



DAVE YOST
OHIO AUDITOR



Basic Accounting

Presented by:
Local Government Services

Ohio Auditor of State
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Course Objective

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



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General Budgetary Terms

- Estimated revenues - the amount of revenue expected to be received in total, by fund, or by source during the year.
- Estimated resources = current year revenues plus carryover balance.



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General Budgetary Terms

- Appropriations - the amounts approved for expenditure by Council in accordance with fund/program/object restrictions.



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General Budgetary Terms

- Fund Balance:
 - Encumbered Fund Balance - the portion of fund balance committed to expenditure for purposes specified by purchase orders.
 - Unencumbered Fund Balance - the portion of fund balance that is available for expenditure.



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Budgetary Process

- The budgetary process is prescribed by provisions of the O.R.C.
- The budgetary process details the timing and steps to be taken in planning the short term and long term financial activities of the Village.
- 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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Budgetary Documents

- Tax Budget or Alternative Method
- Annual Tax Ordinance
- Official Certificate of Estimated Resources
- Certificate of Total Amount From All Sources Available for Expenditures, and Balances
- Amended Official Certificate of Estimated Resources
- Appropriation Ordinance



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Tax Budget Important Dates

- Adopted by council 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 20th



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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 village council and other officials



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Tax Budget

- Should include a statement of financial needs of the Village for all purposes for the following year, and;
- A statement of the resources/revenues that will be available to help meet these needs
- Section 5705.29 of the O.R.C. lists specific information to be included in the tax budget (see Appendix D)



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Tax Budget

- After the tax budget is completed, adopted, and submitted to the county auditor, it is reviewed by the county budget commission (county budget commission may hold hearings).
- On or before September 1st, the county budget commission should return to the Village an official certificate of estimated resources and estimate of the tax rates to be levied by the Village.



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Tax Budget

- Review the official certificate as soon as it is received from the budget commission
- If the village disagrees with the actions of the budget commission, the Village may appeal to the board of tax appeals within 30 days of receipt of the official certificate of estimated resources
- If the Village agrees with the actions of the budget commission, they should by resolution, authorize the necessary tax levies and certify them to the county auditor by October 1st.



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Alternative Method

- Section 5705.281 of the O.R.C. allows the county budget commission to waive the requirement to file a tax budget.
- The county budget commission must adopt an alternative method or formula basis for the apportionment of the county undivided local government funds.
- Information required by budget commission must be provided by the date specified by budget commission.



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Annual Tax Ordinance

- If the county budget commission waives the requirement to file a tax budget the mayor must prepare an annual tax ordinance and submit to council for adoption (O.R.C. 705.17).
- The same procedures that were taken to prepare the tax budget should be applied.
- The tax ordinance does not need to be submitted to the county budget commission but must be on file in the Village office.



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Official Certificate of Estimated Resources

- Per Section 5705.27 of the O.R.C., the Village should receive the official certificate of estimated resources from the county budget commission by September 1st.
- The date may be extended by the tax commissioner.
- Prior to December 31, the Village must revise the tax budget to conform with the official certificate of estimated resources so that expenditures do not exceed estimated revenues.
(see Appendix E)



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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 village 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 (see Appendix F)



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Amended Official Certificate of Estimated Resources

- Will be returned to the Village by the budget commission after the Village 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 (see Appendix G)



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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 council 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

- Section 5705.38 of the O.R.C. states that the Village 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 council.



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Appropriation Ordinance

- The Village must have appropriations adopted to legally spend money.
- Appropriations passed by council 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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Delegation of Authority to Set Appropriations

- The appropriation process is a function of the legislative authority of the local government.
- The legislative authority of a local government may not delegate the appropriation authority.
- Other officials of the local government may be given the authority to allocate or reallocate funds within a legally adopted appropriation.



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Appropriations

- Appropriations need to be recorded in the accounting system before any expenditure can be made.



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Appropriations

- 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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Appropriations

- Should all available resources be appropriated?
- When should you do supplemental appropriations?
 - File with county auditor



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Frequent Budgetary Errors

- When short-term notes mature, villages often issue a new note to pay off the old note.
- The new note is usually for the same or smaller amount than the old note.
- Villages are required to budget the payment of the principal on the old note and also budget the receipt of the proceeds of the new note.
- Be careful not to show only the "net" effect of the rollover. The transaction should be recorded for the full amount of the old and new note.



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Frequent Budgetary Errors

- Property taxes and income 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 receiving of money in the form of cash, check, or direct deposit



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Receipts

- All money received by the Village should be recorded by the use of a receipt or "pay-in".
- Deposit slips should include all of the receipt or pay-in numbers that are included in the total deposit.



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Receipts

- Money should be deposited on the business day next following the day of receipt for amounts in excess of \$1,000.
- Money should be deposited on the business day next following the day of receipt for amounts less than \$1,000, unless council has adopted a policy not to exceed 3 business days.



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Receipts

- The receipt or pay-in should include:
 - Receipt number
 - Total amount received
 - Date
 - Payor
 - Reason for receipt
 - Fund to which revenue is to be credited
 - Receipt code
 - Clerk's signature



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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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Refund of a Receipt

- Appropriate for:
 - Overpayments
 - Return of deposits
 - Repayment of money when a service was not provided
 - Post as reduction of original receipt code used if in the same year
 - Post as expenditure if in subsequent year



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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

- Section 5705.41 of the O.R.C. 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".
- Section 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
- (see Appendix H)



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Regular Purchase Orders

- Purchase of a specific item is planned
- Use is for a specific line item in the budget
- Carry over at year-end
- Multiple purchase orders can be open at one time
- There is no limit on the amount
- Must be signed and dated by the clerk



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Blanket Purchase Orders

- Authorized under Section 5705.41 of the O.R.C.
- Used when the vendor, price, or quantity is open ended and not known
- No dollar limitations
- Only one outstanding at a time per appropriation account
- No time limitation except that does not extend beyond the end of the fiscal year
- Should be labeled as a blanket purchase order
- Must be signed and dated by the clerk



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Super Blanket Purchase Orders

- Also found in Section 5705.41 of the O.R.C.
- No dollar limitations
- Authorized to be outstanding for any period up to the end of the fiscal year (cannot extend beyond fiscal year end)
- More than one certificate is permitted to be outstanding at a time
- Must identify a specific line-item appropriation in a specific fund
- The certification may be for single or multiple vendors



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Super Blanket Purchase Orders

- Permitted purposes of the certification include:
 - 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
 - Fuel oil, gasoline, food items, roadway materials, and utilities
 - Any purchase exempt from competitive bidding under O.R.C. Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense
- Must be signed by the clerk



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Then and Now Certificates

- Used when prior approval for purchase was not obtained
- Two conditions:
 - Clerk certifies that at the time the order was made there were appropriations to cover the payment, and,
 - Currently there are appropriations to cover the payment
- *Less* than \$3,000, clerk may authorize
- *Exceeds* \$3,000, must be done only with council approval
- Must be done within 30 days of the legislative authority's receipt of the certificate



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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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Reduction of an Expenditure

- Appropriate for:
 - Overpayments returned to the Village
 - Return of a deposit
 - Repayment of money to the Village when a service was not provided to them
 - Expenditures within the same fiscal year the payment actually occurred
- **Not** Appropriate for:
 - Reimbursements from other entities for services provided
 - Reimbursement of general fund expenditures from the State or other governments
 - Refund of prior year's expenditures (should be recorded as revenue when received)



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Transfers

- **Permanent** reallocation of cash from one fund to another
- Allowable transfers are listed in Sections 5705.14 through 5705.16 of the O.R.C.
- 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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Transfers

- Funds not allowed to be transferred
 - Proceeds of loans
 - Proceeds of bond issues, barring an exception outlined in 5705.14-5705.16 of the O.R.C.
 - Proceeds of excise taxes levied for a specific purpose
 - Proceeds of license fees levied for a particular purpose



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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 council



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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 council approves change.



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Interest Allocation

- As a general rule, interest must be paid into the general fund, with exceptions:
 - Interest earned on funds the law prescribes for a particular purpose, such as monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or fuel used for propelling such vehicles
 - Street Maintenance Fund
 - State Highway Fund
 - Permissive Motor Vehicle License Tax Fund
 - Accrued interest on the sale of bonds shall go to a bond retirement fund



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Investment Policy

- Section 135.14 of the O.R.C. requires the clerk to have a written investment policy on file with the Auditor of State.
- Must be approved by council
- All brokers, dealers, and financial institutions by giving advice, making investment recommendations, or initiating transactions with the Village 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, Village is limited to investing only in interim deposits (includes saving accounts and nonnegotiable certificate of deposit), as defined in Section 135.01 of the O.R.C., 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 village whose average annual portfolio is \$100,000 or less.
- The clerk and/or council must certify this fact to the Auditor of State.
- The clerk and/or council must comply and remain in compliance with the provisions of Sections 135.01 and 135.21 of the O.R.C. (which define terms used in the Uniform Depository Act, and direct apportionment of investment earnings among funds, respectively).



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Bank Reconciliation

- It is **ESSENTIAL** that you reconcile the Village 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

- Compare deposits on the bank statements to the receipts posted on the books.
 - You may have to post a direct deposit that you were not aware of
 - Note any deposits you made that don't appear on the bank statement
- Compare the checks that cleared the bank to those recorded on the books.



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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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Continuing Education Requirements

- Per Section 135.22 of the O.R.C., the Treasurer of State's office provides annual continuing education programs for clerks related to cash management investing.
- Village clerks are required to complete the continuing education programs (unless the clerk annually provides a notice of exemption to the Auditor of State, as described in division (E) of Section 135.22 of the O.R.C.).



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Continuing Educational Requirements

- As required by Section 117.44 of the O.R.C., the Auditor of State's office holds training programs for newly elected village clerks.
- Per Section 733.27 of the O.R.C., all village clerks are required to have at least 8 hours of annual continuing education.



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Cash Basis Annual Financial Report

Filing Requirements:

- All villages must file financial reports at year end.
- The report must be filed within 60 days of year end.
- Financial statements must reflect the requirements of GASB Statement No. 54.



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Questions & Answers



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