

### **Unbalanced budgets required by law**

It appears West Jordan has exceeded it's budget by over \$6 million dollars in the last four years. This I understand is also against the law.

# Deseret News

Deseret News Archives,  
Tuesday, May 18, 1999

## Unbalanced budget exposes law's flaw

W. Jordan often violates statute, escapes penalty

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By Don Baker Deseret News staff writer

WEST JORDAN -- What happens when a city like West Jordan ignores Utah's balanced-budget statute and overspends its various fund budgets?

Not much, State Auditor Austin Johnson says.

The city gets dinged a little by its independent auditors, and Johnson's office raps the municipal knuckles with a "Hey, you're not supposed to do that!" letter.

But other than that, the state's top auditor said, Utah's balanced-budget statute is basically toothless and penalty-free.

The West Jordan overspending issue was raised at a City Council meeting April 20 by Norm Riggs, who heads a local watchdog group that calls itself Citizens for Integrity in Government (CIG).

Riggs chided city administrators about overspending their fund budgets for four consecutive years in violation of state law, exceeding budgets by an aggregate of nearly \$6.4 million during that time.

A review of state compliance letters drafted by an independent auditing firm confirms fund budgets were overspent by \$39,656 in fiscal 1995, \$1.44 million in fiscal 1996, \$3.75 million in fiscal 1997 and \$1.13 million in fiscal 1998.

Each year, the auditing firm of Peat Marwick noted the overspending and reminded city officials state regulations prohibit officers and employees of a municipality from incurring expenditures or encumbrances in excess of the total appropriations for any department.

In its response to each compliance letter, the city agrees the findings are correct and indicates city management will monitor specific divisions more closely to bring those budgets into compliance.

Failure to achieve that compliance over four consecutive years, however, hasn't been much of a liability for West Jordan.

"The problem is, there's no penalty under the law" for overspending, Johnson said. "We get on cities all the time, and we talk to their officials and attorneys" about not exceeding budgets.

"But the most we can really do is send them letters ever year, reminding them what the budget laws are," he added.

"Cities are not supposed to spend any money that's not budgeted," said Johnson. "They're supposed to have their budgets balanced throughout the year" and track the flow of funds closely to avoid

overspending.

As a practical matter, however, department overspending is a common occurrence, and the state auditor said most municipalities correct such problems by having the city manager, finance director or other authorized persons move money to balance budgets.

In the case of an entire fund budget -- such as the general fund or a water and sewer fund -- overspending can only be corrected by council action to reopen budgets and make changes so that spending equals revenues.

Municipalities overspend "all the time," Johnson said, but usually manage to balance their budgets by making up shortages from fund balances.

Those fund balances are actually cash reserves, something of a municipal "nest egg" regulated by state law not to exceed 18 percent of the total budget and not to drop below 5 percent.

West Jordan City Manager Dan Dahlgren said after the April 20 meeting the city's policy has been to make "department heads stand accountable for their budgets" at the end of each fiscal year.

"We haven't adjusted the budgets by transferring money out of our cash balance," Dahlgren said.

But the state auditor said any city that fails to have a balanced budget at the end of the year is in technical noncompliance with Utah law.

"When a city does that, it shows some arrogance toward the people that they serve," Johnson said. "It's just unfortunate they take an attitude it doesn't matter."

Since there are no penalties for noncompliance, the state auditor said, pressure to comply may have to come from residents of the offending cities.

"They make those decisions at the ballot box," Johnson added.

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