

OHIO AUDITOR OF STATE
KEITH FABER



Basic Accounting for Townships

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Course Catalog

- Part of a three-course session

1. Fund Accounting for Townships
2. Chart of Accounts for Townships
- 3. Basic Accounting for Townships**

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Course Objective

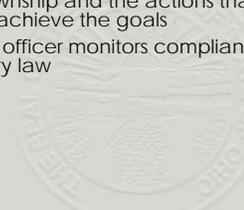
- To give an overview of the different transactions, processes, forms, and requirements relating to your job as fiscal officer

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Budgetary Process

- The budgetary process is prescribed by provisions of the Ohio Revised Code
- The budgetary process involves planning the goals of the Township and the actions that need to be taken to achieve the goals
- The fiscal officer monitors compliance with Ohio budgetary law

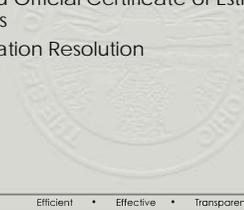


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Components of the Budgetary Process

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



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The Tax Budget

Overview

- Purpose of the tax budget
 - The tax budget sets limitations
 - The tax budget is a planning tool
- Financial needs are included in the tax budget
- Available resources/revenues are included
- Ohio Revised Code § 5705.29 lists specific information to be included in the tax budget



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The Tax Budget

Overview (continued)

- The tax budget provides detailed information on revenues and expenditures for the general fund
- The tax budget provides summary information on revenues and expenditures for all other funds receiving property taxes
- Funds not receiving property taxes are reported in a summary format with revenues, expenditures, and estimated beginning balances
- Schedules are presented for permanent improvements, judgments and tax levies/debt

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The Tax Budget

Alternative Method

- Ohio Revised Code § 5705.281 allows the County Budget Commission to waive filing a tax budget
- The County Budget Commission must adopt an alternative method or formula basis
- All information required by the County Budget Commission must be provided by the date specified

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The Tax Budget

Estimated Tax Rates

- After submission, the tax budget or alternative is reviewed by the County Budget Commission
- On or before September 1st, the County Budget Commission returns an Official Certificate of estimated Resources and estimated tax rates
- If dissatisfied, the fiscal officer, on behalf of the trustees, can appeal to the board of tax appeals within 30 days
- If satisfied, a resolution authorizing the tax levies should be certified to the county auditor by October 1st.

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The Tax Budget

Important Dates

- The tax budget should be adopted by July 15th.
- A hearing must be given with a 10 day notice
- After being adopted, the tax budget must be submitted to the County Auditor by July 20th

Official Certificate of Estimated Resources

- Prepared by the County Budget Commission
- Based on the information presented in the tax budget.
 - Includes estimated revenues for each fund
 - Includes estimated unencumbered fund balances
- The September 1st date may be extended by the tax commissioner for a good cause
- Prior to December 31st, the Township must revise the tax budget so that expenditures do not exceed estimated revenue

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

- The certificate of total amount from all sources available for expenditures, and balances must be filed with the county auditor on or about January 1st
- It certifies the actual unencumbered fund balances and estimated revenues for each fund (not including any reserve accounts)
- The first page is a summary of all funds by fund type and the remaining pages identify the individual funds
- The form shows cash balances at December 31st, encumbrances, advances not repaid, carryover balances available for appropriations, total estimated revenues from all sources and total carryover balances plus estimated revenues

Amended Official Certificate of Estimated Resources

- The amended official certificate of estimated resources will be returned after filing the certificate of total amount from all sources available for expenditures, and balances
- Remember to post estimated revenues to the system (or to your receipt ledger, if manual)
- Ohio Revised Code § 5705.36 requires that this form will be revised to include actual fund balances at December 31st and any revisions to estimated revenues

Amended Official Certificate of Estimated Resources

3 Primary Reasons to Request an Amended Certificate

- It is determined that revenues to be collected will be greater or less than the amount included in the previous amended certificate of estimated resources
- It is determined that revenues to be collected will be greater than previously estimated and it is intended to appropriate and expend the excess revenue
- It is determined that revenues to be collected will be less than previously estimated and this deficiency will reduce available resources below the current level of appropriations

Appropriation Resolution

- Ohio Revised Code § 5705.38 states that the Township must adopt an appropriation measure on or about the first day of the year
- A temporary appropriation measure may be passed for the period of January 1st through March 31st
- The permanent annual appropriation measure must be passed by April 1st for the period January 1st through December 31st.

Appropriation Resolution

The appropriation process is a function of the legislative authority of the local government and cannot be delegated

- The Township must have appropriations adopted to legally spend money
- The appropriations are not legal until the resources are certified by the County Auditor
- The appropriation resolution may be amended during the year only by a resolution approved by the Trustees
- Remember to post appropriations to the system (or to the appropriations ledger, if manual)

Legal Level of Control

- Statutory appropriation level
 - Ohio Revised Code § 5705.38(C)
 - This implies "personal services" and "other" as the minimum level to be appropriated for each office, department, and division
- Do not change appropriations in the system (at or above your legal level of control) unless approved by Trustees

Legal Level of Control

- Annual Appropriation Resolution
Example Township

<u>General Fund</u>	
General Government	
Administrative	
Personal Services	\$25,000
Other	\$15,000
Public Safety	
Police Protection	
Personal Services	\$50,000
Other	\$150,000
Capital Outlay	
Personal Services	\$0
Other	<u>\$60,000</u>
Total General Fund	\$300,000

Lapsing of Appropriations

- The unencumbered balance of each appropriation reverts to its respective fund and is available for future appropriations
- The encumbered appropriation balance (carry over purchase orders) is carried forward and is not reappropriated



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Appropriation Ledger

- Additional information on the Appropriation Ledger, and examples, can be found in the Ohio Township Handbook

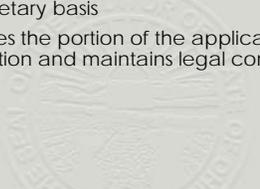


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Encumbrances

- Commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis
- This reserves the portion of the applicable appropriation and maintains legal compliance

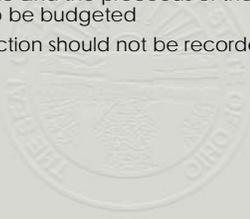


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Other Budgetary Issues

- When short-term notes mature, a new note is often used to pay off the old note
- When this occurs, the payment of the principal on the old note and the proceeds of the new note is required to be budgeted
- The transaction should not be recorded "net"



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Other Budgetary Issues

- Property taxes should be posted gross....not net
- The property tax revenue (before the county auditor deductions) should be recorded in total
- The county auditor deductions should be posted separately as expenditures



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Other Budgetary Issues

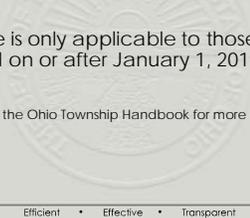
In term pay increases

In term pay increases are prohibited by Ohio law.

Senate Bill 296 (132nd General Assembly) provided for an increase in Fiscal Officer and Trustee pay.

This increase is only applicable to those elected or appointed on or after January 1, 2019

Refer to the Ohio Township Handbook for more guidance



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Receipts

- Receiving money

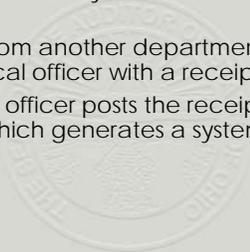


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Receipts

- All money received by the local entity is to be receipted in by the use of a receipt or a "pay-in"
- Money from another department is given to the fiscal officer with a receipt
- The fiscal officer posts the receipt to the system which generates a system receipt

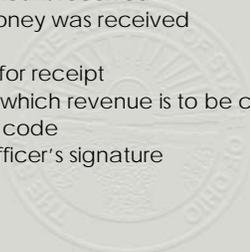


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Receipts

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



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Receipts

- The original receipt should be given to the person making the payment (if in person)
- Any source documents should be kept with the system receipts on file



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Receipts

- Depositing receipts
 - Receipts should be deposited daily
 - Trustees may approve a policy to allow up to three days between receipt of money to deposit (see Ohio Revised Code § 9.38)
 - Deposit tickets should include the receipt numbers included in the deposit



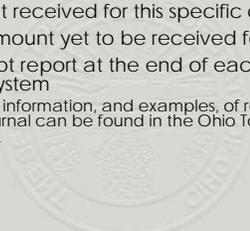
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Receipts

- Enter receipt information into the system
 - Date of the pay-in
 - Source of funds
 - Purpose
 - Amount received for this specific code
- Update amount yet to be received for this code
- Print receipt report at the end of each month from the system

Additional information, and examples, of receipts and the receipt journal can be found in the Ohio Township Handbook



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How does the township buy something???



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Birth of a Purchase Order

- An employee who needs to make a purchase fills out a requisition
- The requisition should be approved by the department head before being given to the fiscal officer
- If fiscal officer deems the funds and appropriations are available, the purchase order is created

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Purchase Orders

- Certification of availability of funds prior to the obligation of funds
 - Purchase orders
 - Exceptions
- Payment of invoices after receipt of goods or services
- Required by Administrative Rule 117

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Purchase Orders

- Purchase Orders
 - Regular
 - Blanket
 - Super Blanket
- Exceptions
 - Then and Now Certificate

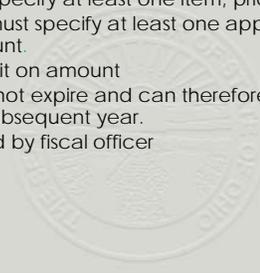


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Purchase Orders

- Regular Purchase Order
 - Must specify at least one item, price, or vendor
 - Also must specify at least one appropriation account
 - No limit on amount
 - Does not expire and can therefore carry-over into subsequent year.
 - Signed by fiscal officer

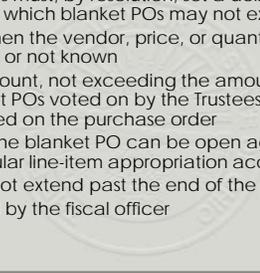


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Purchase Orders

- Blanket Purchase Order
 - Trustees must, by resolution, set a dollar amount above which blanket POs may not exceed
 - Use when the vendor, price, or quantity is open ended or not known
 - An amount, not exceeding the amount limiting blanket POs voted on by the Trustees, must be included on the purchase order
 - Only one blanket PO can be open against a particular line-item appropriation account
 - Does not extend past the end of the year
 - Signed by the fiscal officer



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Purchase Orders

- Super Blanket Purchase Order
 - Any amount (not to exceed available appropriations)
 - Can only be for the following specific uses
 - Professional Services
 - Goods
 - Utilities
 - Any other specific expenditure that is a recurring and reasonably predictable operating expense
 - Any purchases exempt from competitive bidding under Ohio Revised Code §125.04
 - Multiple Super Blanket PO can be open against a particular line-item appropriation account
 - Does not extend past the end of the year
 - Signed by the fiscal officer

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Purchase Orders

- Then and Now Certificate
 - If there were unencumbered appropriations at the time of purchase (then) and there are currently (now) unencumbered appropriations
 - If the amount is less than \$3,000, the fiscal officer may authorize the expenditure
 - If the amount is greater than \$3,000, the Trustees must pass a resolution authorizing the expenditure
 - Resolution must be passed within 30 days of receipt of the fiscal officer's certification
 - Should be the exception, rather than the rule

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Purchase Orders

- If funds were not or are not available at the time of purchase, a then and now cannot be issued
- If funds were and are available, issuing a then and now purchase order is at the discretion of the fiscal officer
- Without a purchase order the purchaser is responsible for the cost of the item – they just made a donation to the township!

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Purchase Orders

- Other Exception
 - Trustees may pass a resolution authorizing officers and employees to incur obligations of no more than \$2,500, which subsequently has to be approved by a formal resolution of the Trustees

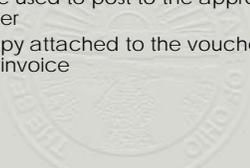


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Purchase Orders

- Three copies of Purchase Orders
 - One copy to the individual initiating the purchase order
 - One copy kept in purchase number order
 - To be used to post to the appropriation ledger
 - One copy attached to the voucher and vendor invoice



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Purchase Orders

- Additional information and examples on Purchase Orders can be found in the Ohio Township Handbook.

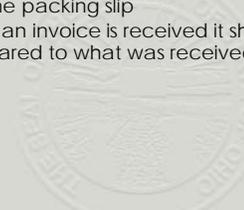


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Expenditures

- 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



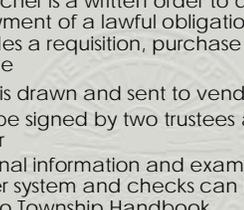
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Expenditures

- A voucher is prepared and filed
 - A voucher is a written order to draw a check in payment of a lawful obligation which includes a requisition, purchase order, and invoice
- A check is drawn and sent to vendor
 - Must be signed by two trustees and the fiscal officer

Additional information and examples of the voucher system and checks can be found in the Ohio Township Handbook

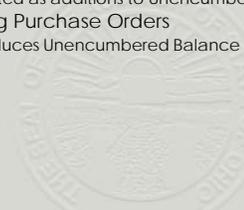


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Expenditures

- Appropriations in the System
 - Posting Appropriations
 - Posted as additions to Unencumbered Balance
 - Posting Purchase Orders
 - Reduces Unencumbered Balance



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Expenditures

- Appropriations in the System
 - Posting Expenditures
 - Adjustments can be made to Unencumbered Balance if amount of expenditure exceeds certification amount by issuing an additional purchase order for the difference (Then and Now)
 - Closing Purchase Orders
 - Adjustment can be made to Unencumbered Balance if amount of expenditure is less that certification amount and the Township no longer needs those funds certified

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Expenditures

- Posting Expenditures – should be done from the voucher
 - Date
 - Payee
 - Purchase order number
 - Account number
 - Amount
 - Check number (UAN assigns this)

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Corrections and Adjustments

- Voiding a check after posting
- Correcting an expenditure posting error
- Correcting a receipt posting error
- Correcting a prior year error
- Refund of Receipts
- Refund of Expenditures

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Transfers

- A transfer is a permanent reallocation of cash from one fund to another
- Transfers must be included on your certificate of estimated resources and appropriation resolution
- Ohio Revised Code §§ 5705.14 through 5705.16 describe allowable transfers

Transfers

- Other than certain exceptions, only the general fund may transfer monies to another fund
 - Exceptions relate to funds no longer needed for the purpose they were created
 - Some exceptions require permission from the Ohio Tax Commissioner
 - Ohio Revised Code § 5705.13(c) allows for establishment of a capital projects fund for the purpose of accumulating resources for acquiring fixed assets for the township.

Transfers

- Funds not allowed to be transferred
 - Proceeds of loans
 - Proceeds of bond issues, barring an exception outlined in Ohio Revised Code §§ 5705.14-5705.16
 - Proceeds of excise taxes levied for a specific purpose
 - Proceeds of license fees levied for a particular purpose

Transfers

- Trustees must pass a resolution authorizing the transfer
- Post to the receipt journal and cash book the amount of the transfer for the fund receiving the transfer
- Post to the appropriation ledger and cash book the amount of the transfer for the fund making the transfer

Advances

- Advances are temporary reallocations of cash from one fund to another
- Statutory authority
- 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
- Advances must be approved by a formal resolution passed by the Trustees

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

Advances

- Accounting Procedures
 - Post a cash increase in the fund receiving the advance in the receipt journal and the cash book
 - Post a cash reduction in the fund making the advance in the appropriations ledger and the cash book
 - If the repayment is made in the same year, reverse these entries when such repayment is made

Advances

- If the repayment does not occur within the same year:
 - Increase unencumbered cash in the fund making the advance
 - Decrease unencumbered cash in the fund receiving the advance
 - Must include in budget

Advances

- Conversion to a transfer in the same year as the initial advance
 - If the fund initially receiving the advance will not be able to repay the advance
 - Perform the necessary procedures for approval of a transfer
 - Record the transfer in the cash journal, receipts journal and appropriations ledger
 - Reverse the advance
 - Update the Amended Certificate of Estimated Resources
 - Amend the Appropriations Resolution

Advances

- Conversion to a transfer in a subsequent year as the initial advance
 - If the fund initially receiving the advance will not be able to repay the advance
 - Perform the necessary procedures for approval of a transfer
 - Update the Certificate of Available Balances

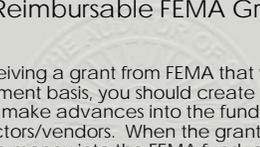


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Advances

- Reimbursable FEMA Grants
 - When receiving a grant from FEMA that will be on a reimbursement basis, you should create the FEMA fund, and make advances into the fund for payment to contractors/vendors. When the grant is received, receipt the money into the FEMA fund, and return the advance. Only advance the portion that will be reimbursed.



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Transfers and Advances

- Additional information on Transfers and Advances can be found in the Ohio Township Handbook



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Debt Service Fund

- Used to record all debt payments
 - Includes any tax or other revenue anticipation notes issued under Ohio Revised Code §133.10.
- Notify the County Auditor when debt is incurred
 - The County Auditor will distribute the portion of taxes or revenue collected that are to be used to pay the debt. These monies are to be receipted into the debt service fund.

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Investment Ledger

- There is no specific format that is required, but certain pieces of information are required to be kept on record
- An investment ledger should include the following:
 - Date of Transaction
 - Description of Investment
 - Type of Investment
 - Amount Invested
 - Maturity Date
 - Interest Rate
 - Identifying Number

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Investment Ledger

- Receipt Number – The receipt number used when interest is received and posted. This will provide a clear picture of when interest is being received and that postings are occurring at that time
- Separate Columns for:
 - Principal invested
 - Principal redeemed
 - Total amount of investment
- Do not post the purchase of an investment as a disbursement, or post the redemption of an investment as a receipt

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Investment Ledger

- Additional information regarding the Investment Ledger and an example can be found in the Ohio Township Handbook



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Bank Reconciliations

- It is essential that you reconcile your cash journal to the bank statements every month
- It is **ESSENTIAL** that you reconcile your cash journal to the bank statements every month
- It is essential that you **RECONCILE** your cash journal to the bank statements every month
- It is essential that you reconcile your cash journal to the bank statements **EVERY** month
- If not reconciled the township can be declared unauditale

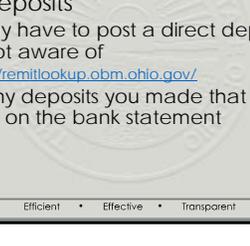


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Bank Reconciliations

- Review your bank statement
 - If there is interest, post it
 - If there is a service charge, post it
- Compare deposits on the bank statements to your deposits
 - You may have to post a direct deposit that you were not aware of
 - <http://remitlookup.obm.ohio.gov/>
 - Note any deposits you made that don't appear on the bank statement



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Bank Reconciliations

- Compare the checks that cleared the bank to those in your cash book
 - Make a note of any checks in your cash book that have not cleared the bank

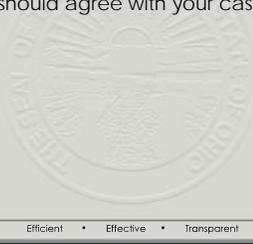


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Bank Reconciliations

- Balance per Bank (all accounts)
- Add Deposits in Transit
- Subtract Outstanding Checks
- Your total should agree with your cash book total



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Bank Reconciliations

- Balance per Books is the total of all fund balances (left side of cash book)
- Balance per Bank is the total of all bank accounts (including investments)



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Bank Reconciliations

- What if you don't reconcile?
 - Double check your work
 - 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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Bank Reconciliations

- Additional information and examples of Bank Reconciliations can be found in the Ohio Township Handbook

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Annual Financial Report

Filing Requirements:

- All Township fiscal officers must prepare an Annual Financial Report (AFR) at year end
- The report must be filed within 60 days of year end
- Filing is accomplished either through the Uniform Accounting Network (UAN) and/or through Hinkle Annual Financial Data Reporting System (Hinkle System)

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Annual Financial Report

Filing Requirements (Continued):

- UAN users will follow the appropriate procedures outlined in the "Uniform Accounting Network Accounting Manual for Townships" in submitting the annual financial report
- Townships using a manual system will receive an email from the Hinkle System with an entity specific link where the report must be filed
- This link may also be obtained from the Township's eServices account
 - <http://www.ohioauditor.gov/resources/eservices/default.html>

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Annual Financial Report

Filing Requirements (Continued):

- Keep one copy of your submitted report for your records
- At the time the annual financial report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer
- To access the Hinkle System's FAQ section, visit:
 - <http://www.ohioauditor.gov/financialreporting/Hinkle%20Annual%20Financial%20Reporting%20System%20Frequently%20Asked%20Questions%20revised%20January%202019.pdf>
 - A webinar for Notes to the financial statements can be found at:
 - <https://www.youtube.com/watch?v=aVLqibEVJ0>

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Annual Financial Report

- Additional information on the Annual Financial Report can be found in the Ohio Township Handbook

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