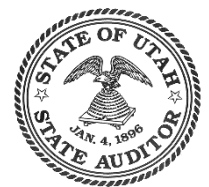




# District Board Member Training



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# Agenda

**Goal: Understand how to lawfully and effectively manage your district.**



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Questions or Concerns?  
[stateauditor@utah.gov](mailto:stateauditor@utah.gov)  
(801) 583-1025

# Little Manual for Local & SSDs

**auditor.utah.gov:**

- Top tabs: “For Local Governments”
- Sidebar: “Training and Publications”
- Sidebar: “Publications for Local Government Entities”

The screenshot shows the website interface for the Office of the State Auditor. At the top, there are navigation tabs for 'Services' and 'Agencies', and a search bar for 'Search Auditor.Utah.gov'. Below this, there are more navigation options: 'For the Public', 'For the Press', 'For State Agencies', 'For Local Governments' (highlighted with a red arrow), and 'About Us'. The main content area is titled 'Publications for Local Government Entities' and lists several guides, including the '2017 Guides' and 'Little Manual'. A sidebar on the right contains a 'For Local Governments' section with a 'Training and Publications' link highlighted by a red arrow. The sidebar also lists 'Submit Local Government Reports', 'Search Audit Reports', 'Auditor Alerts', 'Training', and 'Publications'.



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Fund  
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# Reporting Templates

**auditor.utah.gov:**

- Top tabs: “For Local Governments”
- Sidebar: “Training and Publications”
- Sidebar: “Forms for Local Governments”

Services Agencies Search Utah.gov

Search Auditor.Utah.gov Submit Reports Hotline

Office of the State Auditor For the Public For the Press For State Agencies **For Local Governments** About Us

Home > For Local Governments > Publications > Forms for Local Governments

## Forms for Local Governments

### Download Local Government Forms

Please select a form to download from the list below. Note that a budget certification form is no longer required to be submitted with the annual budget.

Category	Description
Memo	<a href="#">Parent Entity Reporting Memo</a>
Budget	<a href="#">Municipalities and County Budget Form</a>
Budget	<a href="#">AOG/CDA/MIDA Budget Form</a>
Budget	<a href="#">Special District Budget</a>
Financial Report	<a href="#">Certification of the Annual Financial Report</a>
Survey	<a href="#">Large Financial Survey (Between \$350,000 and \$1,000,000)</a>
Survey	<a href="#">Small Financial Survey (Less than \$350,000)</a>
Example	<a href="#">Impact Fee Report Example</a>
Other	<a href="#">Self Evaluation Form</a>

The State Treasurer's Deposit & Investment Report Form is available on the [treasurer's website](#).

### For Local Governments

- Submit Local Government Reports
- Search Audit Reports
- Training and Publications**
  - Auditor Alerts
  - Training
    - Elected Officials Training
    - Financial and Administrative Professionals Training
    - CPA Training
    - Local District Training
  - Publications
    - Publications for Local Government Entities
    - Publications for CPA's
    - Publications for Nonprofits
    - Updates and Newsletters
    - Uniform Chart of Accounts
  - Forms for Local Governments



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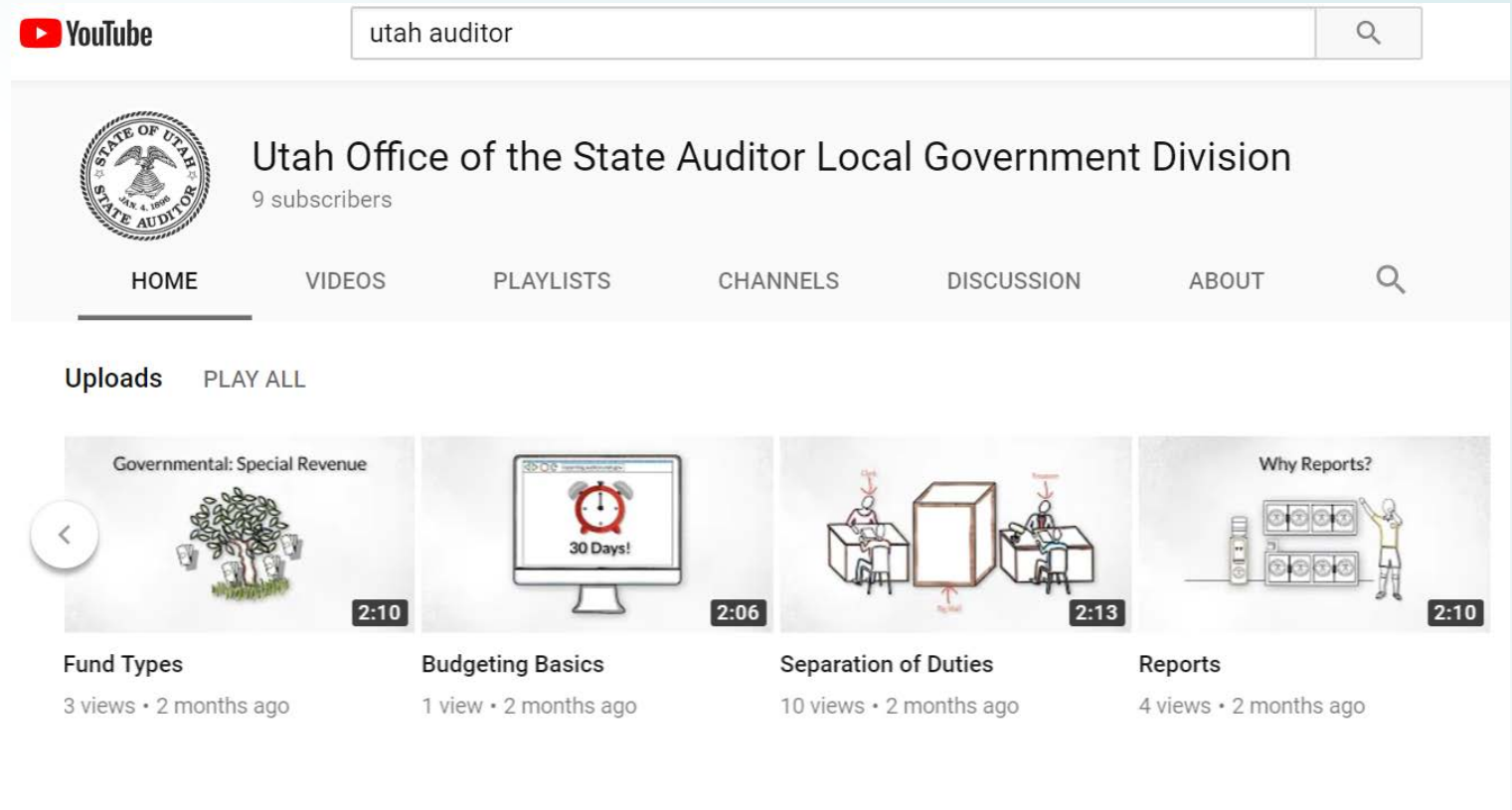
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# YouTube Channel

youtube.com:

- “Utah Office of the State Auditor Local Government Division”
- Subscribe!



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# Online Training

**training.auditor.utah.gov:**

- Board Member Training
  - Within 1 year of each appointment/election
- Open and Public Meetings Act
  - Annually

All Courses About Us Training Resources Recorded Webinars Sign In

## Online Training Portal

Office of the State Auditor

Board Member Training 2018  
Free  
Required  
View Course

Open and Public Meetings Act 2018  
Free  
Annual Training  
View Course

Introductory Training for Municipal Officials  
Free  
Suggested Training  
View Course



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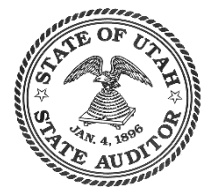
# District Registration

- Annual Registration with Lieutenant Governor's Office, by 7/2019
  - Legal document creating the district
  - Map or plat establishing boundaries
  - District name
  - Local government type
  - Governmental function
  - Physical Address & phone number, including name & contact info for the primary contact



# District Registration

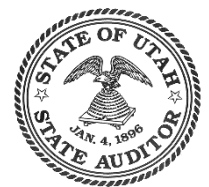
- Governing body member names & managing officer names
  - Method by which they're appointed or elected
- Source of revenue
- Information regarding the creation, purpose, and boundaries of any assessment areas, if applicable
- Renewed annually; must notify Lt. Governor's office of changes within 30 days





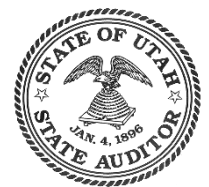
# Budgeting: Discussion

- What's the purpose of a budget?
- What role does the governing board play in the budgeting process?
- What are the proper procedures for developing, reviewing, and adopting the district budget?



# The Budget

- The budget constitutes spending authority
- The district legally binds itself to **spend this much and no more**
- Any expenditure in excess of the budget is **illegal**, even if the district has money available to spend
- Public has opportunity to provide input



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# Budget Process Steps

1. Tentative budget prepared
2. Tentative budget review by governing body
3. Public hearing scheduled & noticed
4. Public hearing held
5. Adoption & public posting of budget
6. Amendment of budget during year, if needed

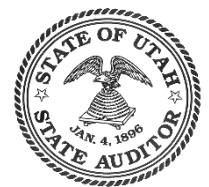


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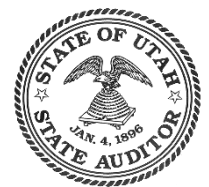
# 1. Tentative Budget Prepared

- The budget officer (clerk or treasurer) yearly prepares a tentative budget:
  - On or before the first regularly scheduled meeting in November



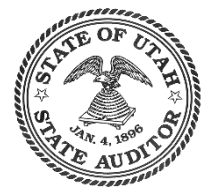
# 1. Tentative Budget Prepared

- The budget provides a financial plan that specifies:
  - Estimates for all anticipated revenues
  - All appropriations for expenditures



## 2. Tentative Budget Reviewed by Governing Body

- The tentative budget is, by the governing body:
  - Reviewed & adopted
  - May be revised in any manner considered advisable prior to public hearings



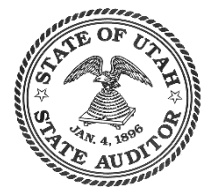
## 2. Tentative Budget Reviewed by Governing Body

- Tentative budgets are public records, so the public must be able to see them!
- Make the tentative budget available for public inspection at least:
  - 7 days prior to the public hearing



# 3. Public Hearing Scheduled & Noticed

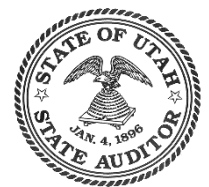
- Establish the time and place of a public hearing
- Publish notice at least 7 days prior to the hearing:
  - In at least one issue of a newspaper of general circulation
    - If no newspaper, the notice may be posted in three public places within the district
  - Published on the Utah Public Notice Website





# 4. Public Hearing on Tentative Budget

- All persons in attendance provided an opportunity to be heard
- After the public hearing's conclusion, the governing body may continue to review the tentative budget

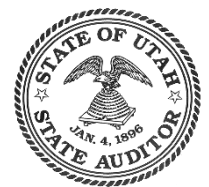


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# 5. Adoption & Public Posting of the Budget

- Budget adopted by the governing body
- A copy of the adopted budget made available to the public
- A copy of the adopted budget filed with our office within 30 days



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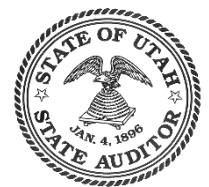
# Budget Officer

- Following the budget's adoption: the budget officer (clerk or treasurer) ensures:
  - Expenditures conform with the budget



# 6. Amending the Budget

- New budgets may be adopted during the year
- Budgets may not be changed after year-end
- New adoptions have to follow the same procedures as the adoption of the original budget
  - Except for enterprise funds
    - For enterprise funds no public notice and hearing is required
      - However, the board must still adopt the new budget



# Fees: Discussion

The Fancy Pants Sewer District is falling short of covering their expenses and would like to increase its fees. The board plans to take the matter up at its next regular board meeting. Is this the correct decision? Why or why not?

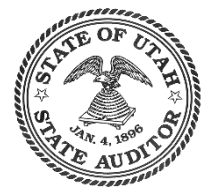


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# Fees: Public Notice

- Hold a public hearing after 6:00 p.m.
- Publish Notice
  - Newspaper of general circulation within the district
  - If no newspaper of general circulation, post at least one notice per 1,000 population within the district at locations most likely to provide actual notice



# Fees: Notice Requirements

- The notice must be:
  - No less than  $\frac{1}{4}$  page in size
  - No less than 18 point font
  - Surrounded by  $\frac{1}{4}$  inch border
  - Published once per week for **two weeks** preceding the hearing
    - 2<sup>nd</sup> notice can't be less than 7 days from 1<sup>st</sup> notice



# Fees: Notice Requirements

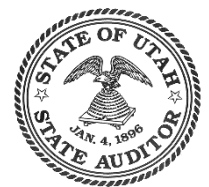
- The notice states:
  - The district intends to:
    - Impose a fee
    - Increase a fee
  - The hearing's:
    - Date
    - Time
    - Place





# Legal Notice Options

- All districts have the option of notifying voters through direct mailings.
- Provides an exemption for small districts with annual operating budgets under \$250,000.
  - Direct Mail, or
  - Publishing in a newspaper and on the public legal notice website
    - If district is required to publish in a newspaper, the newspaper is required to publish on the public legal notice website for free



# Accounting

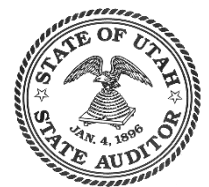
- Can be as simple as keeping a good checkbook:
  - Deposit all money into a single account
  - All payments should be made by check
  - Checkbook entries should be:
    - immediate, so nothing is forgotten
    - well explained
  - Account reconciled monthly



# Separation of Duties: Discussion

Well Run CMD has operated with just a board chair and district manager for many years.

Would you recommend any changes in the district's leadership structure? If so, what should it change?

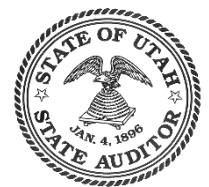


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# Separation of Duties: Required Positions

- Board Chair
- District Clerk
- District Treasurer

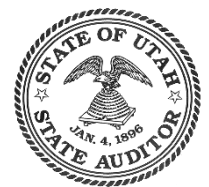


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# District Clerk

- Cannot also be the:
  - Treasurer
  - Chair
- Duties may be performed by a board member



# District Clerk Responsibilities

- Attend meetings and keep a record of the proceedings
- Maintain the Financial Records
- Prepare district checks



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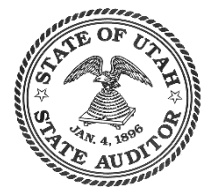
# District Clerk Responsibilities

- Prepare checks after determining the claim:
  - Was properly authorized
  - Does not exceed the budget
  - Was approved in advance



# District Expenditures

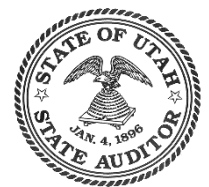
- The board may authorize the district manager or other official to act as the financial officer for the purpose of approving:
  - payroll checks
  - routine expenditures, such as utility bills
- Board, at least quarterly:
  - reviews all expenditures authorized by the financial officer.
- Board sets a threshold over which all purchases may not be made without board approval





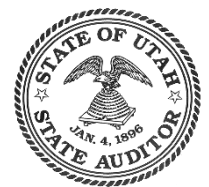
# District Treasurer

- Cannot also be the:
  - Clerk
  - Chair
- Duties may be performed by a board member



# District Treasurer Responsibilities

- Custodian of district funds:
  - Receive and deposit funds
  - Keep an accurate detailed account of all monies received



# District Treasurer Responsibilities

- Sign district checks.
- Determine that sufficient funds are available to honor the check.
- Special districts with expenditure budget <\$50,000 per year:
  - Board member must **also** sign all checks



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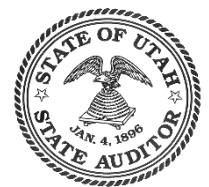
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# Quarterly Reports

- The governing body:
  - reviews detailed quarterly financial reports
    - for that quarter
    - year-to-date status



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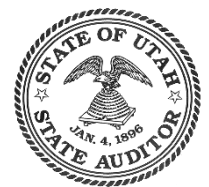
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# Quarterly Reports

- Should contain:
  - Detailed list of:
    - Receipts
    - Expenditures
  - Cash balances
  - Liabilities
  - Comparison to bank statement
  - Invoices supporting payments



# Reporting Requirements: Discussion

Last year the revenue for your district was about \$650,000 and you submitted an independent audit with the Office of the State Auditor.

This year your revenue is expected to remain about the same. However, this year you plan to only submit an agreed-upon-procedures report with our office.

Will this meet reporting requirements? Are you considering changes to other reporting requirements?



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# Reporting Requirements: Thresholds

- If Revenues or Expenses are:
- Over \$1,000,000:
  - Independent Audit
- \$350,000 to \$1,000,000:
  - Agreed-Upon Procedures (AUP) report
  - Large Financial Survey
- Below \$350,000:
  - Self-Evaluation Form
  - Small Financial Survey



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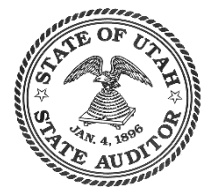
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# Reporting Requirements: Where & When

<b>Report:</b>	<b>Due:</b>	<b>Submitted to:</b>
Adopted Budget	Within 30 days of adoption	Uploaded to <a href="http://reporting.auditor.utah.gov">reporting.auditor.utah.gov</a>
Financial Reports	Within 180 days after year-end (usually by June 30)	
Deposits & Investments Report	Bank balances as of June 30 & December 31 (twice yearly)	State Treasurer PO Box 142315 Salt Lake City, UT 84114



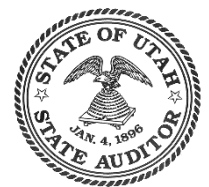
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# Financial Report Certifications

- Certification of annual financial reports by the chief administrative officer (CAO) and chief financial officer (CFO) required:
  - “Under penalty of perjury, I, [officer's name] certify that the [annual financial report] of [political subdivision] for the year ended [date] fairly presents in all material respects the financial condition and results of operations of [political subdivision].”



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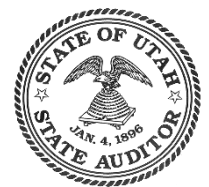
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# Utah Public Finance Website (Transparency)

- [transparent.utah.gov](https://transparent.utah.gov)
- All entities required to report:
  - Detailed revenue & expenditure transactions, quarterly (within 1 month of quarter-end)
  - Payroll data, yearly
- Questions? Contact State Finance at:
  - 801-538-3082
  - [transparency@utah.gov](mailto:transparency@utah.gov)



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# Why Internal Controls?

- They:
  - Keep honest people...honest!
  - Protect against false accusations
  - Ensure assets & resources are safeguarded
  - Protect the public trust



# Internal Controls: Discussion

The Smallville MAD uses two credit cards to accommodate small purchases for the district.

One card is held by the operations manager, and one is held by the district clerk.

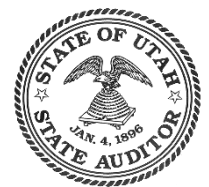
Receipts for purchases made using each card are required to be submitted. The district clerk reconciles the receipts to the credit card statements each month.

What are the risks with these controls?



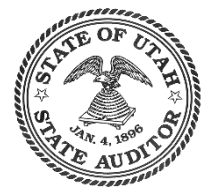
# Internal Controls: Breakdown

- Human Judgment
  - Errors
  - Mistakes
- Management Override
- Collusion
- Cost Benefit
- Complexity of Controls



# Perception of Detection

- ACFE says:
  - Controls do little to forestall theft if their presence is not known by those at risk.
    - Employee education
    - Reporting programs
    - Hotlines
    - Rewards
    - Proactive audit policies



# The Fraud Triangle

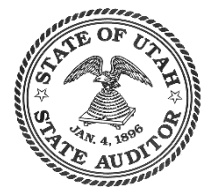


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# Fraud Prevention Measures

- Establish a “Tone at the Top” that encourages ethical conduct
- Implement and enforce strong internal controls
- Identify and mitigate risks in financial operations
- Provide employee education and a fraud hotline
- Address and follow-up on audit findings



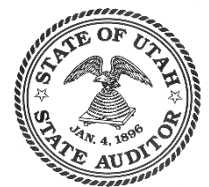


# Purchasing: Discussion

Fancy Fire District just hired a new fire chief who begins replacing equipment.

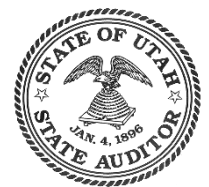
Within the first few months, he purchased a new water tank for \$12,000 and a new rapid-response truck for \$30,000. In addition, he bought two oxygen tanks for \$2,500 each. All purchases were made without board approval.

Is the manager spending recklessly? Should the board take action?



# Purchasing

- Utah Procurement Code (Utah Code 63G-6a)
  - Applicable to all districts
    - Districts may adopt a more specific policy, but it must adhere to the Procurement Code
- For general purchasing, all districts must:
  - have a written purchasing policy
  - specify who can make purchases
  - See Utah Code 17B-1-618



# Purchasing Policy

- A purchasing policy should:
  - establish a competitive procurement process
  - safeguards against conflicts of interest
  - balance the efficient operations of the district.



# Purchasing Policy

- Consider the following when developing a purchasing policy:
  - Amount under which competitive quotes are not required.
  - Amount over which verbal quotes will be obtained.
  - Amount over which written quotes will be obtained.
  - Amount over which public advertising is required.
  - Method of soliciting quotations.
  - Purchases made from a single or sole source provider.



# Purchasing Policy

- Emergency Purchases.
- Cancellation and rejection of bids.
- Rules regarding use of purchase cards.



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# Public Treasurer Bond

- A public treasurer includes...
  - “the official of any...political subdivision, or other public body who has the responsibility for the safekeeping and investment of any public funds.”



# Public Treasurer Bond

<b>Gross Revenue Budget:</b>	<b>Percent for Bond:</b>	<b>Minimum Bond:</b>
0 – 10,000	N/A	0
10,001 – 100,000	9% but not less than	5,000
100,001 – 500,000	8% but not less than	9,000
500,001 – 1,000,000	7% but not less than	40,000
1,000,001 – 5,000,000	6% but not less than	70,000
5,000,001 – 10,000,000	5% but not less than	300,000
10,000,001 – 25,000,000	4% but not less than	500,000
25,000,001 – 50,000,000	3% but not less than	1,000,000
50,000,001 – 500,000,000	2% but not less than	1,500,000
Over 500,000,000		10,000,000



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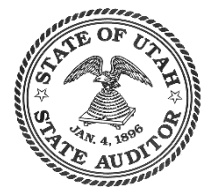
Purchasing

**Insurance**

Fund  
Balance  
Limitation

# Public Treasurer Bond

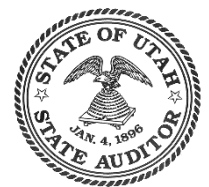
- Bonds must be issued by a corporate surety licensed to do business in the State of Utah
  - Must have a current A.M. Best rating of “A” or better.
- Bonds should be effective as of the date the treasurer assumes the duties of the office or is sworn in.





# Other Insurance

- Consider other areas, as appropriate for your entity
- Operating budget of \$50,000 or greater:
  - Obtain liability insurance considered appropriate by the board

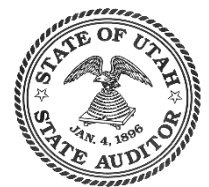


# Fund Balance Limitation

- **General Funds** only; balance can't exceed the greater of:
- 100% of the current year's property tax

**OR**

- Annual GF budget \$100,000+
  - 25% of the total GF revenues
- Annual GF budget  $\leq$  \$100,000
  - 50% of the total GF revenues



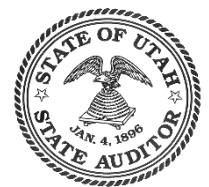
# Fund Balance Limitation

- Governing boards may accumulate funds for financing future specific capital projects (in a capital projects fund), including:
  - New construction
  - Capital repairs
  - Replacement & maintenance
- A formal long-range capital plan must be adopted by the governing body



# Fund Balance Principle

- Government should tax its constituents on a “pay as you go” basis.
  - Purchases which benefit taxpayers today:
    - Not made with funds accumulated from prior taxpayers
  - Debt (not excessive) issued today:
    - Not place high burden on future taxpayers.

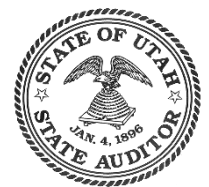


# Questions?

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auditor.utah.gov



Office of the  
**State Auditor**

Budgeting

Imposing or  
Increasing  
Fees

Separation  
of Duties

Reports

Internal  
Controls &  
Fraud

Purchasing

Insurance

Fund  
Balance  
Limitation