

How to Prepare a Budget

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Budgeting Process

- Someone has to figure out what it will cost to operate next year
- What you spend this year will impact future years



Funds

- New funds:
 - ✦ require Resolution to establish
 - ✦ possible Auditor of State approval – Bulletin 99-006

Resources Available

Current Year	Budget Year
+ Adjusted ending fund balance	+ Estimated prior year end fund balance
+ <u>Estimated revenue</u>	+ <u>Estimated revenue</u>
= Resources available	= Resources available

Estimated Year End Balance

12/31 Adjusted Fund Balance
+ Revenue Budgets
- Appropriations

Revenue Estimates

- Accurate revenue estimates are important
- Look back on three to five years of revenue reports
- Look for trends or changes in the economy (recession)
- Consider charge or rate changes
- Compare estimated revenues to actual revenues

Current Year Appropriations

- If you appropriate 100% of the resources available, the estimated year end fund balance will be zero.
- If you don't want all the fund balance spent, don't appropriate it.
- Allow for a carryover balance.

Fixed Costs

- Payroll
- Benefits (health and other insurances)
- Employer share Retirement & Medicare
- Contractual services – Phone, Utilities, Internet, etc.
- Operating supplies
- Debt – principal and interest

Additional Costs

- Audit Costs – yearly or bi-annually
- New projects in current year
- Changes in staffing levels

Fluctuating Costs

- There will always be unforeseen expenses in the contracted service and supply categories
- Estimate as best you can
- Average over 3 – 5 years and compensate for one time expenses

Capital Outlay

- 5 year Capital Improvement Plan
- Allows you to plan for capital needs and address funding

Transfers Between Funds

- When legislated for ongoing purposes such as debt payments
- Transfer Out: budgeted in sending fund
- Transfer In: budgeted in receiving fund
- Transfers must have a resolution authorizing

Advances

- Advances – Try to avoid
- General Fund is the only fund that can advance money to another fund
- Advances should be repaid in the same calendar year, therefore:
 - Advance Out: budget both funds
 - Advance In: budget both funds
- Advances not repaid at year end will be reported on the Certificate of Year End Balances and reduce the amount available for appropriation

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 measures (convenience issue)
- Assist with the preparation of the tax ordinance/tax budget (practical matter)

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

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

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

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 (5705.36, ORC).

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 (5705.36, ORC).

Appropriation Measures

- **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
 - Reallocations (movement from one account to another within the same fund)

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

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, 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 measure and all supplemental appropriation measures.

Monitoring of the Budget

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

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

Monitoring of the Budget

- **Fiscal officer and Trustees 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**

Questions

- **We appreciate you coming to this session and will open it now for any questions from the floor!**


