



**DAVE YOST**  
Ohio Auditor of State



## Basic Accounting and GASB 34 for Libraries

Presented by:  
Local Government Services

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## Course Objective

- To give an overview of the different requirements, processes, transactions, and forms relating to your job as clerk-treasurer (fiscal officer)



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## Budgetary Process

- The budgetary process is prescribed by provisions of the ORC.
- The budgetary process details the timing and steps to be taken in planning the short term and long term financial activities of the library.
- The clerk monitors compliance with Ohio budgetary law and plays a key role in the completion of the various budgetary documents.

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## Tax Budget Important Dates



- Adopted by board of trustees on or before July 15th of each year for the next year
- One hearing before adoption with 10 days advanced notice and copy available for inspection
- Must be submitted to county auditor by July 20<sup>th</sup>

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## Tax Budget

- The purpose is to reflect the need for existing or increased tax rates and to obtain an apportionment from the county undivided local government fund.
- Serves as a source for setting the limitations of appropriations for the next year
- Also serves as a planning tool for library board of trustees and other officials

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## Official Certificate of Estimated Resources

- Per ORC § 5705.27, the library should receive the official certificate of estimated resources from the county budget commission by September 1<sup>st</sup>.
- The date may be extended by the tax commissioner.
- Prior to December 31, the library must revise the tax budget to conform with the official certificate of estimated resources so that expenditures do not exceed estimated revenues.

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### Official Certificate of Estimated Resources

- Once the official certificate of estimated resources has been received from the county auditor, estimated revenues can be recorded in the accounting system.
- Generally, the amount filed with the county auditor is in total by fund; however, the amounts recorded in the accounting system will be by revenue source.
- Revenues are generally identified on the certificate of estimated resources by taxes and other sources.

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### Certificate of Total Amount From All Sources Available for Expenditures, and Balances

- On or about January 1, the library is to certify to the county auditor, the actual unencumbered fund balance and estimated revenue for each fund
  - Note: the fund balance that is to be certified, should not include any funds that have been encumbered for the payment of obligations that are unliquidated or outstanding
- Complete and file with the county auditor as soon after December 31 as possible

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### Amended Official Certificate of Estimated Resources

- Will be returned to the library by the budget commission after the library has filed the certificate of the total amount from all sources available for expenditures, and balances
- May be amended during the year if the budget commission agrees with the increases and/or decreases

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### When is a New Amended Certificate Required

- Revenues will be greater than or less than the amount included in the previous amended official certificate of estimated resources; or
- Revenue will be greater than the amount included in the previous amended official certificate of estimated resources and board of trustees intends to appropriate and expend the excess revenue; or
- Revenue will be less than the amount included in a previous amended official certificate of estimated resources and this deficiency will reduce available resources below the level of current appropriations.

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### When is a New Amended Certificate Required?



- For each new amended certificate, revenue recorded in the accounting system must be updated to match the revenue totals in the amended certificate.

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### Appropriation Ordinance

- ORC § 5705.38 states that the library must adopt an appropriation measure on or about the first day of each year.
- A temporary appropriation measure may be passed to meet this requirement for the period January 1 through March 31.
- The permanent annual appropriation measure must be passed by April 1 for the period January 1 through December 31.
- The appropriation measure may be amended throughout the year by a resolution adopted by the board of trustees.

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## Appropriation Ordinance

- The library must have appropriations adopted to legally spend money.
- Appropriations passed by board of trustees must be filed with the county auditor.
- Total appropriations for each fund should never exceed the total column on the most recent amended certificate of estimated resources for each fund.
- The legal level of control should be set for each office, program, and division, and within each, the amount appropriated for personal services and other expenses.

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## Appropriations



- Appropriations need to be recorded in the accounting system before any expenditure can be made.
- Appropriations, at the legal level, may only be changed by the legislative authority.
- Appropriations, below the legal level, may be changed by the clerk - this will not require legislative action.

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## Frequent Budgetary Errors

- Property taxes should be posted at gross, not net.
- The property tax revenue (before the property tax collection fees) should be recorded in total.
- The property tax collection fees should be posted separately as expenditures.
- The property tax allocation (homestead and rollback) should be posted as intergovernmental revenue.



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# Receipts

- The original receipt should be given to the person making the payment (if in person).
- The duplicate receipt should remain in the receipt book for use in recording to the accounting system.
- Any source documents should be kept with the duplicate receipts.




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# Expenditures

- Certification of availability of funds prior to the obligation of funds
  - Purchase orders
- Payment of invoices after receipt of goods or services




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# Encumbrances

- Encumbrances are commitments for the expenditure of monies and are recorded as the equivalent of expenditures on the budgetary basis.
- When an amount is encumbered, it reserves that portion of the applicable appropriation and maintains legal compliance.




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## Purchase Orders

- ORC § 5705.41 states that the clerk must certify that “the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriation fund free from any previous encumbrance”.
- ORC § 5705.41 also states that “every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon”.
- The above requirements are met with the proper use of a purchase order, which is also known as the “Clerk’s Certification of Available Funds”.

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## Types of Purchase Orders

- Regular purchase orders
- Blanket purchase orders
- Super blanket purchase orders
- Then and now certificates

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## Purchase Orders - Conclusion

- One copy to the individual who initiated the purchase order
- One copy maintained by purchase order number and used to record to the accounting system
- One copy attached to the voucher and vendor invoice



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## Expenditures

- Payment of Invoices
  - When goods are received, what was received should be compared with the purchase order and the packing slip.
  - When an invoice is received it should be compared to what was received.
  - A check is prepared and sent to the vendor.

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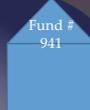
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Fund #  
2213

## Transfers



Fund #  
941

- **Permanent** reallocation of cash from one fund to another
- Allowable transfers are listed in ORC §§ 5705.14 through 5705.16
- Possibly obtain an amended certificate of estimated resources for transfers
- Possibly modify appropriations if not included originally
- Prepare the expenditure in the fund making the transfer

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## Transfers

- Other than certain exceptions, only the general fund may transfer monies to another fund (transfer can only be made from less restrictive funds to more restrictive funds)
  - Exceptions relate to funds no longer needed for the purpose they were created
  - Some exceptions require court orders

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## Documenting the Transfer

- Pass an ordinance authorizing the transfer
-  • Minute Record (if the existing appropriations need to be modified)
- Certification (certify that the funds are available to transfer)

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## Advances

- *Temporary* reallocation of cash from one fund to another
- Requirements of Advances:
  - Statutory authority (must be statutory authority to use the money in the fund advancing the cash for the same purpose as the fund receiving the cash)
  - Less restricted fund to a more restricted fund
  - Reimbursement restrictions (the reimbursement must not violate any restrictions on the money being used to make the reimbursement)
  - Approved by a formal resolution passed by board of trustees

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## Advances

- Resolution for an advance
  - Must include a CLEAR statement that the transaction is an advance of cash, and
  - An indication of the money that *is to be used to repay the advance*
  - Should include
    - The amount of the advance
    - The name of the fund advancing the money
    - The name of the fund receiving the money
    - An estimated repayment date



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### Budgetary Effects of Advances

- Advances do not directly affect budgetary
- They can have an impact if it is not repaid within the year:
  - At year end, you will need to adjust the unencumbered cash balances of the funds involved:
    - > Increase the unencumbered cash balance of the fund that loaned the money, and
    - > Decrease the unencumbered cash balance of the fund that received the money
- Advances that are not repaid by year end can be changed to transfers if the intent of repayment no longer exists and board of trustees approves change.

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### Investment Policy

- ORC § 135.14 requires the clerk to have a written investment policy on file with the Auditor of State.
- Must be approved by board of trustees
- All brokers, dealers, and financial institutions by giving advice, making investment recommendations, or initiating transactions with the library must also sign the investment policy, acknowledging their understanding and receipt of the policy.

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### Investment Policy

- If an investment policy is not on file with the Auditor of State, library is limited to investing only in interim deposits (includes saving accounts and nonnegotiable certificate of deposit), as defined in ORC § 135.01 and in STAR Ohio.

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**Investment Policy**

- The investment policy requirement and the restrictions for failure to file an investment policy do not apply to a library whose average annual portfolio is \$100,000 or less.
- The clerk and/or board of trustees must certify this fact to the Auditor of State.
- The clerk and/or board of trustees must comply and remain in compliance with the provisions of ORC §§ 135.01 and 135.21 (which define terms used in the Uniform Depository Act, and direct apportionment of investment earnings among funds, respectively).

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**Mandatory Account Ledgers**

Pursuant to OAC §117-2-02 *Accounting and Reporting Records*

(D) All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

(1) Cash journal, which typically contains the following information: the amount, date, receipt number, check number, account code, purchase order number and any other information necessary to properly classify the transaction

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**Mandatory Account Ledgers**

(2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

(3) Appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required **Appropriate** may be entered in the appropriate columns.

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## Bank Reconciliation

- It is **ESSENTIAL** that you reconcile the library books to the bank statements every month.
- Review your bank statement
  - If there is interest, post it
  - If there is a service charge, post it



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## Bank Reconciliation

- What if you don't reconcile?
  - Check your math
  - Narrow down where the error can be
    - Deposits per the bank statements plus this month's deposits in transit minus last month's deposits in transit should equal deposits per books
    - Cleared checks per the bank statements plus this month's outstanding checks minus last month's outstanding checks should equal disbursements per books
  - Remember that the bank isn't always right either



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## Cash Basis Annual Financial Report

Filing Requirements:

- All libraries must file financial reports at year end.
- The report must be filed within 60 days of year end.
- Hinkle Annual Financial Reporting System
- Financial statements must reflect the requirements of GASB Statement No. 54. – covered in next session



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**Cash Basis Annual Financial Report**

**Sample Financial Statements:**

- OCBOA
- Regulatory

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**Major Funds**



Major funds - the general fund and other governmental meeting the following criteria:

- Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of that corresponding total for all funds of that category or type
- Plus other funds chosen by the entity
- Worksheet to determine major funds

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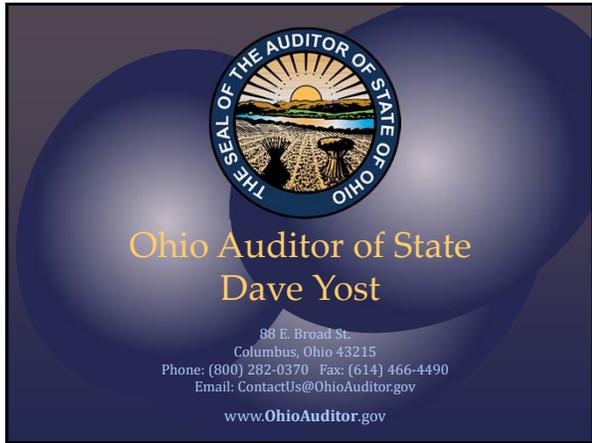
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Happy Public Library  
Silly County  
*Statement of Net Position - Cash Basis*  
*December 31, 2016*

OCBOA

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,994,970</u>
<b>Net Position</b>	
Restricted for Other Purposes	18,328
Unrestricted	<u>1,976,642</u>
<i>Total Net Position</i>	<u>\$1,994,970</u>

See accompanying notes to the basic financial statements

**Happy Public Library**  
**Silly County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Library Services	\$4,567,786	\$150,998	\$15,707	(\$4,401,081)
Capital Outlay	143,404	0	0	(143,404)
<i>Total Governmental Activities</i>	<u>\$4,711,190</u>	<u>\$150,998</u>	<u>\$15,707</u>	<u>(4,544,485)</u>
		<b>General Receipts</b>		
				2,703,989
				1,867,881
				4,397
				9,937
				64,268
				<u>4,650,472</u>
				105,987
				<u>1,888,983</u>
				<u>\$1,994,970</u>

See accompanying notes to the basic financial statements

**Happy Public Library**  
**Silly County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2016*

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,647,054</u>	<u>\$235,428</u>	<u>\$112,488</u>	<u>\$1,994,970</u>
<b>Fund Balances</b>				
Restricted	\$0	\$0	\$18,328	\$18,328
Committed	0	235,428	94,160	329,588
Assigned	115,949	0	0	115,949
Unassigned	<u>1,531,105</u>	<u>0</u>	<u>0</u>	<u>1,531,105</u>
<i>Total Fund Balances</i>	<u>\$1,647,054</u>	<u>\$235,428</u>	<u>\$112,488</u>	<u>\$1,994,970</u>

See accompanying notes to the basic financial statements

**Happy Public Library**  
**Silly County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,703,989	\$0	\$0	\$2,703,989
Intergovernmental	1,867,881	0	12,500	1,880,381
Patron Fines and Fees	103,447	0	0	103,447
Rentals	47,551	0	0	47,551
Contributions and Donations	4,397	0	3,207	7,604
Interest	9,937	0	0	9,937
Miscellaneous	64,268	0	0	64,268
<i>Total Receipts</i>	<u>4,801,470</u>	<u>0</u>	<u>15,707</u>	<u>4,817,177</u>
<b>Disbursements</b>				
Current:				
General Library Services	4,548,245	0	19,541	4,567,786
Capital Outlay	4,900	94,668	43,836	143,404
<i>Total Disbursements</i>	<u>4,553,145</u>	<u>94,668</u>	<u>63,377</u>	<u>4,711,190</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>248,325</u>	<u>(94,668)</u>	<u>(47,670)</u>	<u>105,987</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	80,000	60,000	140,000
Transfers Out	(140,000)	0	0	(140,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(140,000)</u>	<u>80,000</u>	<u>60,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	108,325	(14,668)	12,330	105,987
<i>Fund Balances Beginning of Year</i>	<u>1,538,729</u>	<u>250,096</u>	<u>100,158</u>	<u>1,888,983</u>
<i>Fund Balances End of Year</i>	<u>\$1,647,054</u>	<u>\$235,428</u>	<u>\$112,488</u>	<u>\$1,994,970</u>

See accompanying notes to the basic financial statements

**Happy Public Library**  
**Silly County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$2,988,064	\$2,988,064	\$2,703,989	(\$284,075)
Intergovernmental	1,913,802	1,913,802	1,867,881	(45,921)
Patron Fines and Fees	109,600	109,600	103,447	(6,153)
Rentals	40,700	40,700	47,551	6,851
Contributions and Donations	2,000	2,000	4,397	2,397
Interest	5,000	5,000	9,937	4,937
Miscellaneous	1,438,467	1,438,467	64,268	(1,374,199)
<i>Total Receipts</i>	<u>6,497,633</u>	<u>6,497,633</u>	<u>4,801,470</u>	<u>(1,696,163)</u>
<b>Disbursements</b>				
Current:				
General Library Services	4,881,430	4,881,430	4,655,130	226,300
Capital Outlay	71,454	71,454	13,964	57,490
<i>Total Disbursements</i>	<u>4,952,884</u>	<u>4,952,884</u>	<u>4,669,094</u>	<u>283,790</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,544,749	1,544,749	132,376	(1,412,373)
<b>Other Financing Sources</b>				
Transfers Out	(160,000)	(160,000)	(140,000)	20,000
<i>Net Change in Fund Balance</i>	1,384,749	1,384,749	(7,624)	(1,392,373)
<i>Fund Balance Beginning of Year</i>	1,336,245	1,336,245	1,336,245	0
Prior Year Encumbrances Appropriated	202,484	202,484	202,484	0
<i>Fund Balance End of Year</i>	<u>\$2,923,478</u>	<u>\$2,923,478</u>	<u>\$1,531,105</u>	<u>(\$1,392,373)</u>

See accompanying notes to the basic financial statements

Happy Public Library				Regulatory Financial Statements
<i>Silly County</i>				
<i>Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)</i>				
<i>All Governmental Fund Types</i>				
<i>For the Year Ended December 31, 2016</i>				
<b>To be submitted.</b>				Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>Cash Receipts</b>				
Property Taxes	\$2,703,989	\$0	\$0	\$2,703,989
Intergovernmental	1,867,881	12,500	0	1,880,381
Patron Fines and Fees	103,447	0	0	103,447
Rentals	47,551	0	0	47,551
Contributions and Donations	4,397	3,207	0	7,604
Interest	9,937	0	0	9,937
Miscellaneous	64,268	0	0	64,268
	4,801,470	15,707	0	4,817,177
<b>Cash Disbursements</b>				
Current:				
General Library Services	4,548,245	19,541	0	4,567,786
Capital Outlay	4,900	43,836	94,668	143,404
<i>Total Cash Disbursements</i>	4,553,145	63,377	94,668	4,711,190
<i>Excess of Receipts Over (Under) Disbursements</i>	248,325	(47,670)	(94,668)	105,987
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	60,000	80,000	140,000
Transfers Out	(140,000)	0		(140,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(140,000)	60,000	80,000	0
<i>Net Change in Fund Cash Balances</i>	108,325	12,330	(14,668)	105,987
<i>Fund Cash Balances, January 1</i>	1,538,729	100,158	250,096	1,888,983
<b>Fund Cash Balances, December 31</b>				
Restricted	0	18,328	0	18,328
Committed	0	94,160	235,428	329,588
Assigned	115,949	0	0	115,949
Unassigned (Deficit)	1,531,105	0	0	1,531,105
<i>Fund Cash Balances, December 31</i>	\$1,647,054	\$112,488	\$235,428	\$1,994,970

Happy Public Library				Regulatory Financial Statements
<i>Silly County</i>				
<i>Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)</i>				
<i>All Governmental Fund Types</i>				
<i>For the Year Ended December 31, 2016</i>				
<b>To be submitted.</b>				Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
***** ***Fund Balance Classification Worksheet*** *****				
<i>Net Change in Fund Cash Balances</i>	\$108,325	\$12,330	(\$14,668)	\$105,987
<i>Fund Cash Balances, January 1</i>	1,538,729	100,158	250,096	1,888,983
<i>Fund Cash Balances, December 31</i>	\$1,647,054	\$112,488	\$235,428	\$1,994,970
<b>Fund Balances</b>				
Amounts identified as:				
Nonspendable:				
Unclaimed Monies	\$0	\$0	\$0	\$0
Total Nonspendable	0	0	0	0
Restricted for:				
Library Programs	0	18,328	0	18,328
Total Restricted	0	18,328	0	18,328
Committed to:				
Capital Improvements			235,428	235,428
Other Purposes		94,160		94,160
Total Committed	0	94,160	235,428	329,588
Unassigned	1,647,054	0	0	1,647,054
<i>Total Fund Cash Balances, December 31</i>	\$1,647,054	\$112,488	\$235,428	\$1,994,970

# MAJOR FUND WORKSHEET

Fund	Fund Name	Assets (1)			Liabilities (1)			Revenues (1)			Expenditures (1)			Major Fund
		Test (4) 10 %	5 %		Test (4) 10 %	5 %		Test (4) 10 %	5 %		Test (4) 10 %	5 %		
	General	n/a	n/a		n/a	n/a		4,801,470	n/a	4,553,145	n/a	n/a	Major - Always	
	Special Revenue Fund #1	0	0	Minor	0	0	Minor	15,707	0	63,377	0	0	Minor	
	Special Revenue Fund #2	0	0	Minor	0	0	Minor		0		0	0	Minor	
	Special Revenue Fund #3	0	0	Minor	0	0	Minor		0		0	0	Minor	
	Special Revenue Fund #4	0	0	Minor	0	0	Minor		0		0	0	Minor	
	Special Revenue Fund #5	0	0	Minor	0	0	Minor		0		0	0	Minor	
	Special Revenue Fund #6	0	0	Minor	0	0	Minor		0		0	0	Minor	
	Special Revenue Fund #7	0	0	Minor	0	0	Minor		0		0	0	Minor	
	Total Special Revenue Funds (2)	0			0			15,707		63,377				
	Debt Service Fund													
	Debt Service Fund	0	0	Minor	0	0	Minor	0	0	0	0	0	Minor	
	Capital Projects Funds													
	Capital Projects Fund #1	0	0	Minor	0	0	Minor	0	0	94,668	0	0	Minor	
	Capital Projects Fund #2	0	0	Minor	0	0	Minor				0	0	Minor	
	Capital Projects Fund #3	0	0	Minor	0	0	Minor				0	0	Minor	
	Total Capital Projects Funds (2)	0			0			0		94,668				
	Total Governmental Funds	0			0			4,817,177		4,711,190				
	10 percent threshold	0			0			481,718		471,119				

(1) Information from year end financials  
 (2) Total included to tie to yearend financial report by fund type.  
 (3) Total included to tie to yearend financial report by fund type.  
 (4) 1 equals yes; it meets the threshold and 0 equals no; it does not meet the threshold.