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The Budgetary Process

Ohio Budgetary Law

Presented by:
Local Government Services

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Objectives

- Identify elected officials role in the budgetary process
- Understand the process and timing issues
- Identify compliance items/limitations
- Review the budgetary documents



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Governing Board (Trustee, Council, Board)

Role in the Budgetary Process

Taxes

- Set/approve property tax rates and levies
- Enact taxes / fees



Appropriations

- Establish legal level of control
- Approve annual or temporary appropriations
- Prepare appropriation resolutions
- Approve supplemental appropriations



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Governing Board Role in Budgetary Process

- Establish reserve funds – ORC § 5705.13
 - Budget stabilization, reserve balance accounts
 - Capital projects set-asides
- Establish target carryover balances
- Set/approve salaries of officers, clerks, and employees
 - Township's elected officials salary set by statute and employees salary set by Board of Trustees



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Governing Board Role in Budgetary Process

- Preparation of the annual tax ordinance
- Presentation of annual tax ordinance/tax budget to governing board



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Fiscal Officer's Role in Budgetary Process

- Identify and certify estimated receipts (not a function of the governing board)
- Certify purchase obligations
- Maintain financial records demonstrating compliance with budget (receipt, appropriations, cash disbursements)
- Prepare appropriation measurers (convenience issue)
- Assist with the preparation of the tax ordinance/tax budget (practical matter)

DUTIES

- Estimated Receipts
- Purchase obligations - CERTIFY
- Records?
- Appropriation - measure?
- TAXES: ordinance & Budget



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Budgetary Documents

- Budgetary process is prescribed by the ORC Chapter 5705 and includes:
 - A tax budget
 - A resolution setting tax amounts and rates
 - An official certificate of estimated resources
 - A certificate of year-end balances
 - An amended official certificate of estimated resources
 - An appropriations ordinance or resolution
 - The county auditor's certification of appropriations within estimated resources



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Definitions

Tax Budget

The tax budget is a financial plan for the operations of the next calendar year. It identifies how much money is expected from local, state, and federal sources, the anticipated carryover fund balances, and how much is needed to carry out governmental functions in the next calendar year. The budget is submitted to the county budget commission and used to fix property tax rates. In some counties the submission of a formal budget is no longer required.



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Definitions

Estimated resources

the estimated receipts the entity expects to receive during the year plus the unencumbered/unreserved fund balance from the prior year.

Appropriations

the governing body's authorization to spend the government's resources.

Encumbrance

authorized purchase commitments related to unperformed contracts for goods or services. Expenditures and encumbrances reduce available appropriations.



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Tax Budget



- Used to set tax property tax rates
- Used to allocate local government fund
- Planning for the next year
- Presents need for tax levies
- May be waived by budget commission
- Tax Budget is submitted by President of Board of Trustees, or the Mayor or President of the Board



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Tax Budget Hearing



- Notice to be published 10 days before hearing
- Hearing is to provide interested parties with an opportunity to have input
- Tax budget to be adopted/approved by governing board by July 15
- Tax budget to be filed with the county auditor by July 20



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Tax Budget Hearing

Assumes adoption on July 15

When	Who	Action
March/April	Executive Officer	Instruct department heads to prepare estimate of revenues and expenditures for upcoming year.
April/May	Department Heads	File with the Executive Officer the estimate of revenues and expenditures.
Around June 1	Executive Officer	Present draft of budget to governing board for review.
Ten days before adopting	Governing board	File two copies of the budget with the fiscal officer for public inspection and set at least one public hearing.
Ten days before public hearing	Governing board	Give notice of hearing by at least one publication.
July 15	Governing board	Shall adopt tax budget.
July 20	Governing board	Shall submit budget to County Auditor.



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Content of the Tax Budget

- A summary of the amounts required from general (inside Millage) property tax approved by budget commission and county auditor's estimated tax rates
- A summary of levies outside the 10 mill limitation exclusive of debt levies
- Actual and estimated receipts, disbursements and balances of the general fund (4 years)
- A summary of general obligation bonds and notes as of January 1st of coming year and the requirements of bond retirement fund
- An official certificate of estimated resources



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Tax Budget

- After review of the tax budget by the budget commission, the entity receives:
 - A signed copy of the tax budget *Commissioners*
 - An "Official Certificate of Estimated Resources" (included in the tax budget)
 - A resolution accepting the amounts and rates for property tax as determined by the budget commission. It is to be adopted and returned by October 1.



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Waiver of the Tax Budget

- The county budget commission, by an affirmative vote (ORC § 5705.28) of a majority of the commission, may waive the requirement that a tax budget be adopted.
 - Waives the required budget hearing
 - Waives published legal notice of budget hearing
- The budget commission shall require a taxing authority to provide information to the commission as may be required by the commission to perform its duties.
 - Property tax information
 - Estimated fund balances and receipts for the official certificate
 - **Budget commission must provide an official certificate before appropriations can be adopted (no certificate = \$0 appropriations)**



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Estimated Resources

- Certificate of year-end balances
- Official certificate
- Amended official certificate
- Amendments
 - Fiscal officer's responsibility (only)
 - No approval of governing board required
 - Governing board may request fiscal officer to amend the certificate so they can appropriate new or additional receipts



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Certificate of Year-end Balances

- Proper title is "Certificate of Total Amount from All Sources Available for Expenditures and Balances"
- The purpose of this form is twofold
 - to report the actual unencumbered fund balances
 - to adjust estimated revenues, if necessary
- It is completed by the fiscal officer and filed with the county auditor **around the first of the year** (no later than January)
- **Report reserve balances so as to exclude reserve balances from Fund Balance Available for Appropriation**
 - Attached resolution establishing reserve balances



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Official and Amended Certificates

- The official certificate is in the tax budget
 - Signed by the budget commission and returned in September
 - Must be provided regardless of waiver of tax budget
- Amended official certificate of estimated resources
 - First amended certificate generally issued after the year-end balances are certified
 - May be amended as needed throughout the year
- Fiscal officer responsible for estimates therein and the amendments



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Reasons to Amend the Official or Amended Official Certificate

Upon a determination by the fiscal officer of a subdivision that the **revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate**, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess (ORC § 5705.36).



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Reasons to Amend the Official or Amended Official Certificate

Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision **will be greater than** the amount included in an official certificate **and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall** certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess (ORC § 5705.36).



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Reasons to Amend the Official or Amended Official Certificate

Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision **will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations**, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency (ORC § 5705.36).



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Budgetary Compliance/Limitation

The total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, **certified prior to the making of the appropriation or supplemental appropriation** (ORC § 5705.36).

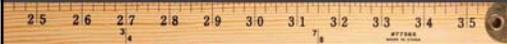


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Appropriations Measurers



- Annual appropriation ordinance/resolution
 - Must adopt by April 1,
- Temporary appropriation ordinance/resolution
 - Covers Jan. 1 to Mar. 31, limited to ordinary expenditures
 - Items must be included in annual ...
- Amendments
 - Supplemental
 - Modifications (movement from one account to another within the same fund)



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What is an Appropriation?

- A legal authorization granted by the legislative body to make expenditures and incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.
- Does not imply cash is available to be spent immediately



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Appropriations Measurers

TIMING ISSUES

- No appropriation measure **shall become effective until** the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the official or amended official estimate.
- The county auditor shall give a certificate forthwith upon receiving from the appropriating authority **a certified copy** of the appropriation measure.
 - If county is not providing certificate timely, proceed without certificate, but have written support that appropriations are within estimated resources.



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Budgetary Compliance/Limitations

- *Estimated Resources vs. Appropriations*
 - Estimated resources equals cash fund balance minus prior year-end encumbrances, minus reserves, plus current year estimated receipts.
- *Appropriations vs. Expenditures*
 - Expenditures equal cash disbursements plus encumbrances



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Legal Level of Control

- The level at which the governing board sets appropriations, for example
 - Fund (*does not meet required statutory level*)
 - Fund and department/activity
 - Fund, department/activity, major object
 - Fund, department/activity, all objects
- Legal level of control should remain consistent throughout the year



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Legal Level of Control

- Example of fund level
 - General \$ XXX,XXX
 - Street/Gas Tax \$ XXX,XXX
 - State Highway/MVL \$ XXX,XXX
 - Water \$ XXX,XXX
 - Sewer \$ XXX,XXX
 - Total appropriations \$ XXX,XXX



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Legal Level of Control

- Example of fund and program/activity level
 - General Fund
 - Police operations \$ XXX,XXX
 - Fire operations \$ XXX,XXX
 - Street lighting \$ XXX,XXX
 - General Government
 - Mayor's office \$ XXX,XXX
 - Auditor \$ XXX,XXX
 - Treasurer \$ XXX,XXX
 - Total General Fund \$ XXX,XXX



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Legal Level of Control

- Example - fund department/activity, and major object level
 - General fund
 - Police operations \$ XXX,XXX
 - Personal services \$ XXX,XXX
 - All other expenditures \$ XXX,XXX
 - Fire operations \$ XXX,XXX
 - Personal services \$ XXX,XXX
 - All other expenditures \$ XXX,XXX

This is the minimum level implied by statute (ORC § 5705.38(C))



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Legal Level of Control

- Example - fund department/activity, and major object level (Generally matches up with appropriation/expenditure reports)
 - General Fund
 - Police operations

- Salaries and wages	\$ XXX,XXX
- Employee benefits	\$ XXX,XXX
- Contractual services	\$ XXX,XXX
- Materials and supplies	\$ XXX,XXX
- Other	\$ XXX,XXX
- Capital outlay	\$ XXX,XXX
 - Total Police operations

	\$ XXX,XXX
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Legal Level of Control

- Example - fund department/activity, and all objects
 - General Fund
 - Police operations

- Personal services <ul style="list-style-type: none"> » Regular salaries and wages » Overtime 	\$ XXX,XXX	
- Employee benefits <ul style="list-style-type: none"> » Employer retirement » Health insurance » Workers' compensation » Contractual services » Utilities » Liability insurance 	\$ XXX,XXX	
Total Police operations		\$ XXX,XXX



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What Legal Level Should be Used?

- What legal level should be used?
 - Considerations
 - Frequencies of amendments
 - Flexibility to be granted to management
 - Existence of other budgetary policies or control levels



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Legal Level of Control



- Statutory appropriation level
 - **ORC § 5705.38(C)**, appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

Implies salaries and other as the minimum level to be appropriated for each office, department, and division



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Recording/Posting of the Budget

- Ohio Administrative Code, Section 117-2-02(C)(1)
 - All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. **This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.**
 - Estimated receipts posted to the accounting system should equal the estimated receipts on the certificate of estimated resources.
 - Appropriations posted to the accounting system should equal the sum of the annual appropriation measurer and all supplemental appropriation measurers.



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Monitoring of the Budget

- Who should review the monthly financial reports?
 - Council/Trustees/Board
 - o Finance committee
 - Mayor
 - Fiscal officer
 - Department heads



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Monitoring of the Budget

- What should be reviewed?
 - Estimated receipts vs. actual receipts
 - Estimated resources vs. appropriations
 - Appropriations vs. expenditures
 - Outstanding purchase orders/contracts/encumbrances
 - Fund cash and unencumbered cash balances



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Monitoring of the Budget

Fiscal officer and Governing Board should:

- Review appropriation line-items for possible deficiencies or excesses in the appropriated amounts
 - Modifications/Amendments to appropriations
- Old outstanding purchase orders
 - Close to free up available appropriations
- Appropriateness of disbursements charged to expenditure line-items
- Collection of receipts
 - Amendments to estimated resources
- Available fund cash and unencumbered balances
 - Balances and year-to-date amounts



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Certification of the Fiscal Officer

- Types of certifications
 - Standard certification
 - Blanket certification
 - Super blanket certification
 - Then and now certification



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Certification of the Fiscal Officer

Standard certification states:

- It is hereby certified that the amount of \$ _____ required to meet the obligation or contract has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of _____ fund free from any previous encumbrances.

Sample language agreed to by AOS Legal Division



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Certification of the Fiscal Officer

Blanket and super blanket certification states:

- It is hereby certified that the amount of \$ _____ has been lawfully appropriated, authorized, or directed for such purpose and is in the treasury or in process of collection to the credit of (line item appropriation account) in the _____ fund free previous and then outstanding obligations or certifications.

Sample language agreed to by AOS Legal Division



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Certification of the Fiscal Officer

Then and now certification states:

- It is hereby certified that both at the time of the making of this contract or order and at the date of the execution of this certification, the amount of \$ _____ was appropriated for such contract or order and is in the treasury or in the process of collection to the credit of the _____ fund free from any previous encumbrances.

Sample language agreed to by AOS Legal Division



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Certification of the Fiscal Officer

- Use of purchase orders
 - OAC § 117-2-02(C)(2), “Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by ORC § 5705.41 (D). Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made.”



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“Standard” Purchase Order

- Used for:
 - Normal purchases where a single vendor and specific items and quantities are ordered
- Attributes:
 - specific items, quantities, and unit costs
 - single vendor
 - Expires when the contract or order is filled or cancelled
 - May include multiple funds and appropriation accounts
 - No dollar limit, limit is amount certified for the PO





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Blanket Purchase Order

- Used for:
 - The purchase of a variety of items over a specified period of time from a variety of vendors
- Attributes:
 - Single or multiple vendors
 - No specific items or quantities, or prices
 - Dollar amount set by ordinance or resolution of the governing board - requires majority vote
 - Limited to the current year (90 day limit repealed)
 - Single fund and account (only one blanket PO may be open at a time to an account)
 - Must be labeled “Blanket Purchase Order”



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Super Blanket Purchase Order

- Used for:
 - Used for certain types of expenditures that are recurring and reasonably predictable
- Attributes:
 - Single or multiple vendors
 - Limited to one expenditure code per SBPO
 - \$ limit is the amount appropriated to that line-item
 - Cannot extend beyond current fiscal year
 - Limited to specific goods and/or services
 - Multiple SBPO may exist per account code



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Super Blanket Purchase Order

- May be used for:
 - the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the subdivision or contracting authority;
 - fuel oil, gasoline, food items, roadway materials, and utilities;
 - any purchases exempt from competitive bidding under ORC § 125.04; and,
 - any other specific expenditure that is a recurring and reasonably predictable operating expense.



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Transfers

Fund #1234

→ ←

Fund #5678

- Transfers are permanent movements of money.
- 2018 Ohio Compliance Supplement Appendix A-1, page 48 - 51
- ORC § § 5705.14 and 5705.15
- ORC § 5705.16 is a different type of transfer.
- Transfers must be budgeted for / appropriated.



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Advances

Fund #1234

Fund #5678



- Basically, one fund “loans” another fund money expecting it to be returned at a later date.
- 2018 Ohio Compliance Supplement Appendix A-1, pages 49 -50
- If it is determined that an advance will not be repaid, the advance must be forgiven by the Governing Body.



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