing business within the governmental unit. Each kind of business license may be recorded in a separate account as follows:
 - 3211 Alcohol and Beverage Licenses
 - 3212 Health
 - 3213 Police and Protective
 - 3214 Corporations or Business
 - 3215 Public Utilities
 - 3216 Professional and Occupational
 - 3217 Amusements
 - 3218 Other
 - 3220 Non-Business Licenses and Permits. This group of accounts includes revenues from all non-business licenses and permits levied according to benefits presumably conferred by the license or permit.
 - 3221 Buildings, Structures and Equipment
 - 3222 Marriage Licenses
 - 3223 Motor Vehicle Operation
 - 3224 Cemetery-Burial Permits
 - 3225 Animal Licenses
 - 3226 Street and Curb Permits
 - 3229 Other

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3300 INTERGOVERNMENTAL REVENUE - This group of accounts includes revenues received from other governments in the form of grants, shared revenues, or payments in lieu of taxes. Grants, sometimes referred to as grants-in-aid, are contributions made by one governmental level or unit to another unit and are not related to specific revenue sources of the granting unit. Shared revenues are those which are levied by one governmental unit but shared, usually in proportion to the amounts collected, with another unit of government or class of governments. Payments in lieu of taxes are payments made out of general revenues by one governmental jurisdiction to another in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the receiving government on the same basis as other privately-owned property or other tax base.

3310 Federal Grants

- 3311 General Governments
- 3312 Public Safety
- 3313 Highways and Streets
- 3314 Sanitation
- 3315 Health
- 3316 Welfare
- 3317 Cultural - Recreation
- 3318 Conservation of Natural Resources
- 3319 Other

3320 Federal Shared Revenues

3330 Federal Payments in Lieu of Taxes

3340 State Grants

3350 State Shared Revenue

- 3351 Property Taxes
- 3352 Individual Income Taxes
- 3353 Corporation Income Taxes
- 3354 General Sales and Use Taxes
- 3356 Class "C" Road Fund Allotment
- 3358 State Liquor Fund Allotment
- 3359 Other

3360 State Payments in Lieu of Taxes

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- 3370 Grants from Local Units (specify unit)
- 3380 Shared Revenues from Local Units (specify unit)
- 3390 Payments from Local Units in Lieu of Taxes
- 3400 CHARGES FOR SERVICES - This group of accounts includes revenue from all charges for current services exclusive of revenues of governmental utilities and other public enterprises. Such charges should be segregated under the functional and activity groupings indicated below:
 - 3410 General Government
 - 3411 Court Costs, Fees, and Charges (Clerk)
 - 3412 Recording of Legal Documents (Recorder)
 - 3413 Zoning and Subdivision Fees
 - 3414 Plan Checking Fees
 - 3415 Sale of Maps and Publications
 - 3416 Auditor's Fees
 - 3417 Surveyor's Fees
 - 3418 Treasurer's Fees
 - 3419 Other
 - 3420 Public Safety
 - 3421 Special Police Services
 - 3422 Special Protection Services
 - 3423 Correction Fees (Jail)
 - 3424 Protective Inspection Fees
 - 3425 Other
 - 3430 Streets and Public Improvements
 - 3431 Street, Sidewalk, and Curb Repairs
 - 3432 Parking Meter Revenue
 - 3433 Street Lighting Charges
 - 3434 Bridge and Tunnel Fees
 - 3435 Other

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3440 Sanitation

- 3441 Sewer Charges
- 3442 Street Sanitation Charges
- 3443 Refuse Collection Charges
- 3444 Sale of Waste and Sludge
- 3445 Weed Removal and Cleaning Charges
- 3446 Other

3450 Health

- 3451 Vital Statistics
- 3452 Health Inspection Fees
- 3453 Hospital Fees
- 3454 Clinic Fees
- 3455 Animal Control and Shelter Fees
- 3456 Other

3470 Parks and Public Property

- 3471 Golf Fees
- 3472 Swimming Pool Fees
- 3473 Playground Fees
- 3474 Park and Recreation Concessions
- 3475 Auditorium Use Fees
- 3476 Library Use Fees
- 3477 Zoo Charges
- 3478 Other

3480 Cemeteries. Includes revenue from charges for cemetery services, sales of lots, seasonal care, perpetual care certificates, etc. These may be recorded, if desired, in a separate account for each type of charge, as listed below. In the cities in which proceeds from the sale of perpetual care certificates must, by ordinance, be maintained in trust, such proceeds represent revenue of a trust or agency fund.

- 3481 Sale of Cemetery Lots
- 3482 Perpetual Care
- 3483 Grave Digging Charges
- 3484 Use of Devices
- 3485 Charges for Removal of Bodies
- 3486 Other

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3490 Miscellaneous Services. Revenue from miscellaneous services provided by the governmental unit.

3491 (as defined)
3492 (as defined)
3493 (as defined)
3494 Other

3500 FINES AND FORFEITURES

3510 Fines. Includes monies derived from fines and penalties imposed for the commission of statutory offenses, violations of lawful administrative rules and regulations and for neglect of official duties.

3511 Court
3512 Library
3513 Other

3520 Forfeitures. Includes revenues derived from confiscating deposits held as performance guarantees.

3521 Bail or Bond Forfeitures
3522 Other Confiscation's

3600 MISCELLANEOUS EARNINGS - This group of accounts includes revenues which cannot feasibly be classified within the foregoing revenue classifications.

3610 Interest Earnings. Includes all amounts received as a result of interest earned from any source, such as investments, time deposits, etc.

3620 Rents and Concessions. Includes revenue received for the use of lands, buildings, and equipment owned by the governmental unit. Rents obtained from each lease of property may be accounted for separately to ensure the collection and recording of all rent installments.

3640 Sale of Fixed Assets Including Compensation for Losses. Includes monies received from the sale of government-owned property, payments for loss of insured property and reimbursements for property damaged.

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- 3650 Sale of Material and Supplies. Revenue from material and supplies sold to outside organizations or governmental units.
 - 3660 Premiums on Bonds Sold. This account appears in the debt service fund and consists of the excess of the proceeds from the sale of bonds over their par value.
 - 3670 Sale of Bonds. This account appears in the capital projects fund and includes proceeds from the sale of bonds, except that if bonds are sold at premium, only that portion of the proceeds representing the par value of the bonds would be included.
 - 3680 Other Financing Sources-Capital Lease Obligations. Present value of the total future lease payments. This amount is posted to the books in the year the lease agreement is entered into.
 - 3690 Sundry Revenues. This account includes any amounts received by the governmental unit as revenue from sources which have not been otherwise provided for in the chart of revenue accounts.
- 3700 OTHER ENTERPRISE AND UTILITY REVENUE - Includes money derived from the operation of the various public enterprises maintained by a governmental unit such as water, water and sewer, electric utilities, and other enterprises, including airports and transportation (bus) lines. As previously stated elsewhere in this manual, a Uniform Chart of Accounts for the various enterprises and utilities has been published by national committees and agencies, and it is recommended that these classifications be used. An outline of a general classification of revenue accounts for several of the enterprise funds is given below:

WATER UTILITY FUND (3710 to 3729)

3710 Operating Revenue:

- 3711 Metered Water Sales
- 3712 Flat Rate Water Sales
- 3713 Fire Service and Hydrant Rentals
- 3714 Other

Other Water Revenue:

- 3715 Rent from Water Utility Property
- 3716 Servicing Customer's Installations
- 3717 Forfeited Discounts and Penalties

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3718 Sales of Materials
3719 Miscellaneous

3720 Non-Operating Revenue:

3721 Interest Earnings
3722 Rent from Non-Operating Property
3723 Profit (Loss) on Sale of Fixed Assets
3726 Miscellaneous

SEWER FUND (3730 to 3749)

3730 Operating Revenue:

3731 Sewer Service Charges
3732 Sewer Inspection Fees
3733 Servicing Customers' Installations
3734 Sale of Materials
3735 Miscellaneous

3740 Non-Operating Revenue:

3741 Interest Earnings
3742 Rent from Non-operating Property
3743 Profit (Loss) on Sale of Fixed Assets
3744 Miscellaneous

ELECTRIC UTILITY FUND (3750 TO 3769)

3750 Operating Revenue:

3751 Residential or Domestic Sales
3752 Commercial and Industrial Sales
3753 Public Street and Highway Lighting
3754 Rent from Electric Utility Property
3755 Servicing Customers' Installations
3756 Forfeited Discounts and Penalties
3757 Sale of Materials
3758 Miscellaneous

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3760 Non-operating Revenue:

- 3761 Interest Earnings
- 3762 Rent from Non-operating Property
- 3763 Profit (Loss) on Sale of Fixed Assets
- 3766 Miscellaneous

WASTE COLLECTION AND DISPOSAL FUND (3770 to 3779)

3770 Operating Revenue:

- 3770 Residential and Domestic Charges
- 3771 Commercial and Industrial Charges
- 3772 Intragovernmental Charges
- 3773 Public Use of Landfill Charges

Non-operating Revenue:

- 3776 Interest Earnings
- 3777 Rent from Non-operating Property
- 3778 Profit (Loss) on Sale of Fixed Assets
- 3779 Miscellaneous

MUNICIPAL AIRPORT FUND (3780 TO 3799)

3780 Operating Revenue:

Aviation

- 3781 Landing Fees
- 3782 Aviation Gasoline Taxes
- 3783 Fuel Oil Royalties
- 3784 Lease on Ground Areas
- 3785 Hanger Rentals
- 3786 Plant and Facility Rentals
- 3787 Building Rentals
- 3788 Scheduled Flight Fees
- 3789 Non-scheduled Flight Fees

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3790 Terminal Building Areas

3791 Rentals & Fees
3792 Concessions
3793 Other Revenue

Non-operating Revenue:

3796 Interest Earnings
3797 Profit (Loss) On Sale of Fixed Assets
3798 Rent from Non-operating Property
3799 Miscellaneous

3800 CONTRIBUTIONS AND TRANSFERS Any contributions or transfers within a utility or enterprise fund will use the 3800 series of accounts

3810 Transfers from Other Funds. Includes amounts received from other funds such as utility funds for the support of activities promoted through or provided by the general fund. (Amounts received in excess of a reasonable allocation of cost should be credited to account 3830, Contributions from Other Funds.) Such items as the transfer of earnings from investments of the cemetery perpetual care fund for the care of cemetery lots to the general fund, payments from utility and other enterprise funds to the general fund in lieu of taxes, and transfer of fund balances in discontinued funds should be recorded in this account.

3811 Transfer from capital projects fund
3812 Transfer from debt service fund
3813 Transfer from general fund
3814 Transfer from special revenue fund
3815 Transfer from enterprise fund
3816 Transfer from "other" fund (specify)
3817 Transfer from "other" fund (specify)

3820 Transfers from Other Governmental Units. This account includes amounts received from other units of government for the support of activities promoted through or provided by a fund. Amounts received in excess of a reasonable allocation of costs should be credited to account 3840, Contributions from Other Governmental Units.

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- 3830 Contributions from Other Funds. Includes contributions from other funds which are not intended to be repaid.
- 3831 Contrib. from capital projects fund
 - 3832 Contrib. from debt service fund
 - 3833 Contrib. from general fund
 - 3834 Contrib. from special revenue fund
 - 3835 Contrib. from enterprise fund
 - 3836 Contrib. from "other" fund (specify)
 - 3837 Contrib. from "other" fund (specify)
- 3840 Contributions from Other Governmental Units. Includes amounts received from other units of government as a donation or contribution which are not intended to be repaid.
- 3870 Contributions from Private Sources. Includes amounts received as donations or contributions from sources other than governmental agencies which are not intended to be repaid.
- 3880 Beginning Class "C" Road Fund Balance to be Appropriated. Includes prior year's surplus of the Class "C" Road Fund to be used to finance current year's operations. This amount is reported as a source of revenue to the general fund as all road projects are to be budgeted and reported in the general fund.
- 3890 Beginning General Fund Fund Balance to be Appropriated. Includes prior year's surplus of the general fund to be used to finance current year's operations.
- 3900 SPECIAL FUND REVENUE - This group of accounts is established for special revenues, not classified in other accounts, that are required to be separated in funds such as special revenue funds.

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EXPENDITURE ACCOUNTS

GENERAL INFORMATION

Expenditures are classified according to the purposes to be accomplished, which are referred to as functions. The functional classification will not be reflected in the account titles as it is used primarily for grouping of the accounts in the ledger, in the budget and in the financial statements. The ten functional categories for cities in to which all expenditures will be classified are as listed below:

FUNCTIONS

- 4100 - General Government
- 4200 - Public Safety
- 4300 - Public Health
- 4400 - Highways and Public Improvements
- 4500 - Parks, Recreation and Public Property
- 4600 - Community and Economic Development
- 4700 - Debt Service
- 4800 - Transfers and Other Uses
- 4900 - Miscellaneous
- 5000 - Public Enterprises

The expenditures having been grouped by functions (or purposes to be accomplished), it is necessary to further classify these expenditures as to the organizational units or departments that will conduct certain activities within these individual functional categories.

Most of the activities will be financed by the general fund of the governmental unit. Some may be financed in whole or in part by special revenue funds or other restricted funds.

The activities (organizational units or departments) for governmental units are outlined in the following chart of accounts. It is recommended that the activities indicated be considered as the minimum level for departmental classification. Those that do not participate in one or more of the activities listed will, of course, disregard them. It is not intended that a city be restricted to classifying only those activities listed. Additional accounts may be added as the need arises.

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4100 GENERAL GOVERNMENT

4110 - Legislative

4111 - Commission or Council

4112 - Legislative Committees and Special Bodies

4113 - Ordinances and Proceedings

4120 - Judicial

4121 - City and Precinct Courts

4122 - Juvenile Court

4123 - District and Circuit Courts

4124 - Law Library

4130 - Executive and Central Staff Agencies

4131 - Executive

4132 - Boards and Commissions

4133 - Central Purchasing

4134 - Personnel

4135 - Budgeting

4136 - Data Processing

4137 - Microfilming

4140 - Administrative Agencies

4141 - Finance

4142 - Clerk

4143 - Treasurer

4144 - Recorder

4145 - Attorney

4146 - Surveyor

4150 - Non-Departmental

4160 - General Governmental Buildings

4161 - Buildings

4162 - Grounds

4163 - Engineering

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4170 - Elections
 4171 - Registration
 4172 - Elections

4180 - Planning and Zoning Commission

4190 - Education and Community Promotion
 4191 - Advertising and Promotion

4200 - PUBLIC SAFETY

4210 - Police Department
 4211 - Police Administration
 4212 - Crime Control and Investigations
 4213 - Traffic Control
 4214 - Training
 4215 - Support Services
 4216 - Special Detail Services
 4217 - Police Stations
 4218 - Liquor Law Enforcement

4220 - Fire Department
 4221 - Fire Administration
 4222 - Fire Suppression
 4223 - Fire Prevention
 4224 - Fire Training - Personnel
 4225 - Fire Communications
 4226 - Fire Repair Services
 4227 - Medical Services
 4228 - Fire Stations and Buildings

4230 - Corrections (Jail)
 4231 - Administration
 4232 - Institutions

4240 - Protective Inspection
 4241 - Administration
 4242 - Building Inspection
 4243 - Plumbing Inspection
 4244 - Electrical Inspection
 4245 - Gas Inspection

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4246 - Air Conditioning Inspection
4247 - Boiler Inspection
4248 - Elevator Inspection
4249 - Weights and Measures

4250 - Other Protective
4251 - Public Safety Commission
4252 - Agricultural Inspection
4253 - Animal Control and Regulation
4254 - Flood Control
4255 - Emergency Services (Civil Defense)

4260 - Other

4300 - PUBLIC HEALTH

4310 - Health Services
4311 - Public Health Administration
4312 - Vital Statistics
4313 - Regulation and Inspection
4314 - Communicable Disease Control
4315 - Health Services
4316 - Health Centers and General Clinics
4317 - Laboratory

4360 - Infirmarys

4400 - HIGHWAYS AND PUBLIC IMPROVEMENTS

4410 - Highways
4411 - Administration
4412 - Traffic Engineering
4413 - Roadways
4415 - Class "C" Road Program

4420 - Sanitation
4421 - Administration
4422 - Street Cleaning
4423 - Waste Collection
4424 - Waste Disposal

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4430 - Sewage Collection and Disposal
4431 - Sewage Collection System
4432 - Sewage Treatment Plant

4440 - Shop and Garage

4450 - Engineer

4500 - PARKS, RECREATION AND PUBLIC PROPERTY

4510 - Parks and Park Areas

4520 - Parkways and Boulevards

4530 - Park Policing

4540 - Park Lighting

4550 - Street Trees and Nursery

4560 - Recreation and Culture

4561 - Participant Recreation

4562 - Spectator Recreation and Culture

4563 - Shop

4580 - Libraries

4590 - Cemeteries

4600 - COMMUNITY AND ECONOMIC DEVELOPMENT

4610 - Community Planning Administration

4620 - Community Development Agency

4630 - Urban Redevelopment and Housing

4631 - Urban Redevelopment and Housing Administration

4632 - Urban Redevelopment

4633 - Public Housing Projects

4634 - Other Urban Redevelopment and Housing

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4650 - Economic Development and Assistance
4651 - Economic Development and Assistance Administration
4652 - Economic Development
4653 - Employment Security

4660 - Economic Opportunity
4661 - Job Corps
4662 - Youth Work Training Programs
4663 - Community Action Programs
4664 - Adult Basic Education
4665 - Assistance to Migrant Agricultural Workers and Families
4666 - Work Experience Programs for Needy Persons

4700 - DEBT SERVICE

4710 - Principal and Interest
4711 - Serial Bond Principal
4712 - Term Bond Principal
4715 - Other Debt Principal

4800 - TRANSFERS AND OTHER USES

4810 - Transfers to Other Funds
4820 - Transfers to Other Governmental Units
4830 - Contributions to Other Funds
4840 - Contributions to Other Governmental Units
4870 - Use of Restricted/Reserved Fund Balance
4880 - Appropriated Increase in Fund Balance

4900 - MISCELLANEOUS

4910 - Judgments and Losses
4920 - Retirement and Pension Contributions

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4930 – Workmen’s Compensation

4940 - Unemployment Compensation

4960 - Other Miscellaneous

4970 - FEMA Reimbursement Flood Cost

4980 - Other Flood Cost

5000 - PUBLIC ENTERPRISES

5100 - Water Fund

5200 - Sewer Fund

5300 - Electric Utility Fund

5400 - Airport Fund

6000 – INTERNAL SERVICE FUNDS

6100 - Administration

6200 - Service Departments

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- 4100 GENERAL GOVERNMENT - as an account classification is charged with all expenditures for the legislative, judicial, and executive branches of a governmental unit, including expenditures made by the chief executive officer and other auxiliary and staff agencies in the administrative branch of the government. The accounts are subdivided into nine general groups: legislative, judicial, executive and administrative staff agencies, administrative agencies, non-departmental, general government buildings, election, planning and zoning, and education and community promotion.
- 4110 Legislative. This group includes accounts for recording expenditures by the governing body in the performance of its main work and subsidiary activities. The decision as to whether or not a given item should be charged to a legislative account must be based on whether the item is a direct or indirect cost. If the former, by reason of being incurred by the governing body, the cost is allocated to a legislative account. Otherwise, the cost is charged to another account, usually to a staff agency account, or activity to which members of the governing body are assigned and specifically responsible.
- 4111 Commission or council – Charged with the direct expenditures of the governing body. Direct expenses represent something done for the governing body by a staff agency or official.
- Expenses of commissions or councils acting in both a legislative and an executive capacity are classified as executive if their legislative function is incidental or subordinate to the executive function.
- 4112 Legislative Committees and Special Bodies - Charged with expenditures of regular committees of the governing body, special investigating committees (unless for investigations preliminary for the purchase of property), and of other committees, or representatives responsible solely to the governing body. Cost of an investigation preliminary for the purchase of equipment or properties of a specific department should be included as a cost of the purchase. If the purchase is not made, the expenditures are charged to Miscellaneous Expenditures.
- 4113 Ordinances and Proceedings - Charged with expenditures for the printing and advertising of ordinances and for printing the proceedings of the governing body.
- 4120 Judicial - For recording expenditures related to the activities of the district court, precinct courts, and other judicial bodies which are financed by the governmental unit. The number of such activities will vary as between the units, and the following subactivity accounts are to be employed when applicable:

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- 4121 City and Precinct Courts - Charged with the expenditures of the city courts. If a city so desires it may set up a separate activity account for each court; however, this is not required for the purposes of the manual.
- 4122 Juvenile Court - Charged with the expenditures of the juvenile court.
- 4123 District and Circuit Courts -
- 4124 Law Library - Charged with expenditures for acquiring and maintaining a law library.
- 4130 Executive and Central Staff Agencies - This group of accounts is charged with the expenditures that are applicable to a governmental unit organization with executive officer and central staff agencies performing subsidiary services which are considered as not feasibly rendered by independent departments.
- 4131 Executive - Charged with expenditures of the governmental unit 's chief executive and the employees connected with his office. This account title may be changed to indicate the chief executive 's specific title, such as City Manager or Administrator.
- 4132 Commissions - Charged with expenditures of commissions acting primarily in executive capacities to the extent that such expenditures cannot be allocated to the function directed by the commissioners or council members.
- 4133 Central Purchasing - Charged with the expenditures incurred in operating the office of the governmental purchasing agent. Included may be the expenditures of maintaining central warehousing and stores of materials and supplies. If the purchasing agent is an employee of the auditor 's office, the auditor account would be charged.
- 4134 Personnel - Charged with expenditures of staff used to create prospective employee registers and prepare job descriptions and personnel policies.
- 4135 Budgeting - Charged with expenditures directly related to preparation and adoption of the annual budget. This account is used only where an independent department controlled by the Budget Officer is set up. Where the work of preparing the budget is done by officers as part of their broader duties within another department, such expenditures are charged to their respective departmental activities.
- 4136 Data Processing - Charged with the expenditures of the staff agency concerned with mechanically or electronically processing information and producing reports and statements from the records and accounts of the governmental unit for use by the governing body and general public. This account would also be

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used where this service is obtained through a contract with an outside agency or service bureau.

- 4137 Microfilming - Charged with the expenditures pertaining to the microfilming, copying, reproduction, photographing, etc., of departmental records for the purpose of preservation, increasing the availability and use of the public records and improving the adequacy of storage facilities. This account would be used where such services are obtained through a contract with an outside agency.
- 4140 Administrative Agencies - All expenditures of general staff or administrative agencies are recorded in the following group of accounts. Certain of the staff agencies render services primarily to the entire community; others performs functional services to other departments of the governmental unit.
- 4141 Finance - Charged with the expenditures relative to the activities of finance. This account is to be charged with expenditures related to the accounting function of the city. It will be those duties assigned to the auditor.
- 4142 Clerk - Charged with the expenditures relative to the activities of the clerk, council or commission.
- 4143 Treasurer - Charged with all the expenditures relative to the activities of the treasurer in his capacities as custodian of the funds.
- 4144 Recorder - Charged with all the expenditures relative to the activities of the recorder. When this office is combined with that of the auditor, this account is to be used.
- 4145 Attorney - Charged with all the expenditures relative to the activities of attorney. If the attorney maintains the law library, it is charged to this account.
- 4146 Surveyor - Charged with all the expenditures relative to the activities of surveyor.
- 4150 Non-departmental. This group of activity accounts is for recording expenditures that are non-departmental, or those which are not applicable to any of the departments and offices but are definitely part of the cost of general government. To the extent possible and practicable all expenditures should be apportioned to the various departments.
- 4160 General Governmental Buildings. This group is charged with expenditures relative to the construction, equipment, operation, maintenance, and care of the general buildings and plants of the governmental unit. The expense of separate buildings used by a particular department, such as a fire station, health offices, garage, etc., may not be

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included in this account. Such expenses may be charged to the particular department involved. When a building is used by more than one department, the expenses should be apportioned between them if it is practical to do so.

4161 Buildings
4162 Grounds
4163 Engineering

4170 Elections - This account is charged with direct expenditures for registered voters and holding general, primary, and special elections. Salaries of the clerks, policemen, and other officials performing election duties are not charged to elections but to their respective departmental activities. The salaries of election deputies, judges, counters, hired watchers, special policemen, printed forms, supplies, rentals, etc., related to the cost of lawful elections are chargeable to this account classification.

4171 Registration
4172 Elections

4180 Planning and Zoning Commission. Charged with the expenditures of the Planning Commission whose main activities concern developing a master plan and laying out the governmental unit to serve the business requirements, conveniences, health and comfort of the public and recommending policies and procedures for guiding growth in conformance with a scientific design or plan. If a governmental unit develops an organization to provide administrative and operational functions in implementing planning and zoning policies, these expenditures should be classified under Community and Economic Development.

4190 Education and Community Promotion. This account is charged with the expenditures related to any education or advertising of the recreational or economic benefits of the governmental unit.

4191 Advertising and Promotion - Charged with the expenditures relative to advertisements in newspapers, magazines, periodicals, brochures, etc., and promotional activities.

4200 PUBLIC SAFETY - A major function of government which has as its objective the protection of persons and property. The sub-functions in this category include police protection, fire protection, correction, protective inspection, civil defense, flood control, etc.

4210 Police Department - This group includes accounts for recording the expenditures incurred by the police department in the administration of various law enforcement activities.

4211 Police Administration - Charged with all expenditures incurred by the chief and his assistants in supervising all the activities of the department. In

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addition to the direction of departmental personnel and budgetary responsibilities, this supervision may include long-range planning and research in problems of criminal activity and law enforcement.

- 4212 Crime Control and Investigations - this department may be expanded into the following sub-accounts:
- 4212-1 Criminal Investigation - Charged with expenditures made by detectives in the investigation of criminal activities, detection and arrest of criminal activities, detection and arrest of criminal offenders, obtaining of evidence for prosecution of criminal cases, return of fugitive felons from other jurisdiction, testimony in court cases, location of missing persons and recovery of lost and stolen property.
 - 4212-2 Vice Control - Charged with expenditures arising out of activities to suppress crime. These include investigation and procurement of evidence necessary for prosecution in vice-related activities.
 - 4212-3 Patrol - Charged with all expenditures for uniformed patrol of assigned districts and such related activities as investigation of law violation incidents of all kinds, arrest of law violators, reporting of traffic accidents, etc.
 - 4212-4 Records and Identification - Charged with expenditures connected with the maintenance of records of all police activities and the identification of criminals by use of fingerprints, photographs, and case histories.
 - 4212-5 Youth Control and Investigation - Charged with expenditures arising out of the investigation of complaints against juveniles; programs to control juvenile delinquency; law violations involving accessories, accomplices, or contributors to the delinquency of minors; programs for self-education, rehabilitation, and job-placements for reformed youths; and location of missing juveniles.
 - 4212-6 Crime Laboratory - Charged with all expenditures for making laboratory examinations and analysis of physical evidence involved in law enforcement activities.

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- 4213 Traffic Control - Charged with expenditures arising out of traffic control activities, enforcement of traffic laws, radar-unit operation, investigation of traffic accidents, checking parking meter violations, patrolling streets, and issuing tickets for moving violations.
- 4214 Training - Charged with expenditures for training police officers. Such training may include formal basic training for recruits, in-service training for commissioned police officers and maintenance of training facilities such as firing ranges, gymnasiums, etc.
- 4215 Support Services
- 4215-1 Communication Service - Charged with expenditures for the acquisition, operation, and maintenance of all devices and mechanical methods used in supplying law enforcement information such as radio, teletype, telephone, signal lights, and call boxes. If the maintenance of the system is by another department, such cost is also allocated to this account.
- 4215-2 Automotive Service - Charged with all expenditures for maintenance and servicing of police vehicles, wrecker services for police and apprehended vehicles, equipment for police vehicles including special equipment such as flashing lights, gun mounts, decals, etc.
- 4215-3 Ambulance Service - Charged with expenditures for emergency ambulance services provided directly by the police department or provided as a contractual service by the governmental unit.
- 4215-4 Medical Services - Charged with expenditures for rendering first aid to civilians and for medical examination, treatment and hospital care of prisoners and officers either directly by the governmental unit or as a contractual service.
- 4215-5 Other
- 4216 Special Detail Services - Charged with expenditures for police personnel performing functions outside regular assignments. This includes special services for which the governmental unit receives compensation from private sources or other governmental units, such as school districts, banks, or amusement resorts.

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- 4217 Police Stations - Charged with expenditures for stations and buildings other than the general public safety buildings. If buildings are rented, rental payments are charged to this account.
- 4218 Liquor Law Enforcement - Charged with expenditures made to enforce the provisions of the State Liquor Control Act and to meet requirements as related to accounting for such expenditures for eligibility to participate in the allotments of the State Liquor Fund as set up by regulations of the State Liquor Control Commission.
- 4220 Fire Department - This group of accounts is for recording the expenditures incurred by the fire department in the prevention and fighting of fires for residents of special districts.
- 4221 Fire Administration - Charged with expenditures for the supervision of all activities of the fire department, including the fire chief and his assistants. These activities include general administration of all official policies, budgetary and personnel administration, and long-range planning and research.
- 4222 Fire Suppression - Charged with expenditures for extinguishing and suppressing fires and for providing such special services as inspections of buildings and fire hydrants, and assistance to persons and property under disaster and emergency conditions.
- 4223 Fire Prevention - Charged with expenditures for such fire prevention activities as inspection of fire hazards, investigation of fire causes, investigation and prosecution of persons involved in incendiary fires, fire prevention education, control of inflammable materials, and enforcement of fire prevention ordinances.
- 4224 Fire Training-Personnel - Charged with all expenditures for training firemen, either in training activities carried on by the department, or conducted by educational institutions outside of the governmental unit. This account is also charged with maintenance of special training facilities such as drill towers, burning areas, etc.
- 4225 Fire Communications - Charged with expenditures for the acquisition, operation, and maintenance of fire alarm systems and other communication systems used by the fire department in preventing and fighting fires. It is also charged with the maintenance of current coverage maps, assignment schedules for response of fire apparatus and maintenance of records of location and changes in fire hydrants and sprinkler systems.

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- 4226 Fire Repair Services - Charged with all expenditures for repair of fire apparatus and equipment, and for conducting regular equipment tests.
- 4227 Medical Services - Charged with all expenditures for medical examination, treatment, and care of injured firemen.
- 4228 Fire Stations and Buildings - Charged with expenditures for the operation and maintenance of fire stations and buildings other than the general county buildings. If buildings are rented, rental payments are charged to this account.
- 4230 Corrections (Jail). This group includes accounts for recording expenditures for the confinement of law violators and for probation and parole activities involved in their rehabilitation.
 - 4231 Correctional Administration - Charged with expenditures of officers, boards or commissions having responsibility for correctional activities. Expenditures for supervision of individual institutions are charged to the appropriate institution.
 - 4232 Correctional Institutions - Charged with expenditures for the construction, operation and maintenance of such correctional institutions as prisons, jails, prison factories, and prison farms. A separate subsidiary account should be set up for each institution operated by the governmental unit.
- 4240 Protective Inspection. This group includes accounts for recording expenditures incurred in making protective inspections except those related to health, fire, and other inspections which are definitely assigned in other functions.
 - 4241 Protective Inspection Administration - Charged with expenditures for the centralized administration of two or more inspectional services. If no inspectional services are thus associated, this account is not used.
 - 4242 Building Inspection - Charged with expenditures incurred in the examination of building plans, inspection of building construction, inspection of existing buildings for structural defects and compliance with minimum housing standards and issuance of buildings permits.
 - 4243 Plumbing Inspection - charged with expenditures incurred in the examination of plumbing plans, inspection of plumbing installations and issuance of plumbing permits.
 - 4244 Electrical Inspection - Charged with expenditures incurred in the examination of electrical plans, inspection of electrical installations and issuance of electrical permits.

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- 4245 Gas Inspection - Charged with expenditures incurred in the examination of gas installations and issuance of permits required therefore.
- 4246 Air Conditioning Inspection - Charged with expenditures incurred in the examination of plans for air conditioning installations, inspection of such installations and issuance of permits required therefor.
- 4247 Boiler Inspection - Charged with expenditures for the examination of plans, installation and operation of boilers, pressure tanks, steam engines, and similar devices.
- 4248 Elevator Inspection - Charged with expenditures for examination of plans, installation and operation of elevators, dumb-waiters, and escalators.
- 4249 Weights and Measures - Charged with the expenditures for determining for determining the accuracy of devices used for weighing and measuring physical objects, checking such devices periodically, investigating complaints and prosecuting violators.
- 4250 Other Protective - This group includes accounts for protectional activities which are not strictly a part of the foregoing major account groupings.
- 4251 Public Safety Commission - Charged with the expenses of the operation of the appointed Public Safety Commission.
- 4252 Agricultural Inspection - Charged with any expense related to regulation of farm production.
- 4253 Animal Control and Regulation - Charged with expenditures for the enforcement of ordinances relating to the control of dogs, livestock and other animals within the governmental unit. The cost of operating and maintaining an estray pound should be charged to this account.
- 4254 Flood Control - Charged with expenditures for walls, levies and other devices which protect persons and property from surface water damage.
- 4255 Emergency Services - (Civil Defense) - Charged with expenditures for the preparation of survival plans which may be used in the event of war or natural disaster, for the administration of training programs of protection and survival and for the provision and inspection of shelter, shelter supplies and other civil defense installations and equipment.
- 4260 Other

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4300 PUBLIC HEALTH

- 4310 Health Services. This group of accounts forms a major function of government which includes all activities involved in the conservation and improvement of public health.
- 4311 Public Health Administration - Charged with expenditures for the general administration of the public health activities.
- 4312 Vital Statistics - Charged with expenditures incurred for preparing and maintaining vital records of births, deaths, adoptions, legitimations, marriages, divorces and communicable diseases; preparing reports and statistical analysis of such data; and issuing certified copies of various certificates and other records as permitted and required by law.
- 4313 Regulation and Inspection - Charged with expenditures for various inspection and regulatory activities which are essential to the conservation and improvement of public health.
- 4314 Communicable Disease Control - Charged with expenditures incurred in the prevention and treatment of communicable diseases, including chest clinics, dispensaries and research laboratories; special publicity and educational work in the prevention of tuberculosis, venereal and social hygiene clinics and dispensaries, vaccinations, and quarantining.
- 4315 Health Services - Charged with expenditures for the general health agency and child health services, including prenatal and pre-school clinics for child hygiene, medical and dental examinations of school children, general publicity and educational work, adult health services, training and direction of health education, etc.
- 4316 Health Centers and General Clinics - Charged with expenditures for health centers and general clinics furnishing two or more types of clinical services. If the clinic is maintained exclusively for one service, such as tuberculosis, the expenditures should be charged to the appropriate activity under Communicative Disease Control. Dispensaries operated in connection with clinics should be considered as part of the clinic.
- 4317 Laboratory - Charged with expenditures for laboratory tests which are essential to the maintenance of public health. Such tests include bacteriological analysis of water, milk and milk products and food products; chemical analysis of milk and dairy products; and bacteriological analysis for tuberculosis and other diseases.

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4360 Infirmaries. This group of accounts is for the operation expense of medical infirmaries.

4400 HIGHWAYS AND PUBLIC IMPROVEMENTS - This major function of governmental units includes, in addition to the construction and maintenance of roads and streets, activities related to public sanitation, waste collection and disposal and other public works designed to improve community life.

4410 Highways. This group of accounts includes all activities related to highways. This group of accounts includes not only the construction and maintenance of highways, but also such related facilities as bridges, viaducts, storm drainage systems, sidewalks and alleys.

4411 Administration - Charged with expenditures incurred in the general administration and supervision of the highway function, including the planning, developing and administration of capital improvement programs for streets and related facilities.

4412 Traffic Engineering - Charged with expenditures for the conduct of investigations relating to the design and location of traffic control devices and for the installation and maintenance of such traffic control and parking devices as traffic signals, street and curb marking, street name signs and parking meters.

4413 Roadways - Charged with the expenditures made relative to the construction, improvement and maintenance of roadways, sidewalks, curbs, bridges and viaducts, etc., except that park roadways and walkways are not maintained through this account, but in the appropriate account under Parks.

4415 Class "C" Road Program - Charged with expenditures of monies received from the current year Class "C" Road Fund allotment and road improvement programs which have previously been approved by adopted rules and regulations. A separate account may be subdivided by object code as needed for greater detail as to types of improvements.

The Class "C" Road expenditures may be accounted for on an interim basis in a special fund. However, for budgeting and year end reporting these transactions must be included with the general fund.

4420 Sanitation. This group of accounts includes all activities involved in the removal and disposal of garbage and other types of waste matter provided for in special assessment districts.

4421 Administration - Charged with all expenditures for the general administration and direction of sanitation activities.

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- 4422 Street Cleaning - Charged with expenditures for sweeping and washing streets, flushing gutters and underpasses and collection and disposal of debris from streets and public roadways.
- 4423 Waste Collection - Charged with expenditures incurred for the collection of garbage and other refuse and delivering it to the place of disposal.
- 4424 Waste Disposal - Charged with expenditures incurred for disposal of garbage and other refuse where several methods of disposal are used, such as sanitary landfill and incineration. Appropriate accounts should be set up for each disposal facility.
- 4430 Sewage Collection and Disposal. This group accounts for recording expenditures incurred in the collection and disposal of sewage provided for in special assessment districts.
 - 4431 Sewage Collection System - Charged with expenditures for the construction of new sanitary sewer lines; repair, reconstruction and maintenance of sewer lines; repair, routine cleaning and clearing emergency stoppages; installation of new sanitary sewer service, lateral lines and making tapes for service lateral; construction and operation of lift stations which pump sewage over geographical elevations prior to disposition into gravity flow sewer lines; and other expenditures related to the operation and maintenance of sewer flow lines.
 - 4432 Sewage Treatment Plant - Charged with expenditures for the construction, operation and maintenance of plants which treat and dispose of sewage.
- 4440 Shop and Garage - Charged with expenditures relative to the construction, operation and maintenance of the shop and garage facilities. It is recommended that these activities be conducted through an internal service fund with charges made to the various departments by the shop and garage for services rendered. For those cities, however, for which this is impractical, the costs of such activities may be charge to this account.
- 4450 Engineer - Charged with expenditures of the office of the engineer relative to his activities in preparing and recording all maps, plats, profiles, drawings, final estimates, specifications and contracts which in any way relate to public improvements and engineering affairs of the governmental unit.
- 4500 PARKS, RECREATION AND PUBLIC PROPERTY - This group of accounts includes all activities related to parks, recreational and cultural facilities, libraries and cemeteries.
 - 4510 Parks and Park Areas. This account includes expenditures for public parks, public squares, and similar ornamental areas, including the acquisition, operation, and maintenance of park areas and related facilities. These accounts include land used for a park; planting and care of park lawns, trees, shrubs and flowers; pathways and walks;

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park waterways; and park structures and equipment. Excluded from this account classification are grounds surrounding public buildings, land areas encompassed in other recreational facilities such as zoos, and incidental landscaping and maintenance of areas elsewhere classified under recreation. This account may be subdivided to segregate various activities as desired.

- 4520 Parkways and Boulevards. This includes expenditures for landscaped area with traffic lanes passing through or adjacent to them. These parkways and boulevards are constructed primarily for beautification and recreational purposes, and must be distinguished from the so-called boulevards routinely maintained by the street department.
- 4530 Park Policing. This includes expenditures for special policing in parks, whether carried on under the direction of the police department or special park police.
- 4540 Park Lighting. This includes expenditures for lighting parks, wherever such expenditures can be separated from the cost of street lighting.
- 4550 Street Trees and Nursery. This includes expenditures for growing trees and other plants and transplanting them along streets, in parks and parkways, or other public areas. Other activities whose expenditures should be classified in this account include removal and disposal of undesirable trees and other plants, supervision of tree trimming on public property, and granting of permits to plant trees in parks and other public areas.
- 4560 Recreation and Culture. This function of government includes all cultural and recreational activities maintained for the benefit of resident citizens and visitors. This account is subdivided into the following group of accounts and may be further divided as necessary:
- 4561 Participant Recreation - Charged with expenditures for recreational facilities and activities in which direct participation is the primary attribute.
- 4562 Spectator Recreation and Culture - Charged with expenditures for recreational activities of a cultural and scientific nature and which benefit the public as spectators.
- 4563 Shop - Charged with expenditures for the operation and maintenance of a facility for the repair and maintenance of park and recreational equipment and machinery. Where this facility is operated as an Internal Service Fund (Equipment Maintenance Fund), payments to that fund for such repair services would be charged to this account.

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4580 Libraries. This includes expenditures for the general operation and maintenance of a library or a library system. This account may be subdivided or expanded to segregate the varied costs involved, such as administration, circulation, reference services, ordering and cataloging, extension service, special collections, branch libraries, etc.

If the function of public libraries is supervised and controlled by a library board, and is, in effect, a separate ad valorem tax, the governmental unit will not include the revenues and expenditures of the library in the general fund but create a special revenue fund for public libraries. Library boards have their cash funds on deposit with the governmental unit's treasurer, who should account for their money in a separate account.

4590 Cemeteries. This account includes expenditures for government-operated cemeteries including acquisition, operation, and maintenance of private plots. This account may be expanded to include such accounts as administration, maintenance of grounds, internments, etc.

4600 COMMUNITY AND ECONOMIC DEVELOPMENT

4610 Community Planning Administration. This account includes expenditures for an organization developed to provide administrative and operational functions in implementing planning and zoning policies.

4620 Community Development Agency

4630 Urban Redevelopment and Housing. This group of accounts is concerned with the planning and provision of adequate housing and with the redevelopment of substandard and blighted physical facilities in urban areas.

4631 Urban Redevelopment and Housing Administration - Charged with expenditures for general administration of all urban redevelopment and housing activities where these are combined under a single administrative head.

4632 Urban Redevelopment - Charged with expenditures for activities involved in the conservation, rehabilitation, and clearance of designated portions of urban areas by the governmental unit. It is also charged with expenditures involved in the relocation of individuals, families, and businesses from clearance areas in new neighborhoods.

4633 Public Housing Projects - Charged with expenditures for the acquisition, furnishing, maintenance, and operation of the governmental unit's public housing projects for low income persons. Where more than one project of this kind is carried on, a separate account should be set up for each project.

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- 4634 Other Urban Redevelopment and Housing - Charged with expenditures for urban redevelopment and housing projects which are not included under the foregoing accounts. Include here all intergovernmental expenditures for urban redevelopment and housing activities which are administered by other units of government.
- 4650 Economic Development and Assistance. This accounts' activities are directed toward the economic development of the area encompassed by the governmental unit and the provision of assistance and opportunity for persons and businesses who are economically disadvantaged.
- 4651 Economic Development and Assistance Administration - Charged with expenditures for general supervision and administration of all development and assistance activities performed by the governmental unit.
- 4652 Economic Development - Charged with expenditures made to foster economic growth and development of the area over which the governmental unit exercises jurisdiction. Such development activities include economic and industrial surveys, financial assistance to new industries and business concerns, acquisition of industrial sites, industrial development agency contract activities, and promotional advertising.
- 4653 Employment Security - Charged with expenditures for administration of unemployment compensation programs, public employment offices, and related activities.
- 4660 Economic Opportunity. This includes expenditures for various programs designed to eliminate or ameliorate poverty and its causes. Expenditures should be classified according to specific type of program and/or projects as set out in the Economic Opportunity Act of 1964 and in accord with current federal grants made for such programs as follows:
- 4661 Job Corps
 - 4662 Youth Work-Training Programs
 - 4663 Community Action Programs
 - 4664 Adult Basic Education
 - 4665 Assistance to Migrant Agricultural Workers and Families
 - 4666 Work Experience Programs for Needy Persons
- 4700 DEBT SERVICE - This group of accounts includes interest and principal payment on general obligation debt.

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4710 Principal & Interest

- 4711 Serial Bond Principal - Charged with expenditures for periodic principal maturities of general obligation debt.
- 4712 Term Bond Principal - Charged with expenditures for retirement of principal on general obligation term bonds.
- 4715 Other Debt Principal - Charged with payment of principal on general obligation debts other than bonds.

4800 TRANSFERS AND OTHER USES - This group of accounts includes: 1) transfers made to other governmental units or funds, 2) contributions made to other governmental units or funds, 3) loans to other governmental units or funds, 4) use of prior year 's reserved or restricted fund balances, such as class "C" road funds or federal revenue sharing, and 5) an appropriated increase to fund balance.

Include here only those expenditures which cannot be separately classified under one of the functional or activity accounts enumerated earlier. For example, state general-purpose grants which are not specific as to functions or purposes for which they can be spent by recipient cities should be accounted for in this functional category. Excluded from this classification are matching employer contributions by a governmental unit to a pension or retirement system administered by another unit of government. Such contributions should be allocated to the specific functions in which employees are compensated or to account group 4900, Miscellaneous.

4810 Transfers to Other Funds. This account includes expenditures for transfers which occur to any other fund(s) of the governmental unit. This account should also be used for transfers made to other funds for support activities provided by the other fund. Amounts in excess of reasonable allocation of cost should be charged to account 4830, Contributions to Other Funds.

- 4811 Transfer to capital projects fund
- 4812 Transfer to debt service fund
- 4813 Transfer to general fund
- 4814 Transfer to special revenue fund
- 4815 Transfer to enterprise fund
- 4816 Transfer to "Other" fund (specify)
- 4817 Transfer to "Other" fund (specify)

4820 Transfers to Other Governmental Units. This account includes expenditures for transfers which occur to any other governmental unit. This account should also be used for transfers made to other governmental units for support activities provided by the other unit. Amounts in excess of a reasonable allocation of cost should be charged to account 4840, Contributions to Other Governmental Units.

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4821 Use as needed
4822 Use as needed

4830 Contributions to Other Funds. This account is charged with expenditures that are made to other funds for donations or contributions to that fund that are not intended to be repaid.

4831 Contrib. to capital projects fund
4832 Contrib. to debt service fund
4833 Contrib. to general fund
4834 Contrib. to special revenue fund
4835 Contrib. to enterprise fund
4836 Contrib. to "Other" fund (specify)
4837 Contrib. to "Other" fund (specify)

4840 Contributions to Other Governmental Units. This account is charged with expenditures that are made to other governmental units for donations or contributions to that unit that are not intended to be repaid.

4841 Use as needed
4842 Use as needed

4870 Use of Restricted/Reserved Fund Balance. This account is used for expenditure of prior year's restricted or reserved fund balance, such as class "C" road funds or federal revenue sharing.

4871 Restricted/Reserved Class "C" road funds
4872 Restricted/Reserved federal revenue sharing
4873 Other Restricted (specify)
4874 Other Restricted (specify)

4880 Appropriated Increase in Fund Balance. This account is used when the governmental unit intends to increase the fund balance within a fund.

4900 MISCELLANEOUS - This group of accounts is charged with expenditures which cannot be properly classified under or allocated to the foregoing functions and activities.

4910 Judgments and Losses - Charged with expenditures in settlement of claims against the governmental unit for injury to persons or property. This account does not include the cost of land acquired by condemnation proceedings and expenditures in settlement of damage claims resulting from construction projects undertaken and financed by the governmental unit. The later should be charged as part of the capital outlay of the affected project and classified under applicable functions and activities.

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- 4920 Retirement and Pension Contributions - Charged with expenditures in the form of contributions to a retirement system to the extent that such cannot be allocated to specific functions and activities.
- 4930 Workmen's Compensation - Charged with expenditures for workmen's compensation insurance premiums and compensation for personal injury suffered by employees who are not covered by insurance to the extent that such expenditures cannot be allocated to specific functions and activities.
- 4940 Unemployment Compensation - Charged with expenditures for payments to an unemployment compensation reserve or fund to the extent that such expenditures cannot be allocated to specific functions and activities.
- 4960 Other Miscellaneous - Charged with expenditures for miscellaneous activities which cannot be properly charged elsewhere.
- 4970 OFEMA Reimbursement Flood Cost
- 4980 Other Flood Cost
- 5000 **FUNCTIONS OF PUBLIC ENTERPRISES** - This activity furnishes services of a utility nature to the community and surrounding areas. Such services include water, sewer, and electric utilities, and other enterprises such as airports and transportation (bus) lines which are self-supporting for their operation and maintenance.

As stated elsewhere in this manual, uniform charts of accounts for the various enterprise and utility funds have been published by national committees and agencies, and it is recommended that these classifications of accounts be used. However, an outline of a general classification of expense accounts for several of the enterprise funds is presented as follows:

5100 WATER UTILITY FUND

Expenses:

- 5110 Operating Expenses:
 - 5111 Source of Supply
 - 5112 Power and Pumping
 - 5113 Purification
 - 5114 Transmission and Distribution
 - 5115 Shop and Maintenance
 - 5116 Customers' Accounting and Collecting

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5118 Administration and General Expenses
5119 Other

5150 Non-operating Expenses:

5151 Taxes
5152 Payments in lieu of taxes
5153 Depreciation
5154 Interest on Bonds
5155 Paying Agents' Fees
5156 Miscellaneous Interest Expense

5200 SEWER FUND

Expenses:

5210 Operating Expenses:

5211 Sewer System
5212 Sewage Treatment and Disposal
5213 Administration and General Expenses
5214 Other

5250 Non-operating Expenses:

5251 Taxes
5252 Payments in Lieu of Taxes
5253 Depreciation
5254 Interest on Bonds
5255 Paying Agents' Fees
5256 Miscellaneous Interest Expense
5257 Other

5300 ELECTRIC UTILITY FUND

Expenses:

5310 Operating Expenses:

5311 Production
5312 Transmission
5313 Distribution
5314 Shop and Maintenance

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5315 Customers' Accounting and Collecting
5316 Administration and General Expense
5317 Miscellaneous

5350 Non-operating Expenses:

5351 Taxes
5352 Payments in Lieu of Taxes
5353 Depreciation
5354 Interest on Bonds
5355 Paying Agents' Fees
5356 Miscellaneous Interest Expense
5357 Other

5400 AIRPORT FUND

Expenses:

5410 Maintenance Expense:

5411 Maintenance and Repair of Field Areas
5412 Maintenance and Repair of Hangers
5413 Maintenance and Repair of Plants and Facilities
5414 Maintenance and Repair of Public Areas
5415 Maintenance and Repair of Terminal Buildings
5416 Maintenance and Repair of Other Buildings
5417 Maintenance and Repair of Equipment

5420 Administration and General Expenses

5430 Miscellaneous

5480 Non-operating Expenses:

5481 Taxes
5482 Payments in Lieu of Taxes
5483 Depreciation
5485 Interest on Bonds
5486 Paying Agents' Fees
5488 Other

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6000 INTERNAL SERVICE FUNDS - This activity is for funds established to provide a product or service to other governmental funds.

6100 Administration

6200 Service Departments

If account number 4440 is not used in the general fund, it may be used in place of the 6000 series of accounts noted above.

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CHARACTER, OBJECT AND SUB-OBJECT OF THE EXPENDITURES

Up to this point in the accounting manual, the outline of classifications for expenditures has been confined to their functions, or the purposes to be accomplished by the expenditures (such as public safety, public health, etc.) and to the activities of organizational units or departments within these functions (such as police department, health inspections, etc.).

A final classification of expenditures must be made according to the character and object, which will designate the nature of the expenditures, such as personal services, capital outlay, etc., and also the specific materials, supplies, and services involved, such as salaries and wages, office supplies, equipment, etc.

CHARACTER OF THE EXPENDITURE

The object accounts are arranged into groups which serve to identify the expenditures with the period or periods which they are presumed to benefit. The character headings are for grouping the object of an expenditure in the budget and in the financial statements, and the headings do not, therefore, need to appear in the account title.

The character classes are:

Current Expense - Those objects of the expenditures which are presumed to benefit primarily the current fiscal period.

Capital Outlay - Those objects of the expenditures which are for durable assets which benefit the current fiscal period and also a future period or periods.

Debt Service - Those objects of the expenditures for which benefits were received at least in part in prior fiscal periods, and which may extend to the present and future fiscal periods.

Intergovernmental - Those objects of expenditures which identify transactions with other governmental units or other funds and classifying the transactions as to being a donation, contribution, or payment for unclassified services.

The character and object classification permits a greater division into subgroups than any other form of classification. Such a method of classification is useful for several purposes: (1) in preparing budgetary estimates and analysis of the estimate for each activity by object of expenditure; (2) Expenditures for the past years classified by object are a valuable guide in analyzing future expenditure requirements.

Actual expenditures tabulated and analyzed by object are also useful in determining reasons for changes in costs of activities and possible ways of controlling the costs. If activity costs must be reduced to conform to a decreased appropriation, the analysis helps to indicate where reductions can best be made.

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Expenditure Coding:

The coding of character and object codes is designed as follows:

1 st DIGIT	2 nd DIGIT	3 rd DIGIT
CHARACTER	OBJECT	SUB-OBJECT

CHARACTER: The first digit designates the character classification such as salaries and wages, employee benefits, material and supplies, services, capital outlay, etc.

OBJECT: The second digit designates the object classification such as permanent employees, travel, offices supplies, utilities, etc.

SUB-OBJECT: The third digit allows the cities to subclassify each object into nine individual subclassifications.

CHARACTER, OBJECT AND SUB-OBJECT

CURRENT EXPENSES (100 to 699)

<u>NUMBER</u>	<u>ACCOUNT TITLE</u>
00 0000 <u>100</u> 000	<u>SALARY & WAGES</u> (100 TO 199)
00 0000 110 000	Permanent Employees
00 0000 120 000	Temporary Employees
00 0000 130 000	Employee Benefits
00 0000 140 000	Other Benefits
00 0000 <u>200</u> 000	<u>MATERIALS & SUPPLIES</u> (200 to 299)
00 0000 210 000	Book, Subscriptions & Membership
00 0000 220 000	Public Notices
00 0000 230 000	Travel
00 0000 240 000	Office Expense & Supplies
00 0000 250 0000 0000	Equip. - Supplies & MaintenanceNon-capitalized
260 000	Equipment
00 0000 270 000	Building & Grounds - Supplies & Maintenance
00 0000 280 000	Utilities

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00 0000 290 000	Telephone
00 0000 <u>300</u> 000	<u>SERVICES</u> (300 to 399)
00 0000 310 000	Professional & Technical
00 0000 320 000	General Health
00 0000 330 000	Education
00 0000 <u>400</u> 000	<u>SPECIAL DEPT. MATERIAL & SUPPLIES</u> (400 to 499)
00 0000 410 000	Special Highway Supplies
00 0000 420 000	Special Highway Projects
00 0000 450 000	Special Public Safety Supplies
00 0000 480 000	Special Other Departments
00 0000 <u>500</u> 000	<u>OTHER CHARGES</u> (500 to 599)
00 0000 510 000	Insurance
00 0000 520 000	Collection Costs
00 0000 530 000	Interest
00 0000 540 000	Contributions
00 0000 <u>600</u> 000	<u>SUNDRY EXPENSE</u> (600 to 699)
00 0000 610 000	Misc. Supplies
00 0000 620 000	Misc. Services
00 0000 <u>700</u> 000	<u>CAPITAL OUTLAY</u> (700 to 799)
00 0000 710 000	Land
00 0000 720 000	Buildings
00 0000 730 000	Improv. Other than Buildings
00 0000 740 000	Purchases of Equipment
00 0000 750 000	Special Projects
00 0000 790 000	Other

SPECIAL - DEBT SERVICE & OTHER GOVERNMENTAL TRANSACTIONS (800 to 999)

00 0000 <u>800</u> 000	<u>DEBT SERVICE</u> (800 to 899)
00 0000 810 000	Principal on Bonds
00 0000 820 000	Interest on Bonds
00 0000 830 000	Collection Charges on Bonds
00 0000 840 000	Cost of Assessing & Collecting Taxes

(Debt Service Only)

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00 0000 <u>900</u> 000	<u>INTRAGOV'T. & INTERGOV'T. CHARGES</u> (900 to 999)
00 0000 910 000	Transfers
00 0000 920 000	Contributions
00 0000 930 000	Federal Projects
00 0000 980 000	Intragovernmental Charges

OBJECT AND SUB-OBJECT OF THE EXPENDITURE

CURRENT EXPENSES

Salaries and Wages

- 110 Salaries and Wages - Permanent Employees. Salaries and wages of full-time or regular employees.
- 120 Salaries and Wages - Temporary Employees. Includes the salaries and wages of extra and part-time employees.

Employees are those individuals who render services to the governing body and whose work is subject to the direction and supervision of the governing body. Fees paid to an individual who is an independent contractor and is not an employee of the governmental unit are not to be included here. Such fees are classified as professional and technical services.

There may be instances where an employee is on a fee basis, in which case the fee is to be included in salaries and wages. In general, if the fee is subject to federal and state income tax withholding, or social security tax withholding, it is classified as salaries or wages. Independent contractors are usually licensed to conduct a business in their particular profession or trade and are not classified as employees of the governmental unit.

Some governmental units may provide a further breakdown of salaries and wages, such as executive, assistant and clerical salaries, skilled labor, unskilled labor, equipment operators, etc. The units are urged to employ such accounts wherever the classification would aid the governing body and the various department heads in their administrative responsibilities.

For the purpose of this manual, the two classifications for salaries and wages are all that are required.

Employee Benefits

- 130 Employee Benefits - The unit's portion of Social Security taxes, retirement, unemployment insurance, group hospital and insurance premiums, etc., should be recorded in this account. Charging these expenses to the department is appropriate and required.
- 140 Other Benefits - Includes any payments to employees for special benefits such as

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uniform allowance.

Materials and Supplies

- 210 Books, subscriptions and memberships - Includes any expenditures made to purchase any publications or memberships for a governmental unit's official or employee.
- 220 Public Notices - Includes those expenditures made for advertising and publicity purposes and such items as legal advertising for bids, advertising for budget hearings and financial report publications, advertising civil service positions, etc.
- 230 Travel - Car allowances to employees for use for privately-owned vehicles on official business; transportation fares on railroads, planes, buses, etc.; payments to employees for expenses incurred in connection with travel on official business; and registration fees at seminars and conventions.
- 240 Office Expense, Supplies and Postage - Includes all items normally considered as office supplies, such as stationary, pencils, pens, standards printed forms, duplicating services, etc., and postage, including stamped envelopes, parcel post, metered mail contracts, etc.
- 250 Equipment-Operating Supplies and Maintenance - Includes any amounts expended for the upkeep or repair of equipment including service contracts and operating supplies for the equipment, such as automotive supplies, gasoline and oil, tires, batteries, repair parts, etc.
- 260 Non-capitalized Equipment

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- 270 Buildings and Grounds-Operating Supplies and Maintenance - Includes expenditures for upkeep or repair of the buildings and grounds of the governmental unit such as services of plumbers, electricians, painters, carpenters, nurserymen, etc. and repair and maintenance materials such as janitorial supplies, shrubs and plants, seeds, lawn fertilizers, lumber, hardware, paints, etc.
- 280 Utilities - Includes all expenses incurred from the use of utilities, such as water, electricity and heating fuels.
- 290 Telephone - Includes all expenses incurred from the use of telephone and telegraph, including teletype facilities.

Services

- 310 Professional and Technical Services - Payments to persons or agencies for services rendered or for acting in an advisory capacity to or performing a service for any department, including legal fees, auditing fees, consultants' fees (engineers, county planners, architects), inspection fees, and other professional fees.
- 320 General Health - Includes expenses made for health services provided in a health department.
- 330 Education - Includes expenses made to provide education and/or education programs.

Special Department Materials and Supplies

- 410 Special Highway Supplies - Includes any supplies purchased by the Highway Department which are generally peculiar to that department. The materials and supplies in this category should be of the type the use of which is based on the function of the department and not those which could be of general use by any department in the performance of its function.
- 420 Special Highway Projects - Includes any supplies purchased by the Highway Department which requires classification by project by Federal or State regulations.
- 450 Special Public Safety Supplies - Includes any supplies purchased by the police, fire, or protective departments which are generally peculiar to these departments. The material and supplies in this category should be of the type the use of which is based on the function of the department and not those which could be of general use by any department and not those which could be of general use by any department in the performance of its function.
- 480 Special Other Departments - Includes any supplies purchased by a department which are generally peculiar to that department. The materials and supplies in this category

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should be of the type the use of which is based on the function of the department and not those which could be of general use by any department in the performance of its function.

Other Charges

- 510 Insurance and Surety Bonds - Includes the premiums paid by the governmental unit for all types of insurance including fire, public liability, officials' bonds, etc.
- 520 Collection Costs - Includes expenditures incurred in collection of accounts receivable, special assessments or notes outstanding.
- 530 Interest - Includes interest paid on tax and revenue anticipation notes.
- 540 Contributions - Includes any donations or contributions to other governmental units or funds.

Sundry Expense

- 610 Miscellaneous Supplies - Includes miscellaneous expenditures which cannot be allocated to one of the other accounts.
- 620 Miscellaneous Services - Payments to individuals or agencies for services rendered to the governmental unit which have not been otherwise classified. This should not be used as a "catch-all" account. To the extent feasible each expenditure should be classified into one of the other object accounts.

CAPITAL OUTLAY

- 710 Land - Includes expenditures for the acquisition of land by the governmental unit. The cost of land is comprised of the purchase price itself, appraisal and abstract fees, and etc. Expenditures for right-of-way are also classified as land.

Purchases of real estate with improvements upon it should be allocated between land and buildings and the expenditure so classified.
- 720 Buildings - Includes all building structures of any type built or acquired by the governmental unit for which title remains with the unit. Includes not only the cost of the buildings but all fixtures attached to it forming a permanent part of the building and structures. Architect fees are considered to be an item of building cost.

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- 730 Improvements Other than Buildings - Includes expenditures for the acquisition or construction of improvements which are not classified as buildings, such as fences, retaining walls, bridges, swimming pools, cement curbs, ditches, etc., which add value to the property. Include here the cost to the governmental unit of its share of special improvement projects.
- 740 Equipment - Includes all types of equipment purchased by a governmental unit, such as office furniture and equipment, automotive equipment, construction and road machinery and equipment, etc.
- 750 Special Projects - Includes capital expenditures that must, by contract, be classified by project.
- 790 Other - Includes capital expenditures not otherwise classified.

DEBT SERVICE

- 810 Principal on Bonds - Amounts paid to retire the bonded debt of the governmental unit as it becomes due.
- 820 Interest on Bonds - Interest paid to retire bonded indebtedness of the governmental unit.
- 830 Collection charges on bonds - Amounts paid to bond agent for collection charges on outstanding bonds.

TRANSFERS AND OTHER USES

- 910 Transfers - Includes transfers made to other funds or governmental units.
- 920 Contributions - Includes contributions and donations to other funds or governmental units.
- 930 Loans - Includes loans made to other funds or governmental units.
- 940 Federal Projects - Includes amounts paid to other funds or units for participation in federally-supported projects.
- 950 Intragovernmental Charges - Payment of intragovernmental charges not previously classified.

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Page: 1 of 9
Subject: Simplified Chart of Accounts - Smaller Governmental Units
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A chart of accounts is used to identify and appropriately classify financial transactions, balances, etc. The chart of accounts presented in this manual is the simplified chart of accounts for smaller governmental units. A smaller governmental unit may use the simplified chart of accounts presented in this section, the more detailed master chart of accounts presented in section I. C.07, or any other chart of accounts as long as the accounts used identify all revenues by sources, all expenditures by function, and segregates these into the appropriate funds and departments.

The chart of accounts presented is organized as follows:

100 - 199	Asset Accounts
200 - 299	Liabilities and Fund Balance (Retained Earnings)
300 - 399	Revenue Accounts
4000 - 7999	Expense Accounts, including the Expenditures Object Codes

This chart of accounts does not contain separate fund designations. Such designations should be made by adding a single digit in front of the account codes such as:

- 1 - General fund
- 2 - Capital projects fund
- 3 - Enterprise fund (water utility), etc.

The following entries illustrate the usage of this simplified chart of accounts:

<u>Account No.</u>	<u>Debit</u>	<u>Credit</u>
1-111 Cash	\$5,000	
1-313 Sales Taxes		\$5,000
To record the receipt of sales taxes by the general fund		
3-7032 Engineering	\$2,000	
Cash		\$2,000
To record engineering costs paid by the enterprise fund (water utility)		

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BALANCE SHEET ACCOUNTS

ASSETS

111	Cash in bank
112	Petty cash
115	Interest bearing cash deposit
116	Treasury time deposits
117	Other investments
121	Customer deposits
122	Other deposits
131	Accounts receivable
132	Notes receivable
133	Accrued interest receivable
134	Special assessments receivable
135	Taxes receivable - current
136	Taxes receivable - delinquent
137	Deposits receivable
141	Due from other governmental units
142	Due from other funds
143	Advances to other funds
151	Inventories
161	Land
162	Buildings
163	Improvements other than buildings
164	Office furniture and equipment
165	Machinery and equipment
166	Automobiles and trucks
172	Amounts available for bond payment
173	Amounts to be provided for bond payment

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LIABILITIES AND FUND BALANCES

211	Accounts payable
221	Accrued payroll
222	Withholding taxes payable
223	Other deductions payable

BALANCE SHEET ACCOUNTS

LIABILITIES AND FUND BALANCES – (Continued)

231	Contracts payable
232	Notes payable
233	Construction contracts payable
241	Due to other governmental units
242	Due to other funds
251	Matured bonds payable
252	Matured interest payable
253	Bonds payable
261	Contributions from governmental units
262	Contributions from other funds
263	Contributions from customers
264	Contributions from subdividers
271	Reserve (detail)
272	Reserve (detail)
273	Reserve (detail)
275	Fund Balance
277	Investment in general fixed assets
278	Retained earnings

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REVENUE ACCOUNTS

- 310 TAXES
 - 311 General property taxes-current
 - 312 Prior year's taxes - delinquent
 - 313 General sales and use taxes
 - 314 Franchise taxes
 - 315 Transient room tax
 - 317 Fee-in-lieu of personal property taxes
 - 319 Penalties and interest on delinquent taxes

- 320 LICENSES AND PERMITS
 - 321 Business licenses and permits
 - 322 Building permits
 - 323 Marriage licenses
 - 324 Cemetery - burial permits
 - 325 Animal licenses
 - 326 Other

- 330 INTERGOVERNMENTAL REVENUE
 - 331 Federal grants
 - 332 Federal revenue sharing
 - 333 Federal payments in lieu of taxes
 - 334 State grants
 - 335 Class "C" road fund allotment
 - 336 State liquor fund allotment
 - 337 State payments in lieu of taxes
 - 338 Other grants
 - 339 Other

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340 CHARGES FOR SERVICES

- 341 Court costs, fees and charges (Clerk)
- 342 Recording of legal documents (Recorder)
- 343 Zoning and subdivision fees
- 344 Plan checking fees
- 345 Sale of maps and publications
- 346 Other general government feed (detail)
- 347 Other general government fees (detail)
- 348 Public safety fees
- 349 Street, Sidewalk and curb repairs
- 350 Parking meter revenue
- 351 Street lighting charges
- 352 Sewer charges
- 353 Refuse collection charges
- 354 Weed removal and cleaning charges
- 355 Health fees
- 356 Animal control and shelter fees
- 357 Park and recreation fees
- 358 As needed
- 359 As needed

360 OTHER REVENUE

- 361 Interest earnings
- 362 Sale of cemetery lots
- 363 Cemetery perpetual care
- 364 Cemetery maintenance fees
- 365 Court fines and forfeitures
- 366 Library fines
- 367 Sale of fixed assets
- 368 Other

370 OTHER ENTERPRISE AND UTILITY REVENUE

- 371 Water fund - operating
- 372 Water fund - non-operating
- 373 Sewer fund - operating
- 374 Sewer fund - non-operating

370 OTHER ENTERPRISE AND UTILITY REVENUE (Continued)

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375 Electric fund - operating
376 Electric fund - non-operating
377 Waste collection and disposal fund (operating and non-operating)
378 Airport fund - aviation
379 Other (detail)

380 CONTRIBUTIONS AND TRANSFERS

381 Contributions from other governmental units
382 Contributions from other funds
383 Contributions from private sources
384 Transfers from other funds

EXPENSE ACCOUNTS

GENERAL GOVERNMENT

40 Non-Departmental

Legislative and Judicial

41 Mayor, council or board
42 City court

Central Staff Agencies

43 Data processing
44 As needed

Administrative Agencies

45 Clerk
46 Treasurer
47 Recorder
48 As needed (city manager, attorney, engineer)
49 As needed (finances department, etc.)
50 Elections

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- 51 Buildings and grounds
- 52 Planning and zoning commission
- 53 Education and community promotion

PUBLIC SAFETY AND HEALTH

- 54 Police department
- 55 Fire department
- 56 Building inspection
- 57 Animal control
- 58 Other
- 59 Health Services

HIGHWAYS AND PUBLIC IMPROVEMENTS

- 60 Streets and highways
- 61 Class "C" road
- 62 Sanitation
- 63 Sewage collection and disposal

PARKS, RECREATION AND PUBLIC PROPERTY

- 64 Parks
- 65 Recreation
- 66 Libraries
- 67 Cemeteries
- 68 Community and economic development
- 69 As needed
- 70 As needed

PUBLIC UTILITIES

- 71 Water fund
- 72 Sewer fund
- 73 Electric utility fund
- 74 As needed
- 75 As needed

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EXPENDITURE OBJECT CODES

- 10 SALARIES & WAGES
 - 11 Permanent employees
 - 12 Temporary employees
 - 13 Employee benefits
 - 14 Other benefits

- 20 MATERIALS & SUPPLIES
 - 21 Books, subscriptions & memberships
 - 22 Public notices
 - 23 Travel
 - 24 Office expense & supplies
 - 25 Equipment - supplies & maintenance
 - 26 Buildings & grounds - supplies maintenance
 - 27 Utilities
 - 28 Telephone

- 30 SERVICES
 - 31 Data processing
 - 32 Engineering
 - 33 Legal
 - 34 Accounting and auditing
 - 35 General health
 - 36 Education
 - 37 Other professional & technical
 - 38 Other Services

- 40 OTHER CHARGES
 - 41 Insurance
 - 42 Collection costs
 - 43 Interest
 - 44 Contributions
 - 45 Special department supplies
 - 46 Miscellaneous supplies & services

- 50 CAPITAL OUTLAY

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- 51 Land
- 52 Buildings
- 53 Improvements other than buildings
- 54 Purchase of equipment
- 55 Special projects
- 56 Other

- 60 DEBT SERVICE
 - 61 Principal on bonds
 - 62 Interest on bonds
 - 63 Collection charges on bonds

- 70 INTERGOVERNMENTAL CHARGES & TRANSFERS
 - 71 Transfers to other funds
 - 72 Contributions to other funds
 - 73 Intergovernmental charges

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Reference: I. C.11
Page: 1 of 4
Subject: Governmental Records Access and Management Act (GRAMA)
Effective Date: 1 October 1992
Revision Date: 1 December 2006

The "Government Records Access and Management Act" (GRAMA) provides for the control and disposition of public records. The State Archivist, under the direction of the State Records Committee, has prepared standard "Records Retention Schedules" which provide guidance to state and local governmental officials in the disposition and retention of public records. Copies of all forms and retention schedules are available from State Archives by calling (801) 531-3866.

Errors or recommended changes in the schedules should be forwarded to Rosemary Tundiff, Local Government Records Archivists, Bureau of Records Analysis, Division of State Archives. The Bureau is located in the Rio Grande Building, 346 S. Rio Grand, Salt Lake City, Utah 84101. To have retention schedules determined for records not listed in the Records Retention Schedule, obtain a Records Series Inventory worksheet from the Local Government Records Archivist. Request a copy of their printed instructions to help in completing the worksheet and return to the Bureau of Records Analysis. A retention and disposition policy will be established and returned to you. All approved retention schedules and forms are available on the State Archives website (www.archives.utah.gov).

LEGISLATIVE INTENT OF GRAMA

In enacting this act, the Legislature recognized two constitutional rights:

- (1) the public right to access to information concerning the conduct of the public's business; and
- (2) the right of privacy in relation to personal data gathered by governmental entities.

The Legislature also recognized a public policy interest in allowing a government to restrict access to certain records, as specified by this chapter, for the public good.

It is the intent of the Legislature to:

- (1) promote the public's right of easy and reasonable access to unrestricted public records.
- (2) specify those conditions under which the public interest in allowing restrictions on access to records may outweigh the public's interest in access;
- (3) prevent abuse of confidentiality by governmental entities by permitting confidential treatment of records only as provided in this chapter.
- (4) provide guidelines for both disclosure and restrictions on access to government records, which are based on the equitable weighing of the pertinent interests and which are consistent with nationwide standards of information practices;
- (5) favor public access when, in the application of this act, countervailing interests are of equal weight; and
- (6) established fair and reasonable records management practices.

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Definitions

Record means a book, letter, document, paper, map, plan, photograph, film, card, tape, recording, electronic data, or other documentary material regardless of physical form or characteristics, that is prepared, owned received, or retained by a governmental entity or political subdivision (*Utah Code* Section 63-2-103(22)).

Record series means a group of records that may be treated as a unit for purposes of designation, description, management, or disposition (*Utah Code* Section 63-2-103(23)).

Applicability to political subdivisions

A political subdivision may adopt an ordinance or a policy applicable throughout its jurisdiction relating to information practices (see *Utah Code* Section 63-2-701). If a political subdivision does not adopt and maintain an ordinance or policy, it is subject to this act. However, ordinances or policies adopted by local governmental units must not be inconsistent with the Act. Every ordinance, policy, or amendment to the ordinance or policy shall be filed with the State Archives no later than 30 days after its effective date.

Relationship of the political subdivisions with the State Archives

The Archives will assist political subdivisions by:

- (1) providing advice on the collection, management, retention, preservation, classification and disclosure of records;
- (2) establishing standards, procedures, and techniques for the physical care of records and the orderly disposal of records no longer valuable;
- (3) advising on the microfilming of records and provide the lab facilities and quality control for the film;
- (4) providing physical care for those records that have long-term and historical value; and
- (5) providing training to assist records officers and other interested officers and employees to manage their records.

Other GRAMA Information

A record shall be presumed to be public 75 years after its creation; except a record that contains information about an individual 21 years old or younger at the time of the records creation shall be presumed to be public 100 years after its creation (*Utah Code* Section 63-2-909).

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GUIDELINES FOR RECORDS OFFICERS

The Governmental Records Access and management Act (GRAMA) requires the chief administrative officer of each governmental entity to “appoint one or more records officers who will be trained to work with the state archives” (*Utah Code* Section 63-2-903(2)).

A **records officer** is “the individual appointed by the chief administrative officer of each governmental entity, or political subdivision to work with state archives in the care maintenance, scheduling, designation, classification, disposal, and preservation of records” (*Utah Code* Section 63-2-103(25)). A records officer is someone in the office that is knowledgeable about the office’s records and who has been authorize to make decisions concerning them. The responsibilities of a records officer include:

- developing and providing oversight of record management programs
- serving as the contact person with Archives
- inventorying agency records, developing agency retention schedules, obtain agency approvals
- implementing approved records retention schedules and documenting authorized destructions of obsolete records
- maintaining information on what records series have been scheduled and conducting periodic reviews to update information as changes occur
- reporting agency’s classification designations on record series that it maintains
- maintaining information on record series that have been transferred to the State Records Center to allow for their efficient retrieval

RECORD CLASSIFICATIONS

PUBLIC: **RECORDS OPEN FOR PUBLIC REVIEW**

Records that contain certain identifying information about public employees; laws; final interpretations of the laws or rules; transcripts, minutes, or reports of open meeting, private data on individuals where the individual consents to public release; and others as outlined in *Utah Code* Section 63-2-301(2)

Records normally publicly provided but not otherwise properly classified:

Staff manuals and instructions, policy statement; compliance records with government contracts; chronological logs and initial contact reports; correspondence where government determines or states an opinion; original data in a computer program; arrest warrants after issuance; search warrants after execution, and other as outlined in *Utah Code* Section 63-2- 301(3).

This is not a total list and should not limit access *Utah Code* Section 63-2-301(4).

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PRIVATE: **RECORDS OPEN ONLY TO THE INDIVIDUAL TO WHOM THE RECORD PERTAINS, AND OTHER AUTHORIZED PERSONS OR AGENCIES**

Records of an individual's eligibility for certain government benefits; medical records; certain information on public employees, and others as outlined in *Utah Code* Section 63-2-302(1).

These records are private if properly classified:
Performance evaluation and personal status information concerning public employees; records where disclosure would be a clearly unwarranted invasion of personal privacy; and others as outlined in *Utah Code* Section 63-2-302(2)

CONTROLLED: **RECORDS OPEN TO AUTHORIZED PERSONS OR AGENCIES, BUT NOT OPEN TO THE INDIVIDUAL TO WHOM THE RECORD PERTAINS**

Records that contain medical, psychiatric, or psychological data on the individual when the governmental entity believes that disclosure would:

1. be detrimental to the subject's mental health or to the safety of any individual, or;
2. releasing would violate professional practice and medial ethics as stated in *Utah Code* Section 63-2-303.

PROTECTED: **RECORDS USUALLY CONTAINING NON-PERSONAL DATA THAT ARE OPEN TO THE PERSON SUBMITTING THE INFORMATION AND AUTHORIZED PERSONS OR AGENCIES**

Records which contain trade secrets; records where disclosure would jeopardize the life or safety of an individual, the security of government property, or programs; the security or safety of a correctional facility or their records; attorney's work product; drafts unless classified as public; the identity of a donor or prospective donor who requests anonymity in writing; and other as outlined in *Utah Code* Section 63-2-304.

EXEMPT: **RECORDS WHERE DISCLOSURE IS LIMITED EXPRESSLY BY STATUTE**

Records to which access is restricted by court rule, another state, federal statute, or federal regulation, including records for which access is restricted as a condition of participation in a state or federal program or for receiving state or federal funds *Utah Code* Section 63-2-201(3)(b).

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Reference: I. C. 11.01
Page: 1 of 1
Subject: Records Retention
Effective Date: 1 October 1992
Revision Date: 1 December 2006

The Utah State Archives prepares general records retention schedules and the State Records Committee approves those schedules to provide assistance to state and local governments in the retention and disposition of common public record series. The first ten county schedules are attached and address the most common administrative records that would exist for all local governments.

General schedules are prepared as models for state agencies, counties, municipalities, and special districts. If you wish to obtain a complete General Records Retention Schedule call the Archives at 531-3866. State schedules are reviewed every three years, county and municipal schedules will be reviewed every four to five years. Errors or recommended changes to the schedules should be forwarded to the State Archives, Records Analysis Section. All approved retention schedules are available on the internet.

To have retention schedules prepared for record series not listed in the general schedule you would need to prepare an inventory worksheet and send it to the analyst assigned to work with your government entity. The records analyst from the Archives will work with individual government entities to schedule those record series specific to your own office. For more information call the State Archives 531-3866. Records management and GRAMA Training Sessions are held annually throughout Utah.

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Reference: I. C. 11.02
Page: 1 of 1
Subject: Purpose of Classification Worksheet
Effective Date: 1 October 1992
Revision Date: 1 December 2006

The Classification Worksheet was developed to allow for the reporting of record series classifications. Local government entities may use this form to report to the Utah State Archives classifications and to indicate which general schedule items exist in their office. It is important that this sheet be completed and returned to the Utah State Archives to report your entity's designated classification. Copies of the Classification Worksheet can be obtained from State Archives. For further information about this form call the Utah State Archives at 531-3866.

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Reference: I. C. 11.03
Page: 1 of 6
Subject: GRAMA - Index to Classifications
Effective Date: 1 April 1997
Revision Date: 1 December 2006

<u>Classification</u>	<u>Code Section</u>
Archaeological records	
jeopardize security of locations	63-2-304 (26)
Attorneys' records	
privileged communications	63-2-304 (18)
work product	63-2-304(17)
Appraisals, real estate	
prior to government acquisition	63-2-304 (7)
Audit records	
final report	63-2-301 (3)(q)
disclose audit techniques/procedures	63-2-304 (9)(e)
disclose would interfere with	63-2-304 (9)(b)
identify audit, collection procedures	
of Utah Tax Commission	63-2-304 (14)
ongoing or planned audit	63-2-304 (15)
workpapers (Utah Tax Commission)	63-2-304 (14)
Benefits	
determination of	63-2-302 (1)(a)
unemployment, eligibility for	63-2-302 (1)(a)
welfare, eligibility for	63-2-301 (2)(a)
Business relocation records	
government assistance to	63-2-301 (3)(f)
publicly disclosed incentives	63-2-301 (3)(f)
result in actual economic harm	63-2-304 (35)
reveal negotiations regarding	63-2-304 (35)
Collective bargaining records	
strategy concerning	63-2-304 (23)
Commercial information	
cause commercial injury	63-2-304 (4)
cause financial speculation	63-2-304 (3)
cause substantial financial injury	63-2-304 (3)
confer competitive advantage	63-2-304 (4)
interfere with planned transactions	63-2-304 (3)
unfair competitive injury	63-2-304 (2)(a)
Computer programs	
original date in	63-2-301 (3)(l)
Contractor records	63-2-301 (3)(c)
compliance records	63-2-301 (3)(b)
contracts	63-2-301 (2)(j)

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<u>Classification</u>	<u>Code Section</u>
expenditure of government funds	63-2-301 (3)(e)
reveal recommendations to Dept. of Corrections, Board of Pardons, etc.	63-2-304 (13)
Contracts	
contractor	63-2-301 (2)(j)
government	63-2-301 (3)(d)
private provider	63-2-301 (2)(j)
Correctional facilities (prisons, jails)	
interfere with control and supervision	63-2-304 (12)
jeopardize security or safety	63-2-304 (12)
Drafts	
circulated	63-2-301 (3)(j)
empirical data contained in	63-2-301 (3)(i)
never finalized but relied upon	63-2-301 (3)(k)
protected information	63-2-304 (22)
Empirical data in drafts	63-2-301 (3)(i)
Employee records	
(See public employee information)	
Employer's Reinsurance Fund	
loss occurrence investigations	63-2-304 (24)
Fiduciary obligations	
conflicts with	63-2-304 (27)
independent state agencies	63-2-302 (2)(c)
Financial information	
cause financial speculation	63-2-304 (3)
cause substantial injury	63-2-304 (3)
invasion of personal privacy	63-2-302 (2)(d)
on individuals	63-2-302 (2)(d)
nonindividual	63-2-304 (2)
Forestry, Fire and State Lands, the Schools and Instructional Trust lands	
Administration, Division of	63-2-301 (3)(p)
Governor's office records	
contemplated policies	63-2-304 (29)
Higher education records	
appointments	63-2-304 (28)
creative works in progress	63-2-304 (40)
donors or prospective donors	63-2-304 (37)
promotions	63-2-304 (28)

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<u>Classification</u>	<u>Code Section</u>
retention decisions	63-2-304 (28)
scholarly correspondence	63-2-304 (40)
tenure evaluations	63-2-304 (28)
unpublished lecture notes	63-2-304 (40)
unpublished research notes and data	63-2-304 (40)
Incorporations	63-2-301 (2)(h)
Instructions, staff	63-2-301 (3)(a)
Insurance records	
investigations	63-2-304 (24)
Interpretations, final	63-2-301 (2)(d)
Investigation records (civil, criminal, or administrative)	
deprive person of fair trial	63-2-304 (9)(c)
disclose investigative procedures	63-2-304 (9)(e)
hinder investigation	63-2-304 (9)(a)
identify unknown source	63-2-304 (9)(d)
jeopardize life or safety of individual	63-2-304 (10)
loss occurrences	63-2-304 (24)
Judicial records	63-2-301 (2)(f)
Law enforcement records	
chronological logs	63-2-301 (3)(g)
interfere with enforcement proceedings	63-2-304 (9)(b)
initial contact reports	63-2-301 (3)(g)
(see also investigation records and Correctional facilities)	
Laws	63-2-301 (2)(a)
Legislative records	
ethics committee meetings (closed)	63-2-302 (1)(d)
fiscal analysts preliminary records	63-3-304 (30)
investigation records	63-2-302 (1)(e)
legislators' personal files	63-2-304 (19)
request for legislation	63-2-304 (20)(b)
research requests/Leg. Research	63-2-304 (21)
Senate confirmation committee records	63-2-302 (1)(e)
unencumbered bills	63-2-304 (20)
Library (public) patron records	63-2-302 (1)(c)
Licenses	
Business	63-2-301 (3)(s)

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<u>Classification</u>	<u>Code Section</u>
occupation and professional	63-2-301 (3)(r)
Litigation records	
anticipated	63-2-304 (16)
pending	63-2-304 (23)
settlement negotiations	63-2-304 (33)
logs, chronological	63-2-301 (3)(g)
Manuals,	
administrative staff	63-2-301 (3)(a)
Medical records	63-2-302 (1)(b)
disclosure detrimental to subject	63-2-303
Memoranda	
administrative law judge	63-2-304 (34)
Board of Pardons	63-2-304 (34)
quasi-judicial body	63-2-304 (34)
Minutes and transcripts	
closed meetings	63-2-304 (32)
open meetings	63-2-301 (2)(e)
Notices	
of violation	63-2-301 (3)(t)
Oil, Gas, and Mining records	63-2-301 (3)(p)
Opinions, final	63-2-301 (2)(c)
Policy statements	63-2-301 (3)(a)
Privacy, unwarranted invasion of	63-2-302 (2)(d)
Private provider records	63-2-301 (3)(c)
services provided	63-2-301 (2)(b)
compensation to	63-2-301 (2)(j)
Probation records	
interfere with control and supervision	63-2-304 (12)
recommendations of Board of Pardons	63-2-304 (13)
Procurement records	
disclosure would impair government	63-2-304 (6)
unfair advantage	63-2-304 (6)
Psychiatric data	
disclosure detrimental to subject	63-2-303
Psychological data	
disclosure detrimental to subject	63-2-303
Public employee information	
collective bargaining strategy	63-2-304 (23)

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Subject: GRAMA - Index to Classifications
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<u>Classification</u>	<u>Code Section</u>
charges (sustained)	63-2-301 (3)(o)
disciplinary actions (completed)	63-2-301 (3)(o)
gross salary information	63-2-301 (2)(b)
performance evaluations	63-2-302 (2)(a)
personal status information	63-2-302 (2)(a)
private information	63-2-302 (1)(f)
public information	63-2-301 (2)(b)
(See also Higher education records)	
Real estate/real property records	
appraisals, prior to public acquisition	63-2-304 (7)
contemplation of sale, exchange, lease, rental, etc,	63-2-304 (7)
restrictions on use	63-2-301 (2)(g)(ii)
take or convey title	63-2-301 (2)(g)(iii)
tax status	63-2-301 (2)(g)(iv)
titles of encumbrances	63-2-301 (2)(g)(i)
Regulated industries/persons	
discipline or sanction records	63-2-301 (3)(t)
Recommendations	
Board of Pardons	63-2-304 (13)
Dept. of Human Services	63-2-304 (13)
personal	63-2-304 (25)
Record-keeping system records	
disclosure would jeopardize security	63-2-304 (11)
Reports	
initial contact	63-2-301 (3)(g)
Risk Management Fund	
investigations	63-2-304 (24)
Security	
biological resources	63-2-304 (26)
correctional facilities	63-2-304 (12)
government property	63-2-304 (11)
historic locations	63-2-304 (26)
prehistoric locations	63-2-304 (26)
paleontological locations	63-2-304 (26)
record keeping systems	63-2-304 (11)
Shared records from U.S. government or outside state agency	

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Classification

with promise of private handling
with promise of protected handling
Summary data
Test questions and answers
Trade secrets
Uniform commercial filings
Uninsured Employer ' s Fund
Warrants
 arrest
 search

Code Section

63-2-302 (2)(e)
63-2-304 (31)
63-2-301 (2)(k)
63-2-304 (5)
63-2-304 (1)
63-2-301 (2)(h)
63-2-304 (24)

63-2-301 (3)(m)
63-2-301 (3)(n)

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Reference: I. C. 11.04
Page: 1 of 7
Subject: GRAMA - Subject Index to Law
Effective Date: 1 April 1997
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<u>Classification</u>	<u>Code Section</u>
Access to records, controlled	63-2-202 (2)
Access to records, private,	63-2-202 (1)
Notarized releases	63-2-202 (1)(d)(ii)
Records made public after 75 years	63-2-909
(see also Disclosure; Liability;	
and Rights of individuals.)	
Access to records, protected	63-2-202 (4)
Access to records, public	63-2-201
Agencies not required to	
create new records in	
response to request	63-2-201 (8)
Certified copies	63-2-201 (7)
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Page: 1 of 1
Subject: Justice of the Peace Accounting Procedures
Effective Date: 1 April 1986
Revision Date: 1 December 2006

The following brief discussion is provided for certain areas about which accounting or financial reporting questions are frequently asked and which are not covered in other section of this manual.

Questions are frequently received concerning the relationship of Justice of the Peace to cities and counties including the accounting for money collected and disbursed by the Justices. The following interpretations are given after a review of the various state laws dealing with these questions.

Justices of the Peace are employees of the city, town, or county within which the jurisdiction they administer is located. In accordance with section 78-5-128 “every Justice of the Peace shall be paid a fixed compensation determined by the governing body of his or her respective municipality or county....” As employees of cities, towns, or counties, money collected by Justices of the Peace is subject to the same fiscal controls as other monies of the cities, towns, or countries. Specific laws setting forth the duties and responsibilities for Justices do not appear to be in conflict with the specific Fiscal Procedures Acts.

Money received by Justices of the Peace should be given to the town, city, or county treasurer or deposited directly into bank accounts in the local government’s custody to control. These accounts, which in many cases will be transfer type accounts, should be established as close as possible to the place of business of the various Justices of the Peace. To provide a means whereby money, such as bail money, can be returned “within 7 days”, a revolving account may be established with the approval of the governing body from which a check could be written as approved by the treasurer and the court clerk or the Justice of the Peace, but without requiring the approval of the governing body or the recorder or auditor.

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Subject: Lease-Purchase Agreements
Effective Date: 1 April 1986
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Governmental units frequently obtain needed assets through lease-purchase agreements. These agreements need to contain a “fiscal funding” or cancellation clause which permits the governmental unit to terminate the agreement on an annual basis to ensure the debt restrictions set forth in Article XIV Section 3 of the State constitution are not violated. Also, governmental units sometimes create public authorities, such as building authorities, to construct or purchase assets that are leased back to the governmental unit.

In both cases, these lease purchase agreements should be reflected in the financial statements of the local governmental units if certain criteria are met. (In most cases these criteria are met). A complete discussion of this concept is contained in the GASB Codification Section L20, Section 1400, Reporting Capital Assets, and Section 1500, Reporting Liabilities. In summary:

Leases that transfer title at the end of the lease term, or contain a bargain purchase option, or cover 75% of the useful life of the asset, or equal 90% more of the fair market value of the asset, are capital leases.

In governmental funds, capital leases, even if they contain fiscal funding clauses, should be reported as assets in the government-wide statements.

When a governmental unit contracts with a public authority that has been created by the governmental unit for the purpose of purchasing or acquiring to be leased to the governmental unit, these agreements should be treated as long-term contracts for accounting and financial reporting purposes.

In determining the accounting and financial reporting treatment for lease agreements of state and local governments, consideration must be given to the accounting and reporting of capital assets and long-term liabilities in both the fund and the government-wide financial statements. Section 1400 provides that:

A clear distinction should be made between general capital assets and capital assets of proprietary and fiduciary funds. Capital assets of proprietary funds should be reported in both the government-wide and fund financial statements. Capital assets of fiduciary funds (and similar component units) should be reported only in the statement of fiduciary net assets. All other capital assets of the government unit are general capital assets. They should not be reported as assets in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

Similarly, Section 1500, “Reporting Liabilities,” provides that:

A clear distinction should be made between fund long-term liabilities and general long-term liabilities. Long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net

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assets and in the government-wide statement of net assets. Long-term liabilities directly related to and expected to be paid from fiduciary funds (and similar component units) should be reported in the statement of fiduciary net assets. All other unmatured general long-term liabilities of the governmental unit should not be reported as liabilities in governmental funds but should be reported in the governmental activities column in the government-wide statement of net assets.

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Subject: Interest Allocation Between Funds
Effective Date: 1 April 1986
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Local governmental units generally pool available resources from all funds for investment and money management practices. While this practice is encouraged as a means of effective money management, questions arise as to whether the interest earnings should be allocated to all funds or retained in the general fund.

There are no state statutes that address this question specifically. There are some statutes that may be looked to for guidance such as *Utah Code* Section 10-6-132 which allows the governing body of a city to “authorize interfund loans from one fund to another at such interest rates and upon such repayment terms and conditions as it may prescribe.” *Utah Code* Section 10-6-135 requires a public hearing to be held when the resources of an enterprise fund are used to subsidize other funds. In some cases, such as B and C Road funds or Cemetery Perpetual Care Funds, interest must be credited to the appropriate fund. Also, there are some regulations for federal and state grants requiring that a reasonable allocation of interest be made to them.

It is recommended that interest earnings be allocated to the various funds based on their contribution to the investment pool. The most significant factor to consider is that the governing body has that authority, unless otherwise specified by law, to make this decision. A formal approval of the governmental unit’s policy regarding interest allocation should be made.

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Reference: I. D.04
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Subject: Reporting Capital Assets
Effective Date: 1 April 1986
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Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use.

Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

The term *capital* assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.

Capital assets that are being or have been depreciated should be reported net of accumulated depreciation in the statement of net assets. (Accumulated depreciation may be reported on the face of the statement or disclosed in the notes.) Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach described in GASB Statement No. 34 should be reported separately if the government has a significant amount of these assets.

Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets reported using the modified approach. Inexhaustible capital assets such as land and land improvements should not be depreciated.

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Reference: I. D.05
Page: 1 of 1
Subject: Unclaimed Property
Effective Date: 1 April 1986
Revision Date: 1 December 2006

The 1992 State Legislature refined the disposition of certain classes of property which are left unclaimed.

Briefly, "Custodial property" is any tangible property: (a) that comes into the possession of a peace officer through execution of a search warrant; (b) that comes into possession of a peace officer pursuant to an arrest of a person, with or without a warrant; or (c) that he received or took as evidence in connection with any public offense. If custodial or tangible property is not claimed by the owner before the expiration of three months from the receipt of notice, or if the owner is unknown and no claim of ownership has been made, the agency having possession may either: (1) appropriate the property for public use; or (2) sell the property at public auction and appropriate the proceeds to its own use. Tangible property is defined as any property that is not intangible property.

Intangible property is defined as: (a) money, checks, drafts, deposits, interest, dividend and income; (b) credit balances, customer over payments, gift certificate, security deposits, refunds, credit memos, unpaid wages, unused airline tickets and unidentified remittances; (c) stocks and other intangible ownership interests in business associations; (d) money deposited to redeem stocks, bonds, coupons, and other securities or to make distributions; (e) amounts due and payable under the terms of insurance policies; and (f) amounts distributable from a trust or custodial fund established under a plan to provide health, welfare, pension, vacation, severance, retirement, death, stock purchase, profit sharing, employee savings, supplemental unemployment insurance, or similar benefits.

Intangible property held by a local government and left unclaimed for over one year must be remitted to the State Treasurer's Office for deposit in the Uniform School Fund. The local government should attempt to notify the owner of the intangible property prior to remitting the property to the State.

In summary, an attempt should be made by the governmental units to locate the owners of unclaimed property. Details of the law regulating the disposition of unclaimed property can be found in *Utah Code*, Section 77-24. If questions still remain, call the Unclaimed Property Division at the State Treasurer's Office. Their telephone number is (801) 320-5360. They are located at 341 South Main, 5th Floor, SLC, UT 84101.

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Reference: I. D.06
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Subject: Investment of Public Funds
Effective Date: 1 April 1986
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With the cost of providing public services increasing, it is imperative that local governmental officials invest available resources to the benefit of their governmental units. *Utah Code* Section 51-7, known as the Money Management Act, defines the criteria for investment of public funds (51-7-17) and the types of investments that may be made (51-7-11). A booklet containing these laws is available from the State Treasurer or the laws may be found in the *Utah Code*.

The State Auditor's Office encourages the investment of local funds through the Public Treasurer's Investment Fund (the pool) managed by the State Treasurer. The investment expertise available in the State Treasurer's Office and the high yields that can be obtained through their pooling concept are difficult for most local government units to match. Contact Stephanie Baldes in the State Treasurer's Office at 538-1470, or toll free at 800-395-7665 for information.

The State Treasurer has prepared the following information for public treasurers of local governmental units:

INTRODUCTION

Most Utah public treasurers face a fiscal profile characterized by cyclical revenue and ratable expenses. Revenue is collected on a quarterly or annual basis in relatively substantial "spurts". Expenses are primarily personnel-related costs, and are generally stable. Receipt of bond proceeds and payment of related debt service costs are controlled and predictable with a high degree of accuracy. In this environment, the most critical concerns for the public treasurer should be: 1) appropriate cash management and, 2) matching of collections with expenditures. An appropriate investment strategy will include objectives which address these two areas.

CASH MANAGEMENT

The most basic statement of the principle of cash management is "speed-up all collections; slow down all expenditures and keep all available funds fully invested". The treasurer should review all sources of revenue to identify the point of collection, the method of collection, and the timing and volume of receipts. Each class of revenue should be examined to determine if there are alternatives which might result in faster collection. Any bottlenecks should be identified and eliminated. This may require cooperation between several municipal departments, particularly if revenue is collected in multiple locations. Some generalized suggestions follow:

1. Review mail room procedures and ascertain that all mail is distributed daily and early enough to facilitate deposit of incoming checks.
2. Instruct your bank to credit your account with interest due upon maturity of time deposits. (Many banks issue a check which is mailed to the depositor. This practice should be discouraged.)

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3. Consider having any revenue payable through the state deposited directly into the Public Treasurer's Investment Fund as opposed to being mailed-out.
4. Use wire transfers or ACH (electronic fund transfers) directly to your account for investment maturities and any revenue which can be controlled by the local government.
5. Accelerate the processing of receipts within government departments:
 - a. Discourage departments from holding receipts; cite the importance of depositing and investing funds as quickly as possible.
 - b. Establish control over receipts as early in the process as possible; then separate checks and cash from related paperwork and deposit.
6. Always deposit large checks immediately; do not wait for supporting paperwork, even if the receipt is "unidentified".
7. Consider sorting checks by the bank on which they are drawn and depositing into accounts at that bank. These represent "on us items" at the bank, and are "good funds" in your account on the day deposited. Use wire transfers to concentrate these funds for investment.
8. Carefully monitor the balance in your bank account(s) to avoid building up excess balances which should be invested.
9. Consider use of a lock box at your bank or internet payment processing for recurring voluminous receipts, such as utility collections.

On the expenditure side, the treasurer should usually ascertain that payments are made on the due date (not prior to the due date) and are made as efficiently as possible. Funds should be provided in demand accounts at the time checks are expected to clear, not at the time checks are issued. For bond payments and other transactions processed through a bank acting as trustee or paying agent, the treasurer should provide collected funds on the due date. Frequently, the bank will request payment prior to the due date to assure that funds are available on the due date. This practice should be discouraged.

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The treasurer should prepare a cash forecast as a basic tool in the development of an investment program. The cash forecast may be as simple as a large calendar on which scheduled expenditures and anticipated revenues are entered-worksheet fashion. An important use of the cash forecast, often omitted, is a continual comparison of the forecast to the actual flow of cash. This may point out significant variances which could indicate procedural problems requiring corrections.

INVESTMENT STRATEGY

Generally speaking, treasurers are working with funds that will be expended over a relatively short period of time. The basic precept of a “balanced budget” is that revenues equal expenditures during the budget period; usually one year. The Money Management Act requires a public treasurer to match the maturity of investments with the anticipated expenditure of these funds. As a consequence, it is very improbable that any treasurer would have funds that could be invested in an instrument having a term beyond one year. Remembering that the objective is to match cash collections with expenditures, most treasurers will reject longer-term investment alternatives, regardless of “yield” or “liquidity.”

Given these parameters, most public treasurers will be using short-term, very liquid investment securities such as:

1. Money Market Demand Accounts: daily demand accounts earning “market rates” of interest, usually based on current Treasury Bill yields. Beware of withdrawal restrictions on most such accounts.
2. “Sweep” Accounts: non-interest bearing checking account, some portion of which is automatically “swept” into a repurchase agreement each night upon determination of the collected balance in the account. The repurchase agreement is usually a pooled “repo” earning interest at a rate somewhat below that of a negotiate repo, but comparable to rates paid on money market demand accounts.
3. Money Market Mutual Funds: a pool of short-term money market instruments typically comprised of commercial paper, bankers’ acceptances, certificates of deposit, and treasury bills.

These mutual funds are generally operated and administered by major brokerage houses, and must be registered with the SEC. These investments have no maturity date, thus, one can put and take monies on demand, earning interest at the daily rate generated by the investments in the fund during the investment period.

4. Repurchase agreements: a simultaneous purchase and resale of the same securities at an agreed price and time. Collateral for “repos” includes governmental and agency obligations. Repos of up to three months are not uncommon. The important point is that a repo can be written for any term, and can coincide exactly with a specific cash need. The securities purchased (the “collateral”) should have an aggregate market value greater than the dollar amount on repo to

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provide some protection. The treasurer must take physical possession of the collateral or have it delivered to a third party holder to perfect his interest in the securities. Where broker repos are involved, securities must be delivered to the treasurer ' s safekeeping bank.

5. Time Certificates of Deposit: term deposits earnings interest at a negotiated rate for a negotiated period of time. TCDs may be negotiable or non-negotiable. Most Utah banks issue only “non-negotiable” TCDs, meaning that they cannot be sold and must be held to maturity. Generally TCDs of less than \$100,000 par value will not earn the same rate as larger time deposits. Utah law requires interest on TCDs of \$100,000 or more to be calculated on the basis of actual number of days divided by 360 days.
6. Public Treasurers Investment Fund: the “pool” is a convenient deposit-type investment administered by the State Treasurer’s Office and offering daily liquidity. There are no minimum balance requirements, no limitations on transactions, and no “commissions”. Pool deposits are invested mainly in short term investment securities, including time certificates of deposit, government agency obligations, corporate notes, and commercial paper.
7. Banker’s Acceptances: short-term (usually 180 days or less) debt issued through the banking system secured by title to salable merchandise. The “BA” is an irrevocable primary obligation of the accepting bank, and contingent obligation of the drawer and of any endorsers. BAs of top banks are sold at a discount, maturing at face value, and are routinely marketed by brokers. BAs must be eligible as collateral for borrowing from a Federal Reserve Bank in order to meet requirements of the Money Management Act.
8. Commercial Paper: short-term unsecured promissory notes issued by corporations and government entities. Commercial paper is usually sold at a discount in multiples of \$100,000, although coupon issues in denominations as small as \$25,000 are available. The term of commercial paper is typically one day to nine months (270 days). Rates are comparable to, or slightly above, bankers acceptances and certificates of deposit issued by top name banks. Commercial paper is marketed by brokers, or directly by the issuer, and is usually delivered in New York City. To comply with the Money Management Act, commercial paper must be rated in the top rating category by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services, or Standard and Poors, Inc.
9. U.S. Treasury Bills: direct obligations of the United States issued for terms of 91 days, 182 days, or 364 days. Treasury Bills maturities are scheduled every Thursday of the year, except Thanksgiving Day. Bills are sold at a discount, and mature at par. Yields are usually slightly below time certificates of deposit, but may exceed local certificate yields at any point in time. Bills may be sold at any time to meet unexpected cash needs. Sale prior to maturity can result in a substantially reduced yield due to interest rate fluctuations. Treasury Bills may be purchased from a broker, or from your local bank, and are considered to be the most liquid of all investments.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. D.06
Page: 5 of 5
Subject: Investment of Public Funds
Effective Date: 1 April 1986
Revision Date: 1 December 2006

CUSTODY OF SECURITIES

The Money Management Act requires public treasurers to take physical delivery of all securities purchased. In the case of out-of-state time deposits, commercial paper, bankers acceptances and government and agency bonds, physical delivery will be to a safekeeping account established by the treasurer at a bank, usually in New York. Safekeeping by the selling broker is not permitted under the Act. Any security not physically held by the treasurer must be supported by a safekeeping receipt issued by a qualified depository or by the treasurers' safekeeping money center bank.

CONCLUSION

The small public treasurer should normally concentrate his investment program in short-term, liquid securities. Some mix of demand accounts (interest bearing or non-interest bearing), repurchase agreements, time deposits, and deposits in the Public Treasurer's Investment Fund will result in the most prudent, efficient program. Larger treasurers may wish to diversify by adding treasury bills, bankers acceptances, commercial paper, and out-of-state negotiable certificates of deposit. Use of these instruments will require establishment of a safekeeping arrangement with a money center bank to be efficient and to comply with statute. Only in unusual circumstances would a treasurer consider Treasury bonds, or government agency issues (GNMAs FNMA's etc.) as an investment due to their long terms. Generally speaking, a public treasurer will obtain the best results by carefully managing cash flow and investing all available funds in short-term, familiar investment securities such as time deposits, repurchase agreements, and the Public Treasurer's Investment Fund.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. D.07
Page: 1 of 6
Subject: Request for Proposal to Provide Audit Services
Effective Date: 1 April 1986
Revision Date: 1 December 2006

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 Auditor's 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 "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:

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

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

STATE OF UTAH UNIFORM ACCOUNTING MANUAL

Reference: I. D.07
Page: 2 of 6
Subject: Request for Proposal to Provide Audit Services
Effective Date: 1 April 1986
Revision Date: 1 December 2006

REQUEST FOR PROPOSAL TO PROVIDE AUDIT SERVICES FOR City/Town

1. BACKGROUND INFORMATION

The (city/town) of _____ was incorporated in ____ and currently has the following funds: _____ . In addition to the funds 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 _____ software for its accounting applications which is supported by _____ 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 180 days 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 1st 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, 20__ 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*, 2003 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*, 2003 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. Résumés 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.

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 testwork 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 Internal Controls Over Financial Reporting and on Compliance and other Matters 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 testwork 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.

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. D.08
Page: 1 of 2
Subject: Reporting of Connection Fees, Impact Fees, and Contributed Capital
Effective Date: 1 April 1986
Revision Date: 1 December 2006

The State Auditor's Office often receives questions regarding the proper handling of utility connection fees levied and contributions from subdivisions for the cost of water and sewer lines laid in subdivisions. The issue involves whether such fees represent contributions to be treated as contributed capital or whether they should be treated as operating or nonoperating revenues. The following guidance from the 2005 edition of *Governmental Accounting, Auditing, and Financial Reporting*, (GAAFR), is applicable in this situation.

“To connect to the existing system, new customers of a utility often are charged a special fee, such as a tap fee, a systems development fee, or a connection fee. The amount of this fee frequently exceeds the actual cost to connect new customers to the system. This excess often represents a charge to new customers for their fair share of the capital cost of the system already in place, or the cost of increasing the capacity of the system to meet the additional demand created by the connection of new customers.

Tap fees and similar fees are exchange transactions for the portion of the fee that is intended to recover the cost of connecting new customers to the system. Accordingly, that portion of the fee should be recognized as a receivable and revenue as soon as the connection is made.

The portion of a tap fee or similar fee beyond the cost of connecting new customers is properly classified as an imposed nonexchange revenue. Accordingly, a receivable and revenue should be recognized as soon as the government has established an enforceable legal claim to the payment (upon connection). Such amounts should be classified either as *capital contributions* or *nonoperating revenues*, rather than as *operating revenues*.

Governments sometimes require that developers pay impact fees to help defray a portion of the costs that naturally result from increased development (construction of new parks and schools, for instance). Most often, laws or regulations require that impact fees or other similar types of developer fees be used for capital acquisition or related debt service.

Impact and similar developer fees are properly classified as an imposed nonexchange revenue. Accordingly, the full amount of the fee should be recognized as a receivable and revenue as soon as the government has established an enforceable legal claim to the resources (typically at the point the fee becomes nonrefundable). That the subsequent use of those resources is legally restricted to capital acquisition or related debt service should be reflected by the restriction of net assets rather than the deferral of revenue.

Sometimes capital assets initially associated with government activities are later assigned to a proprietary fund. For example, a government may elect to establish a new internal service fund for

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an activity previously accounted for in the general fund, or it may choose to establish a new enterprise fund to account for services for which it will henceforth impose user charges. The rule in such cases is that the capital asset should be reported in the recipient proprietary fund at the same net book value previously reported (that is, historical cost less accumulated depreciation) in the government-wide statement of net assets.

Capital assets received from the general government should be reported as *capital contributions* rather than as *transfers* in the proprietary fund operating statement. Conversely, this same event would be reclassified as a *transfer* from governmental activities to business-type activities when reported in the government-wide statement of activities. Donations of capital assets to the general government would be reported as *transfers* in both the proprietary fund and government-wide financial statements.”

STATE OF UTAH

UNIFORM ACCOUNTING MANUAL

Reference: I. D.09
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Subject: Subrecipient and Vendor Determinations Under Federal Programs
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An entity receiving federal funds may be considered a recipient, subrecipient, or a vendor/provider (hereafter referred to as a vendor). Recipients and subrecipients of federal awards are subject to audit under the Single Audit Act and OMB Circular A-133 if their annual expenditures of federal awards are \$500,000 or more. Federal funds received for goods or services provided as a vendor are not considered federal awards and are not subject to single audit. There may be circumstances, however, when vendor records may need to be reviewed to determine program compliance. The following guidance, taken from OMB Circular A-133, ' __.210, gives further guidance on distinguishing between a subrecipient and a vendor.

Federal Award

Characteristics indicative of a Federal award received by a subrecipient are when the organization:

1. Determines who is eligible to receive what Federal financial assistance;
2. Has its performance measured against whether the objectives of the Federal program are met;
3. Has responsibility for programmatic decision making;
4. Has responsibility for adherence to applicable Federal program compliance requirements; and
5. Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Payment for Goods and Services

Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;
3. Operates in a competitive environment;
4. Provides goods or services that are ancillary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program.

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Use of Judgement in Making Determination

There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgement should be used in determining whether an entity is a subrecipient or vendor.

Compliance Responsibility for Vendors

In most cases, the auditee's compliance responsibility for vendors is only to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements. Program compliance requirements normally do not pass through to vendors. However, the auditee is responsible for ensuring compliance for vendor transactions which are structured such that the vendor is responsible for program compliance or the vendor's records must be reviewed to determine program compliance. Also, when these vendor transactions relate to a major program, the scope of the audit shall include determining whether these transactions are in compliance with laws, regulations, and the provisions of contracts or grant agreements.