

and

Morgan of the Senate

An Act relating to cities and towns; amending 11 O.S. 2001, Sections 17-204, 17-206, 17-207, 17-209, 17-211, 17-213, 17-215 and 17-216, which relate to the Municipal Budget Act; modifying and defining terms; allowing certain items to be excluded from the budget; requiring a municipality to prepare an appropriation for certain funds; setting time period for submission of budget to the State Auditor and Inspector; modifying what may be included in fund transfers; clarifying scope of certain transfers; amending 68 O.S. 2001, Section 3002, which relates to financial statements of local governments; requiring certain municipalities to make a financial statement; specifying the format of the budget; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 11 O.S. 2001, Section 17-204, is amended to read as follows:

Section 17-204. As used in this act:

1. "Account" means an entity for recording specific revenues or expenditures, or for grouping related or similar classes of revenues and expenditures and recording them within a fund or department;

2. "Appropriated fund balance" means any fund balance appropriated for a fund for the budget year;

3. ~~"Appropriation" means an authorization and allocation of revenues by the municipal governing body to provide money for the budget to expend or encumber revenues and fund balance of a fund;~~

~~3.~~ 4. "Budget" means a plan of financial operations for a fiscal year, including an estimate of proposed expenditures for given purposes and the proposed means for financing them;

4. 5. "Budget summary" means a tabular listing of revenues by source and expenditures by fund and by department within each fund for the budget year;

5. 6. "Budget year" means the fiscal year for which a budget is prepared or being prepared;

6. 7. "Chief executive officer" means the mayor of an aldermanic city or a strong-mayor-council city, the mayor of a town, or the city manager or chief administrative officer as it may be defined by applicable law, charter or ordinance;

7. 8. "Current year" means the year in which the budget is prepared and adopted, or the fiscal year immediately preceding the budget year;

8. 9. "Deficit" means the excess of ~~the~~ a fund's current liabilities, reserves, contributions and encumbrances ~~of a fund~~ over its current financial assets as reflected by its ~~book~~ books of account;

9. 10. "Department" means a functional unit within a fund which carries on a specific activity, such as a fire department or a police department within a general fund;

10. 11. "Estimated revenue" means the amount of revenues estimated to be received during the budget year in each fund for which a budget is prepared. ~~Revenue includes any appropriated fund balance in the budget of revenues for a fund for the budget year;~~

11. 12. "Fiscal year" means the annual period for reporting fiscal operations which begins and ends on dates as the Legislature provides or as provided by law;

12. 13. "Fund" means an independent fiscal and accounting entity with a self-balancing set of accounts to record cash and other financial resources, together with all liabilities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives;

~~13.~~ 14. "Fund balance" means the excess of ~~the~~ a fund's current financial assets ~~of a fund~~ over its current liabilities, ~~reserves,~~ ~~contributions~~ and encumbrances, as reflected by its books of account;

~~14.~~ 15. "Governing body" means the city council of a city, the board of trustees of a town, or the legislative body of a municipality as it may be defined by applicable law or charter provision;

~~15.~~ 16. "Immediate prior fiscal year" means the year preceding the current year;

~~16.~~ 17. "Levy" means to impose ad valorem taxes or the total amount of ad valorem taxes for a purpose or entity;

~~17.~~ 18. "Operating reserve" means that portion of the fund balance which has not been appropriated in a budget year; and

~~18.~~ 19. "Municipality" means any incorporated city or town.

SECTION 2. AMENDATORY 11 O.S. 2001, Section 17-206, is amended to read as follows:

Section 17-206. A. The municipal budget shall present a complete financial plan for the municipality and shall present information necessary and proper to disclose the financial position and condition of the municipality and the revenues and expenditures thereof, both past and anticipated.

B. The budget shall contain a budget summary. It shall also be accompanied by a budget message which shall explain the budget and describe its important features. The budget format shall be as provided by the governing body in consultation with the chief executive officer. It shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;

2. Revenues and expenditures for the current fiscal year as shown by the budget for the current year as adopted or amended; and

3. Estimates of revenues and expenditures for the budget year.

C. The estimate of revenues for any budget year shall include probable income by source which the municipality is legally empowered to collect or receive at the time the budget is adopted. The estimate shall be based on a review and analysis of past and anticipated revenues of the municipality. Any portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the amount of tax which is available for appropriation, as finally determined by the county excise board, or which can or must be raised as required by law. The budget of expenditures for each fund shall not exceed the estimated revenues for each fund. No more than ten percent (10%) of the total budget for any fund may be budgeted for miscellaneous purposes. Included in the budget of revenues or expenditures for any fund may be amounts transferred from or to another fund. Any such interfund transfer must be shown as a disbursement from the one fund and as a receipt to the other fund.

D. Unexpended appropriation balances and encumbrances for funds whose sole purpose is to account for grants and capital projects may be considered nonfiscal and excluded from the budget, but shall be reappropriated to the same funds, accounts and for the same purposes for the successive fiscal year, unless the grant or project is designated to be closed.

SECTION 3. AMENDATORY 11 O.S. 2001, Section 17-207, is amended to read as follows:

Section 17-207. Any monies received or expended by a municipality must be accounted for by fund and account. Each municipality shall ~~prepare a budget~~ adopt an appropriation for the general fund and for all other funds established by the governing body pursuant to the provisions of Section 17-212 of this title. The municipal governing body shall determine the needs of the municipality for sinking fund purposes, pursuant to the provisions of Section 431 of Title 62 of the Oklahoma Statutes, Section ~~2497~~ 3017

of Title 68 of the Oklahoma Statutes, and Section 28 of Article 10 of the Oklahoma Constitution, and include these requirements in the debt service fund budget for the budget year.

SECTION 4. AMENDATORY 11 O.S. 2001, Section 17-209, is amended to read as follows:

Section 17-209. A. After the hearing and at least seven (7) days prior to the beginning of the budget year, the governing body shall adopt the budget by resolution, or as any charter may require, at the level of classification as defined in Section 17-213 of this title. The governing body may add or increase items or delete or decrease items in the budget. In all cases the proposed expenditures shall not exceed the estimated revenues and appropriated fund balance for any fund.

B. The adopted budget shall be transmitted to the State Auditor and Inspector within thirty (30) days after the beginning of the fiscal year of the municipality and one copy shall be kept on file in the office of the municipal clerk. A copy of the municipality's sinking fund requirements shall be filed with the excise board of the county or counties in which the municipality is located.

C. The adopted budget shall be in effect on and after the first day of the fiscal year to which it applies. The budget as adopted and filed with the State Auditor and Inspector shall constitute an appropriation for each fund, and the appropriation thus made shall not be used for any other purpose except as provided by law.

D. At the time required by law, the county excise board shall levy the taxes necessary for the municipality's sinking fund for the budget year pursuant to Section 431 of Title 62 of the Oklahoma Statutes.

SECTION 5. AMENDATORY 11 O.S. 2001, Section 17-211, is amended to read as follows:

Section 17-211. A. No expenditure ~~or encumbrance~~ may be ~~authorized~~ incurred or made by any officer or employee which exceeds

the fund balance for any fund. Any fund balance remaining in a fund at the end of the fiscal year shall be carried forward to the credit of the fund for the next fiscal year. No ~~encumbrance~~ expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.

B. It shall be unlawful for any officer or employee of the municipality in any budget year:

1. To create or authorize creation of a deficit in any fund; or
2. To authorize, make or incur expenditures ~~or encumbrances~~ in excess of ninety percent (90%) of the appropriation for any fund of the budget as adopted or amended until revenues received, including the prior fiscal year's fund balance carried forward, totals an amount equal to at least ninety percent (90%) of the appropriation for the fund. Expenditures may then be made and authorized so long as any expenditure does not exceed any fund balance.

C. Any obligation that is contracted or authorized by any officer or employee in violation of this act shall become the obligation of the officer or employee himself and shall not be valid or enforceable against the municipality. Any officer or employee who violates this act shall forfeit his office or position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.

SECTION 6. AMENDATORY 11 O.S. 2001, Section 17-213, is amended to read as follows:

Section 17-213. Each fund shall be made up of accounts for classifying revenues and expenditures. Revenues shall be classified separately by source. Expenditures shall be departmentalized within each fund and shall be classified into at least the following accounts:

1. Personal services, which may include expenses for salaries, wages, per diem or other compensation, fees, allowances or

reimbursement for travel expenses, and related employee benefits, paid to any officer or employee for services rendered or for employment. Employee benefits may include employer contributions to a retirement system, insurance, sick leave, terminal pay or similar benefits;

2. Materials and supplies, which may include articles and commodities which are consumed or materially altered when used, such as office supplies, operating supplies and repair and maintenance supplies, and all items of expense to any person, firm or corporation rendering a service in connection with repair, sale or trade of such articles or commodities;

3. Other services and charges, which may include all current expenses other than those listed in paragraphs 1, 2, 4, 5 or 6 of this section, such as services or charges for communications, transportation, advertising, printing or binding, insurance, public utility services, repairs and maintenance, rentals, miscellaneous items and all items of expenses to any person, firm or corporation rendering such services;

4. Capital outlays, which may include outlays which result in acquisition of or additions to fixed assets which are purchased by the municipality, including machinery and equipment, furniture, land, buildings, improvements other than buildings, and all construction, reconstruction, appurtenances or improvements to real property accomplished according to the conditions of a contract;

5. Debt service, which may include outlays in the form of debt principal payments, periodic interest payments, or related service charges for benefits received in part in prior fiscal periods as well as in current and future fiscal periods; and

6. Fund transfers, which may include ~~outlays to other funds in the form of operating transfers and residual equity transfers~~ permanent transfers of resources from one fund to another.

SECTION 7. AMENDATORY 11 O.S. 2001, Section 17-215, is amended to read as follows:

Section 17-215. A. The chief executive officer, or designee, as authorized by the governing body, may transfer any unexpended and unencumbered appropriation or any portion thereof from one ~~account~~ department to another within the same ~~department or from one department to another within the same~~ fund; except that no appropriation for debt service or other appropriation required by law or ordinance may be reduced below the minimums required.

B. Any fund balance in an enterprise fund of the municipality may be transferred to another fund of the municipality as authorized by the governing body. Other interfund transfers may be made only as adopted or amended according to Section 17-206 or 17-216 of this title.

C. Whenever the necessity for maintaining any fund of a municipality has ceased to exist and a balance remains in the fund, the governing body may authorize the transfer of the balance to the general fund or any other designated fund, unless otherwise provided by law.

~~B.~~ D. No encumbrance or expenditure may be authorized or made by any officer or employee which exceeds the available appropriation for each ~~classification level defined in Section 17-213 of this title~~ department within a fund.

SECTION 8. AMENDATORY 11 O.S. 2001, Section 17-216, is amended to read as follows:

Section 17-216. A. The governing body may amend the budget to make supplemental appropriations to any fund up to the amount of additional revenues which are available for current expenses for the fund due to:

1. Revenues received or to be received from sources not anticipated in the budget for that year;

2. Revenues received or to be received from anticipated sources but in excess of the budget estimates therefor; or

3. Unexpended and unencumbered ~~cash~~ fund balances on hand at the end of the preceding fiscal year which had not been anticipated or appropriated in the budget. Any appropriation authorizing the creating of an indebtedness shall be governed by the applicable provisions of Article 10 of the Oklahoma Constitution.

B. If at any time during the budget year it appears probable that revenues available will be insufficient to meet the amount appropriated, or that due to unforeseen emergencies there is temporarily insufficient money in a particular fund to meet the requirements of appropriation for the fund, the governing body shall take action as it deems necessary. For that purpose, it may amend the budget to reduce one or more appropriations or it may amend the budget to transfer money from one fund to another fund, but no appropriation for debt service may be reduced and no appropriation may be reduced by more than the amount of the unencumbered and unexpended balance thereof. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law.

C. A budget amendment as provided in this section authorizing supplemental appropriations or a decrease ~~or change~~ in the total appropriation ~~or~~ of funds shall be adopted at a meeting of the governing body and filed with the municipal clerk and the State Auditor and Inspector.

SECTION 9. AMENDATORY 68 O.S. 2001, Section 3002, is amended to read as follows:

Section 3002. A. Each board of county commissioners, ~~the mayor and council of each city having the statutory mayor-council form of city government, the council of each city having the statutory council-manager form of city government (or the officers exercising like power in any city having a charter form of government), the~~

~~board of trustees of each incorporated town,~~ and the board of education of each school district, shall meet on the first Monday in August of each year, and they shall, respectively, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and prior to September 1, shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section ~~2485~~ 3004 of this ~~Code~~ title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

B. Each municipality that does not prepare an annual audit pursuant to Section 17-105 of Title 11 of the Oklahoma Statutes shall make a financial statement as required by this section. Such municipality shall adopt a budget, which shall contain estimates of expenditures and revenues, including probable income by source, for the budget year; provided, that all municipalities may use estimated fund balances if final certified fund balances are not available. The budget shall be in a format similar to the estimate of needs or, at the municipality's discretion, to Sections 17-207 and 17-212 through 17-214 of Title 11 of the Oklahoma Statutes. This section

shall not apply to any municipality that has opted to prepare a budget pursuant to the Municipal Budget Act.

~~Each~~ C. Each budget and each financial statement and estimate of needs for each county, city, incorporated town, or school district, as prepared in accordance with this section, shall be published in one issue in some legally qualified newspaper published in such political subdivision. If there be no such newspaper published in such political subdivision, such statement and estimate shall be so published in some legally qualified newspaper of general circulation therein; and such publication shall be made, in each instance, by the board or authority making the estimate.

D. The financial statements and estimates of all counties shall be filed with the county excise board on or before August 17 of each year; and the financial statements and ~~estimates~~ budgets of all incorporated towns shall be filed with the county excise board on or before August 22 of each year; and the financial statements and ~~estimates~~ budgets of all cities shall be filed with the county excise board on or before August 27 of each year; and the financial statements and estimates of all school districts shall be filed with the county excise board on or before September 1 of each year. Said financial statements and estimates shall have attached thereto an affidavit showing the publication thereof as required herein, or they may be filed and the said affidavit attached thereto at any time within five (5) days after the filing thereof.

SECTION 10. This act shall become effective November 1, 2002.

Passed the House of Representatives the 7th day of March, 2002.

Presiding Officer of the House of
Representatives

Passed the Senate the ____ day of _____, 2002.

Presiding Officer of the Senate