


DAVE YOST
 Ohio Auditor of State



What Revenues Can Be Used for What Expense

Presented by:
Local Government Services

Definition of a Fund

A Fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and balances, which are segregated for the purposes or carrying on specific activities in accordance with restrictions or limitations.



FUND TYPES

- Governmental
- Proprietary
- Fiduciary

Governmental Funds

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Permanent Funds
- The Village and Township Officer's Handbooks are very good references.



Special Revenue Funds

- Drug Law Enforcement, Enforcement and Education, and Law Enforcement Trust Fund
- All 3 - Special Revenue Funds for similar purposes.
- **Drug Law Enforcement:** Revenue is fines from drug offenders.
- **Enforcement and Educ.:** Revenue is fines.
- **Law Enforcement Trust:** Revenue is proceeds from the sale of seized property and cash.

Special Revenue Funds



- Drug Law Enforcement, Enforcement and Education, and Law Enforcement Trust Fund
- **Drug Law:** Law enforcement costs.
- **Enforcement and Educ.:** Spend money in this fund to enforce ORC 4511.19 and to educate the public about driving under the influence.
- **Law Enforcement Trust:** Law enforcement costs.

Special Revenue Funds

- Motor Vehicle License Tax, Street Construction, Maintenance and Repair, Gasoline (Cents per Gallon) Tax, State Highway, Permissive Motor Vehicle License Tax, Road and Bridge Fund (Townships)
- Specific revenue sources from various taxes.
- Road and Bridge – inside millage prop. Taxes or special road and bridge levy.
- All funds to be used for road improvements, repairs, street signs, etc.

Special Revenue Funds

- Cemetery
 - Revenue consists of property taxes, lot sales, intergovernmental revenue, opening & closing fees, and interest.
 - Must be used for cemetery purposes.

Special Revenue Funds

- Fire and/or EMS Fund
 - Revenue consists of property taxes, intergovernmental revenues, and charges for services.
 - Must be used for fire protection.



Special Revenue Funds

- Grants
 - Many grant agreements specify that the entity receiving the grant shall establish a new fund for the grant.
 - It is not necessary to ask AOS permission for a new fund if required by the agreement.

Debt Service Funds



- Used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.
- Capital Leases are not required to be paid from a debt service fund.

Capital Projects Funds

- Used to account for financial resources received for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- If you are utilizing grant funds in which the grantor is paying the contractor directly, you still need to record the activity in a capital project fund. (AOS Bulletins 2000-008 & 2002-004).

Permanent Funds



- Used to account for the financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that **benefit the government or its citizens**.

Enterprise Funds

- Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.
- Can only spend the money in these funds for costs relating to the “business”. Can allocate a portion of administrative salaries/benefits to these funds.

Internal Service Funds

- Account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Private Purpose Trusts

- Used to report all trust arrangements, other than those properly reported in pension or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.



Additional Issues

- Transfers and Advances
- Allocating costs – Trustee and Fiscal Officer Salaries and Audit Costs
- Unclaimed Monies – ORC 9.39

Transfers and Advances

- Transfers – permanent moving of monies from one fund to another.
- Advances – Loan money from one fund to another. Repayment is expected.
 - If repayment is NOT anticipated, then transfer the money.
- Example – FEMA monies (AOS Bulletin 98-013).

Allocating Costs

- Departmental costs can be allocated to other departments (i.e. audit costs or fiscal officer costs).
- Document.....Document.....Document!
 - If costs are allocated without proper documentation, those allocations will not be allowed.
 - We have heard about more of these situations recently.

Unclaimed Monies Fund

- **9.39 Liability for public money received or collected - unclaimed money.**
- "All public officials are liable for all public money received or collected by them or by their subordinates under color of office. All money received or collected by a public official under color of office and not otherwise paid out according to law shall be paid into the treasury of the public office with which he is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office."



Useful Resources

- Go to <https://ohioauditor.gov>
 - Click on Resources / Publications & Manuals
 - > Village / Township Officer's Handbook
 - > Technical Bulletins from 1995 to the present
 - Click on Resources / IPA Resources / Ref. Materials
 - > ORC and OAC
- Talk to your auditors
- Call our office. There are no dumb questions!

Local Government Services

Southwest Region
 88 East Broad Street
 Columbus, Ohio 43215

Chris McCoy
 Presenter Phone: (800) 345-2519
 E-mail: ContactUs@ohioauditor.gov



Ohio Auditor of State
Dave Yost

88 E. Broad St.
 Columbus, Ohio 43215
 Phone: (800) 282-0370 Fax: (614) 466-4490
 Email: ContactUs@OhioAuditor.gov
www.OhioAuditor.gov



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Bulletin 2011-004

Auditor of State Bulletin

Date Issued: September 29, 2011

TO: All Fiscal Officers

FROM: Dave Yost, Ohio Auditor of State

SUBJECT: Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned. This bulletin references specific paragraphs from GASB 54.

The GASB included supplementary information related to GASB 54 in their 2010 - 2011 Comprehensive Implementation Guide. The Implementation Guide is organized in a question and answer format. This bulletin references specific questions from the Implementation Guide.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Fund reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. The change in fund balance presentation to the five classifications of fund balance in GASB 54 is not a restatement.

Fund Balance Classifications

Following are the definitions of the five fund balance classifications (these definitions are taken directly from GASB 54):

Nonspendable Fund Balance The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. (GASB 54 ¶6)

Restricted Fund Balance The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 ¶8)

Committed Fund Balance The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)

Assigned Fund Balance Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

Unassigned Fund Balance Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

Nonspendable Fund Balance

The nonspendable definition addresses two components of nonspendable fund balance – (a) not in spendable form or (b) legally or contractually required to be maintained intact. Items are considered "not in spendable form" if they are not expected to be converted to cash; examples include inventories and prepaid amounts. Long-term loans and notes receivable, as well as property acquired for resale are also considered "not in spendable form." However, if once the receivables are collected or the assets are sold the proceeds are restricted, committed, or assigned, then those amounts should be included in the appropriate fund balance classification (restricted, committed, or assigned) rather than nonspendable fund balance. The principal reported in a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. (GASB 54 ¶6)

Restricted Fund Balance

The restricted fund balance definition addresses enabling legislation. GASB 54 defines enabling legislation as follows:

Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. (GASB 54 ¶9)

In Ohio, municipalities have the ability to enact enabling legislation (i.e., impact fees) while most other local governments (counties, townships, school districts etc.) operate solely within State statute. If legislation is passed to generate revenues for a local government under the authority of State statute, it is not enabling legislation.

Restricted fund balance constraints are externally imposed, typically by way of grant agreements, State statute, and debt covenants. Federal and State grant agreements generally include language placing constraints on the resources, thus restricting the fund balance. Constraints placed on

resources collected under the authority of State statute are identified in the respective section of the Ohio Revised Code. Debt agreements typically stipulate how the debt proceeds may be spent and what resources are to be used for repayment. These constraints are sufficient to restrict fund balance. The charts on the attached pages will assist in identifying when fund balance is restricted.

Local match requirements are bound by the constraints in the grant agreement; thus, if the grant is restricted the local match will be also. (Z.54.8) The grant agreement or State statute will specify constraints placed on interest earned on restricted resources. If the interest can be used only for the same purposes as the restricted resources, as indicated in the grant agreement or State statute, the interest will also be restricted, otherwise the interest is assigned. (Z.54.9)

ORC Section 5705.10 (H), states: "Money paid into any fund shall be used only for the purposes for which such fund is established." Therefore, all fund inflows, once recorded in a fund, are to be used for the same purpose as the specific revenue source serving as the foundation of that fund, and fund balance may be limited to one classification, the same as the foundation revenue. Thus, once the foundation revenue of a special revenue fund has been indentified and classified as restricted (or committed), other inflows into the same fund are also restricted (or committed). If the foundation revenue ceases to be collected, the same constraints continue to exist. See the special revenue fund definition section of this bulletin.

Committed Fund Balance

Committed fund balance amounts are internally imposed by the governing body. Once an amount is committed, it cannot be used for any other purpose unless the government, by taking the same type of action (resolution or ordinance), removes or changes the constraint. The difference between restricted and committed fund balance is committed fund balance constraints are imposed by the local government, separate from the authorization to raise the underlying revenue, and compliance with constraints imposed by the local government is not considered to be legally enforceable. (GASB 54 ¶11) Restricted fund balance constraints are externally imposed or are enacted through enabling legislation and are legally enforceable.

Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The type of contractual obligations that would meet the committed criteria would be a contract awarded by resolution or through the bid process authorized by resolution of the governing board. Typically, this issue will be limited to the general fund because of its residual (unassigned) fund balance classification.

While an Ohio local government may impose constraints on certain resources and change those constraints prospectively by taking the same action that originally imposed the constraints, redirecting the existing resources (the cash balance of the fund) requires compliance with State statutes for the transfers of money, specifically ORC Sections 5705.14 - 16.

Certain "Charges for Services" and "Fees" have no external constraints; instead the constraints are internally generated by the government's highest level of decision-making authority. To commit the resource, the language in the ordinance/resolution creating the constraint should identify both the revenue source and the constraint. Examples include: charges for services related to swimming pools, parking lots, recreation centers, garbage collections, and transit services. See discussion of "Charges for Services" later in this bulletin.

Assigned Fund Balance

In governmental funds other than the general fund, assigned fund balance is the default classification which represents the remaining amount that is not restricted or committed. The assigned fund balance definition addresses the government's intent. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. (GASB 54 ¶13)

The governing body's intent may be expressed by a motion, but not by formal action such as a resolution or ordinance. In other words, a formal legislative process is not needed to add, remove, or modify assigned amounts. In a School District, a board policy indicating intended use of certain fees or charges for services would be considered an assignment. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Some governments may not have both committed and assigned fund balances, as not all governments have multiple levels of decision-making authority. (GASB 54 ¶14)

When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. (GASB 54 ¶16 and Z.54.13) Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the general fund. In governmental funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from expenditures exceeding amounts that have been restricted, committed, or assigned. If a deficit exists, there should be no amounts reported in any other fund balance classifications.

Encumbrances

Accounting for encumbrances will continue; however, reserved for encumbrances will no longer appear on the financial statements. Encumbered amounts will be included in the restricted, committed, and assigned fund balance classifications. (Z.54.27) Issuing a purchase order assigns the amount of the purchase order to a specific purpose; thus, the outstanding encumbrance amount is included in assigned fund balance, unless the purchase order relates to restricted or committed resources. (Z.54.28) If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. Encumbrances cannot further restrict or commit resources.

Stabilization Arrangements

Some governments set aside money in a rainy-day fund, specifying when and how the dollars can be spent. The criteria for the use of the resources should be specific, and the resources should not be expected to be spent routinely. "In an emergency" or to offset "anticipated revenue shortfall" are not specific enough to meet the criteria for restricted or committed. Stabilization amounts should be reported in the general fund as restricted or committed if they meet the criteria for restricted or committed, based on the source of the constraint on their use. Stabilization arrangements that do not meet the criteria to be reported within the restricted or committed fund balance classifications should be reported as unassigned in the general fund.

In Ohio, a taxing authority of a subdivision, by resolution or ordinance, may establish reserve balance accounts to accumulate currently available resources to stabilize its budgets against cyclical changes in revenues and expenditures under ORC Section 5705.13. The criterion for using the budget stabilization is not specific enough to meet the committed criteria and it does not meet the restricted criteria as the budget stabilization is not mandated by State statute. Therefore, a budget stabilization/reserve account should be reported as unassigned in the general fund. While statute also gives the authority to have stabilization reserve accounts in other operating funds, the fund balance is reported as restricted, committed, or assigned and the reserve account does not change the fund balance classification.

Balance Sheet Presentation

On the face of the financial statements, amounts for the two components of nonspendable fund balance may be presented separately or in total. If the financial statements present the total amount, then the separate components should be disclosed in the notes. Specific purpose amounts for restricted, committed or assigned fund balance amounts may be presented on the financial statements or disclosed in the notes. (GASB 54 ¶22 and ¶25)

Required Note Disclosure

Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classification:

For committed fund balance: (1) the government's highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment. (GASB 54 ¶23)

For assigned fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given. (GASB 54 ¶23)

Governments should also disclose (1) whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and (2) whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. (GASB 54 ¶23)

Significant encumbrances should be disclosed in the notes to the financial statements as part of the construction and other significant commitments note. This disclosure should include amounts for each major fund with a separate total for all non-major funds. (GASB 54 ¶24)

Governments that establish stabilization arrangements, even if they don't meet the restricted or committed criteria, should disclose: (a) the authority for establishing stabilization arrangements (for example, by statute or ordinance), (b) the requirements for additions to the stabilization amount, (c) the conditions under which stabilization amounts may be spent, and (d) the stabilization balance, if not apparent on the face of the financial statements. (GASB 54 ¶26)

If a governing body has formally adopted a minimum fund balance policy, the government should describe in the notes to its financial statements the policy established by the government that sets forth the minimum amount. (GASB 54 ¶27)

Governmental Fund Type Definitions

The definitions of the general, special revenue, capital projects, debt service, and permanent fund types are clarified in GASB 54. The new governmental fund type definitions are (these definitions are taken directly from GASB 54):

General Fund The general fund should be used to account for and report all financial resources not accounted for and reported in another fund. (GASB 54 ¶29)

Special Revenue Funds Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. (GASB 54 ¶30)

Capital Projects Funds Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. (GASB 54 ¶33)

Debt Service Funds Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. (GASB 54 ¶34)

Permanent Funds Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments. (GASB 54 ¶35)

Special Revenue Funds

The special revenue fund type definition addresses proceeds of specific restricted or committed revenue sources as the basis for a special revenue fund. Various revenues or resources can be reported in a special revenue fund; however, the fund is required to include substantial restricted or committed revenues as its foundation. Assigned revenues, transfers-in, or other financing sources (inflows) cannot be the foundation for establishing a special revenue fund. Substantial restricted or committed revenues means a material amount and it does not imply a quantitative range (more or less than some percentage of inflows).

When a special revenue fund is established to account for restricted or committed revenue, but the fund has a limited life expectancy and the inflows into the fund ultimately cease, the balance in that fund does not have to be reported as part of the general fund provided there **are no continuing inflows** (i.e., transfers) into the fund. The separate fund can continue to be reported until the restricted resources have been used for their specified purposes (Z.54.33). Governments should

discontinue reporting a special revenue fund and instead report the fund's remaining resources in the general fund, or another fund with a similar purpose that meets the criteria to be reported as a special revenue fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

The new definition for special revenue funds includes a requirement that a specific source of revenue at least be committed. A fund with committed resources may require Auditor of State approval under ORC Section 5705.12. Most Ohio local governments can only do what is authorized in State statute, so the ability to commit an otherwise unrestricted general fund revenue for some other specific purpose may not exist. Municipalities may, because of home rule, be able to commit, by ordinance, a specific source of revenue to a specific purpose.

Debt Service and Capital Projects Funds

Debt service and capital projects funds do not need a foundation revenue to exist and can have transfers as their sole inflow. If a capital projects fund has a transfer as its sole inflow and the governing body has identified a specific purpose by ordinance or resolution, then the fund balance is committed. However, if the governing body has not identified a purpose, the fund balance is assigned.

Required Note Disclosure

Governments should disclose in the notes to the financial statements the purpose for each major special revenue fund. This definition should identify the foundation revenues in each fund and the source of the restriction or commitment.

Change in Fund Classification

GASB 54 changes the definitions of governmental funds; therefore, some funds that are maintained for day-to-day accounting purposes may no longer meet the fund type criteria for reporting in the year-end external financial statements. These funds should be presented as part of the general fund or a qualifying special revenue fund in the year-end financial statements. The budgetary comparison information in the year-end financial statements should be the legally adopted budget for the general fund or major special revenue funds, without modification for the funds no longer meeting the special revenue criteria. Differences in fund structure between budgetary reporting and GAAP reporting are "perspective differences." (See GASB Codification 2400.113) This perspective difference should be explained in the reconciliation of budgetary information to generally accepted accounting principles information. (Z54.41) Changes in fund structure should be applied retroactively and will result in restating fund balance for all prior periods.

Specific Issues/Additional Information

Proprietary Funds

The new GASB 54 fund balance classifications apply to governmental fund financial statements only. They do not apply to net assets in proprietary funds or to the government-wide statement of net assets.

Relationship of net assets to fund balance

Restricted fund balance on the governmental fund financial statements will generally be different from restricted net assets for governmental activities reported on the government-wide statement of net assets. There are three reasons for this difference. First, the principal amount of a permanent fund is classified as nonspendable fund balance in the governmental fund financial statements, but is included in restricted net assets in the government-wide statement of net assets.

Second, the fund financial statements are prepared on the modified accrual basis of accounting and the government-wide statement of net assets is prepared on the accrual basis of accounting. The differences between the two bases of accounting will generate differences in the two amounts. And finally, the internal service fund is not included on the governmental fund financial statements; however, on the government-wide statement of net assets, the internal service fund is generally included with governmental activities. (Z.54.10)

Transfers

Transfers in are an inflow of resources to a fund, not a revenue source. A governing board can pass a resolution to annually transfer amounts from the general fund to a special revenue fund; however, when the transfer is the only inflow to be used for a specified purpose, it does not meet the criteria for restricted or committed revenues necessary to meet the definition of a special revenue fund. The separate fund can be reported as a special revenue fund even if the transfers-in exceed the foundation revenue for that fund. Following the constraint placed on fund resources by State law (5705.10(H), R.C.), the transferred resources would be reported the same as the restricted or committed revenues. Transfers from the general fund to any other governmental fund would be classified as part of assigned fund balance unless the governing board, by ordinance or resolution, identifies a specific purpose for the funds, in which case the resources would be reported as committed fund balance.

Cemetery Funds

Municipalities: Sale of cemetery lots under ORC Section 759.13 are restricted, “No more shall be charged for lots than is necessary to reimburse the city for the expense of lands purchased or appropriated for cemetery purposes, and to keep in order and embellish the grounds.” If the charges for services received under ORC Section 759.13 are considered the foundation revenue of the cemetery fund, then it would be a special revenue fund with a restricted fund balance. If the foundation revenue under ORC Section 759.13 is no longer collected, reevaluate the fund.

Cemetery money coming in under ORC Section 759.12 and ORC Section 759.15 should be reported as a permanent fund or private purpose trust fund. ORC Section 759.12 states that the dollars received under this section is “... for the perpetual care of the lots designated, using only the interest or income of the money.” ORC Section 759.15 states that the city shall “...forever hold such money as a permanent fund (statutory use and does not match GASB definition), and pay to the director (director of public service) in semiannual payments as interest on the funds, a sum sufficient to provide perpetual care of the lots as agreed by the director.”

GASB 34 and 54 defines permanent funds as funds “...used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs—that is, for the benefit of the government or its citizenry.” Private purpose trust funds “...should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.” Investing a specific portion of the fee charged to everyone for the sale of lots and using the interest to cover on-going maintenance of a cemetery (mowing) is benefitting the government or its citizenry and would be a permanent fund. Allowing individuals the option to contribute with the principal and/or interest designated for placing flowers on specific grave sites is benefitting individuals and would be a private purpose trust fund.

Under GASB 54, the principal of a permanent fund is reported as nonspendable. On the statement of net assets, amounts that are required to be retained in perpetuity are to be classified as nonexpendable within the restricted net asset category. GASB 34, paragraph 35 states that

permanent fund principal amounts should be shown in two additional categories of restricted net assets—expendable and nonexpendable.

Donations received under ORC Section 759.14 could be a special revenue, capital projects, permanent or private purpose trust fund depending on the nature of the donation. ORC Section 759.14 states that the donation may be “...used for the enlargement, improvement, embellishment, or care of the cemetery grounds generally, or for any particular parts or lots therein, as the donor directs, or as the director determines if no such direction is given.” Embellishment or care of the grounds generally could be a special revenue fund if the GASB 54 restricted or committed criteria are met. Enlargement or improvement of the grounds generally would be a capital projects fund. Enlargement, improvement, embellishment or care of a particular lot directed by the donor would be a private purpose trust. A permanent fund would only be used if the principal cannot be spent and the earnings are used for government programs. (See permanent fund definition above.)

Townships: ORC Section 517.07 establishes the township’s ability to sell cemetery lots, “Upon application, the board of township trustees shall sell at a reasonable price the number of lots as public wants demand for burial purposes.” ORC Section 517.08 places the restriction on these dollars, “The proceeds arising from the sale of cemetery lots under ORC Section 517.07 shall be used in maintaining, improving, beautifying, and embellishing such grounds, ...” If the charges for services received under ORC Section 517.07 are considered the foundation revenue of the cemetery fund, then it is a special revenue fund with a restricted fund balance.

Dollars receipted into a Cemetery Fund under ORC Section 517.15 can be for a variety of purposes, as follows:

- (A) “Gifts, devises, or bequests received for the purpose of maintaining, improving, or beautifying township cemeteries;” These dollars would be presented in a special revenue fund with a restricted fund balance.
- (B) “Charges added to the price regularly charged for burial lots for the purpose of maintaining, improving, or beautifying township cemeteries;” These dollars may be presented in a permanent fund with a nonspendable fund balance.
- (C) “Contributions of money from the township general fund;” These dollars would most likely not be the foundation revenue of the fund. These dollars would be presented in a special revenue fund with a restricted fund balance.
- (D) “An individual agreement with the purchaser of a burial lot providing that a part of the purchase price is to be applied to the purpose of maintaining, improving, or beautifying any burial lot designated and named by the purchaser;” These dollars would be presented in a private purpose trust fund – not subject to GASB 54 fund balance classifications.
- (E) “Individual gift, devises, or bequests made for the maintenance, improvement, and beautification of any burial lot designated and named by the person making the gift, devise, or bequest.” These dollars would be presented in a private purpose trust fund – not subject to GASB 54 fund balance classifications.

State statute allows this activity to be in one fund; however, maintaining separate funds may simplify financial reporting issues.

Municipal Income Tax

A municipal income tax enacted under ORC Section 718.01(C), results in various classifications of fund balance as follows:

- An income tax (up to one percent) is enacted without voter approval and no constraints are placed on the use of the revenue. This income tax revenue is to be included with the general fund and is part of the unassigned fund balance. There is no basis for a separate fund, even on a budgetary basis.
- An income tax is enacted with voter approval and no constraints are placed on the use of the revenue. This income tax revenue is included with the general fund and is part of the unassigned fund balance. Again, there is no basis for a separate fund.
- An income tax is enacted with or without voter approval and constraints on the use of the revenue are imposed by a separate ordinance. For GASB 54 purposes, this income tax revenue is included with the general fund if it is used for municipal operations. It could also be reported as a separate special revenue or as a capital projects fund depending on the use of the revenue. Regardless of how the fund is reported, the fund balance will be committed.
- An income tax (up to one percent) is enacted without voter approval and constraints on the use of the revenue are imposed through enabling legislation – original ordinance. For GASB 54 purposes, this income tax fund is reported as a separate special revenue or capital projects fund depending on the use of the revenue, and reports a restricted fund balance.
- An income tax is enacted with voter approval and constraints on the use of the revenue are imposed externally by the voters. For GASB 54 purposes, this revenue is reported as a separate special revenue or capital projects fund depending on the use of the revenue, and is classified as restricted fund balance.

School District Income Tax

A school district income tax is enacted with voter approval and no constraints are placed on the use of the revenue. For GASB 54 purposes, this income tax revenue is included with the general fund and is part of unassigned fund balance. If however, the revenue is for capital improvements, this income tax revenue is included in the permanent improvements capital projects fund and is classified as restricted fund balance

Charges for Services

When a fund has “Charges for Services” as its foundation revenue, each situation should be evaluated separately:

- Certain “Charges for Services” have external constraints and meet the definition of restricted fund balance. See the Restricted Fund Balance section of this bulletin.
- Certain “Charges for Services” have no external constraints; instead the constraints are internally generated by the government’s highest level of decision-making authority. To commit the resource, the language in the ordinance/resolution creating the constraint should identify both the revenue source and the constraint and indicate the revenue is to support the activity. Examples include: charges for services related to swimming pools, parking lots, recreation centers, garbage collections, and transit services.

- If the criteria for restricted and committed are not met, the revenue will be reported with the general fund and report an assigned or unassigned fund balance, as appropriate.
- If “Charges for Services” is not the foundation revenue, and the foundation revenue is restricted, the “Charges for Services” would also be restricted. See the Restricted Fund Balance section of this bulletin.

Donations

Donations received by a local government can be classified two ways. First, donations received with constraints imposed by the contributor are nonspendable (corpus) or restricted. Second, donations can be given to a specific department or fund in which case there is an implied constraint imposed by the donor. When this is combined with a resolution/ordinance recognizing the implied consent on the use of the dollars, the fund balance is committed. Donations received without written directive of how it is to be used from the donor should be considered a general fund receipt and reported as unrestricted fund balance.

OCBOA and Regulatory Financial Statements

Those local governments preparing OCBOA and regulatory statements should implement both the new fund balance classifications and the governmental fund type definitions. New templates will be available to facilitate this process. A failure to follow these classifications would usually preclude auditors from expressing an unqualified opinion on the statements.

Unclaimed Monies Fund

For unclaimed monies, the difference between the amount of cash in the fund and the estimated liability for payments to claimants would be classified as nonspendable fund balance until the end of the five year holding period. Unclaimed funds are legally required (ORC Section 9.39) to be maintained for five years. For a cash basis entity, the entire cash balance would be reported as nonspendable.

School District Issues

Property Tax Advances and Subsequent Years' Appropriations

When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses or appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned. (GASB 54 ¶16 and Z.54.13) For School Districts, the amount available as an advance against the August real property settlement (booked as a receivable/revenue at June 30) is part of fund balance. Therefore, when making this calculation, the estimated receipts should not include the amount available as an advance against the August real property settlement. Since the general fund is the only fund with a positive unassigned fund balance, this calculation is only needed for the general fund.

Allocation of Inside Millage

School Districts have the ability to allocate inside millage from the general fund to the permanent improvement fund. This reallocation process goes through a formal legislative process, public hearings, and the county budget commission. The allocated millage/revenues, such as those directed for permanent improvements, should be reported as committed fund balance as the same process is followed to return the inside millage to the general fund.

Classroom Facility Maintenance Fund (034)

School districts are required to establish and maintain a Classroom Facility Maintenance Special Revenue Fund and have a voted half mill property tax levy to finance the maintenance of completed School Facility Projects for 23 years. As an alternative to the half mill levy, a school district may earmark a portion of an existing continuing permanent improvement property tax levy or the proceeds of an income tax levy that may be used for permanent improvements. By statute, these resources are transferred to the Classroom Facility Maintenance Fund. In order to report the Classroom Facility Maintenance Special Revenue Fund, the transfers-in, on a GAAP basis, should be reclassified to property or income tax revenues and the transfers-out should be eliminated by reducing property or income tax revenues in the originating fund. This allows the Classroom Facility Maintenance Fund to report a specific revenue source (the foundation revenue) meeting the criteria necessary to have a special revenue fund. The transfers should continue to be presented on the budget and actual financial statements.

Set-Asides

School District set-asides established by ORC Sections 3315.17 and .18 represent restricted fund balance within the general fund. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law.

Unspent refunds or rebates from Bureau of Workers' Compensation received prior to April 10, 2001, (previously required by law to be deposited into a budget reserve) are limited to the following purposes:

- To offset a budget deficit;
- For school facility construction, renovation or repair;
- For textbooks or instructional materials, including science equipment or laboratories;
- For the purchase of school buses; or
- For professional development of teachers.

The last four items above would be reported as restricted fund balance because of the constraints placed on the use by State statute and should be reported within the general fund according to the purpose chosen by the board of education. The choice to offset a budget deficit parallels a budget stabilization arrangement which is reported as unassigned fund balance. This presentation differs from the guidance in GASB 54 which has constraints imposed by State statute (laws of another government) as restricted fund balance.

GASB 54 Fund Balance Classification Analysis Charts

The following pages contain charts presenting the more common funds and foundation revenue/inflow for Cities/Villages, Schools Districts, Counties, Townships and Libraries.

The charts identify the "GASB 54 fund classification" and the "prior fund classification" to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The charts do not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

The chart may identify multiple foundation revenues/inflows for a single fund. Local governments should identify which resource or resources they will be using as their foundation revenue and classify fund balance as appropriate. For example on the county chart, the jail operations special revenue fund could have property taxes or charges for services as its foundation revenue. If property taxes are the foundation revenue, fund balance would be restricted; however, if charges for services are the foundation revenue, fund balance would be committed.

Questions

If you have any questions regarding the information presented in the Bulletin, please contact Local Government Services at the Auditor of State's Office at (800) 345-2519.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Ohio Auditor of State

Cities/Villages

GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General	Various sources	None	None	Unassigned
General	SR	Compensated Absences	Transfers +	ORC Section 5705.13(B), transferred from other funds	City's intent--pmt of sick/vacation/comp at termination	Committed
General	SR	Underground Storage Tanks	Transfers from other funds +	AOS Bulletin 94-04	Remediation deductible; no specific source, transfers	Committed
General	General	Unclaimed Monies Fund	Various unclaimed funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
General	General	General	Hotel/Motel Tax - 50% for municipality	ORC Section 5739.09(B)	None	Unassigned
SR	SR	Police Pension	3/10 mill Property Taxes	ORC Sections 5705.06(G) & 742.33(B)	Externally imposed by State Statute	Restricted
SR	SR	Fire Pension	3/10 mill Property Taxes	ORC Sections 5705.06(G) & 742.34(B)	Externally imposed by State Statute	Restricted
SR	SR	Special Levy	Property Taxes	ORC Section 5705.19	Externally imposed by voters	Restricted
SR	SR	Hotel/Motel Tax	Hotel/Motel Tax - 50% for municipality	ORC Section 5739.09(B)	Internally imposed by City Ordinance	Committed
SR	SR	Hotel/Motel Tax	Hotel/Motel Tax - 50% for convention and visitors' bureau	ORC Section 5739.09(B)	Externally imposed by State Statute	Restricted
SR + a	SR	Tax Increment	Increment Taxes	ORC Sections 5709.40 - 5709.43	Externally imposed by State Statute	Restricted
SR	SR	Service Assessments	Special Assessments	ORC Chapters 727 & 729	Externally imposed by State Statute	Restricted
SR + b	SR	CDBG	Intergovernmental-Grant Monies	Grant Award/Agreement	Externally imposed by Grantor	Restricted
SR	SR	CDBG Revolving Loan	Intergovernmental	Grant Award/Agreement	Externally imposed by Grantor +	Restricted +
SR	SR	Cops	Intergovernmental-Grant Monies	Grant Award/Agreement	Externally Imposed by Grantor	Restricted
SR	SR	FEMA	Intergovernmental	ORC Section 131.35	Externally imposed by State Statute/grant award	Restricted
SR	SR	HUD Housing	Intergovernmental-Grant Monies	Grant Award/Agreement	Externally imposed by Grantor	Restricted
SR	SR	Joint Economic Develop District	Intergovernmental - City's share of JEDD income tax collections	ORC Sections 715.72-715.83	Externally Imposed by State Statute	Restricted
SR	SR	Street Maintenance (SCMR)	Intergovernmental		Externally imposed by State Statute	Restricted
			- Gas Tax	ORC Section 5728.06 & ORC Chapter 5735		
			- Motor Vehicle License Fees	ORC Chapter 4503		
SR	SR	State Highway	Intergovernmental		Externally imposed by State Statute	Restricted
			- Gas Tax	ORC Section 5728.06 & ORC Chapter 5735		
			- Motor Vehicle License Fees	ORC Chapter 4503		
SR	SR	Permissive Motor Vehicle License	Intergov't - Permissive MVL	ORC Chapter 4504	Externally imposed by State Statute	Restricted
SR	SR	Drug Law Enforcement	Fines and Forfeitures	ORC Section 2925.03, AOS Bulletin 86-16	Externally imposed by State Statute	Restricted
SR	SR	Enforcement and Education	Fines and Forfeitures	AOS Bulletin 90-25	Externally imposed by State Statute	Restricted
SR	SR	Federal Equitable	Fines and Forfeitures	US Treasury & Justice Departments	Externally imposed by Federal Law	Restricted
SR	SR	Indigent Alcohol	Fines and Forfeitures	ORC Sections 4511.191(H)(1) & 2949.094(A)	Externally imposed by State Statute	Restricted
SR	SR	Law Enforcement Trust	Fines and Forfeitures	ORC Section 2981.13 (C)(1)	Externally imposed by State Statute	Restricted
SR	SR	Mandatory Drug Fines	Fines and Forfeitures	ORC Section 2925.03, AOS Bulletin 86-16	Externally imposed by State Statute	Restricted
SR + c	SR	Municipal Court Special Programs	Fines and Forfeitures	ORC Section 1901.26 (B)(1)	Externally imposed by State Statute	Restricted
SR	SR	Cemetery	Charges for Services-Sale of Lots	ORC Section 759.13	Externally imposed by State Statute	Restricted
SR + d	SR	City Donation Fund	Donations	External resource providers	Externally imposed by contributor	Restricted
			Donations	External resource providers	Implied by donor, internally imposed by ordinance	Committed
DS	DS	G.O. Bond Retirement	Property Taxes	ORC Sections 5705.19; 133.10 & 133.25	Externally imposed by State Statutes	Restricted
			Income Taxes	ORC Sections 5705.09; 133.10 & 718.01	Externally imposed by State Statutes	Restricted
			Transfers +	Transfers from General Fund	City intends to use for specific purpose	Assigned
DS	DS	Special Assessment Bond Retirement	Special Assessments	ORC Sections 133.17 & 6115.50	Externally imposed by State Statutes	Restricted
CP	CP	Capital Grants	Intergovernmental	Grant Award/Agreement	Externally imposed by Grantor	Restricted
CP	CP	Federal Stimulus	Intergovernmental	Grant Award Letter	Externally imposed by Grantor	Restricted
CP	CP	Issue II Improvements	Intergovernmental	OPWC Money	Externally imposed by grantor/OPWC	Restricted
CP	CP	Municipal Court Improvements	Fines and Forfeitures	ORC Section 1901.26 (B)(1)	Externally imposed by State Statute	Restricted
CP	CP	Capital Improvement Assessment Fund	Special Assessments	ORC Chapters 727 & 729	Externally imposed by State Statute	Restricted

Cities/Villages						
GASB 54 Fund Balance Classification Analysis						
GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
CP	CP	Construction/Improvement Fund	Specific source TBD by City	ORC Section 5705.13 (C) & City Ordinance	Internally imposed by City ordinance	Committed
			Transfers +	ORC Section 5705.13 (C) & City Ordinance	City has identified a specific purpose by ordinance	Committed
			Transfers +	ORC Section 5705.13 (C)	City has not identified a specific purpose	Assigned
CP	CP	Construction Fund	Initial Debt Proceeds +	ORC Sections 133.15, & .32	Externally imposed by debt covenants	Restricted
Perm	Perm	Cemetery Investment/Perpetual Care	Charges for Services	ORC Sections 759.12 & .15	Imposed by State Statute	Nonspendable
Perm + e	Perm	Endowment	Donations-Corpus can't be spent	ORC Section 5705.09 (F), Trust Law	Externally imposed by donor	Nonspendable
			Earnings on corpus	ORC Section 5705.09 (F), Trust Law	Externally imposed by donor	Restricted

**Cities/Villages
Explanatory Notes**

The preceding chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds: however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

+ GASB 54 Fund Classification

- a AOS Bulletin 2010-003 addresses the appropriate fund classification to account for Tax Increment Financing (TIF) and other funds that maybe necessary for external reporting. Regardless of fund classification, the fund balance related to TIF’s would be restricted.
- b Some of the grant funds that are presented as special revenue funds could also be capital projects funds based on the use of the award; however, the fund balance classification will still be restricted.
- c The municipal court computerization funds could be classified as special revenue or capital projects funds based on the use of the dollars; however, the fund balance classification will still be restricted.
- d Some of the donation funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will not change.
- e The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

+ Foundation Revenue/Inflow

Transfers and debt proceeds represent an inflow not a revenue.

+ Type of Constraint

Review grant agreement for constraints on use of interest payments and collection of receivable.

+ Fund Balance Classification

The fund balance classification related to the loan receivable may be presented as restricted if the proceeds from the collection of the receivable are restricted.

School Districts

GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General Fund (001)	Various Sources	None	None	Unassigned
General + a	SR	Uniform School Supplies (009)	Tuition and Fees	ORC Section 3313.811	None, statute too broad	Unassigned
			Tuition and Fees	ORC Section 3313.811	Board Policy indicating intended use of revenues	Assigned
General	SR	Rotary Fund - Special Services (011)	Charges for Services	ORC Section 5705.12, AOS Permission Req'd	None	Unassigned
			Charges for Services	ORC Section 5705.12, AOS Permission Req'd	Board Policy indicating intended use of revenues	Assigned
General + a	SR	Adult Education (LSD, CSD & EVSD)	Tuition and Fees	ORC Section 5705.12, AOS Permission Req'd	None, No Board Policy	Unassigned
			Tuition and Fees	ORC Section 5705.12, AOS Permission Req'd	Board Policy indicating intended use of revenues	Assigned
General	SR	Emergency Levy Fund (016)	Property Taxes	ORC Section 5705.194	No restrictions in ballot language	Unassigned
General	SR	Public School Fund (018)	Sales	ORC Section 5705.12, AOS Permission Req'd	School Board approval	Assigned
General	SR	Underground Storage Tanks (031)	Transfers +	AOS Bulletin 94-04	Remediation deductible; no specific source, transfers	Committed
General	SR	Termination Benefits (035)	Transfers +	ORC Section 5705.13(B)	Termination payments; no specific source, transfers	Committed
SR + a	SR	Food Service (006)	Charges for Services, Intergov't	ORC Section 3313.81	Externally imposed by State Statute	Restricted
SR	SR	Special Trust (007)	Donations	External resource providers	Externally imposed by donor	Restricted
			Donations	External resource providers	Implied by donor, internally imposed by resolution	Committed
SR + a	SR	Adult Education (012)	Intergov't - JVS State Funding	ORC Sections 5705.12 & 3301.40, AOS Permission Req'd	Externally imposed by State Statute	Restricted
SR	SR	Emergency Levy Fund (016)	Property Taxes	ORC Section 5705.194	Externally imposed by voters, see ballot language for constraints	Restricted
SR + b	SR	Other Grants Funds (019)	Donations, Intergov't	External resource providers/grant agreement	Externally imposed by State Statute or the Grantor	Restricted
SR	SR	Ed Foundation Fund (029)	Donations - with conditions	ORC Section 3315.40	Externally imposed by Donor	Restricted
			Donations - without conditions	ORC Section 3315.40	Directed by Board resolution	Committed
SR	SR	Special Levy Fund (030)	Property Taxes	ORC Sections 5705.199 & .21	Externally imposed by Voters	Restricted
SR	SR	School Improvement Models (032)	Intergovernmental	Grantor	Externally imposed by the Grantor	Restricted
SR	SR	Classroom Facilities Maintenance (034)	Property Taxes	ORC Section 3318.06	Externally imposed by Voters	Restricted
SR	SR	District Managed Student Activity (300)	Extracurricular Activities	ORC Section 3315.062	Externally imposed by State Statute	Restricted
SR	SR	School Bus Driver Training Program (421)	Intergovernmental	Ohio Department of Highway Safety PL 89-654, CFDA 20.600	Externally imposed by Ohio Dept of Highway Safety	Restricted
SR	SR	Motorcycle Safety & Education (430)	Intergovernmental	ORC Section 4501.13	Externally imposed by State Statute	Restricted
SR	SR	All other State Grant Funds	Intergovernmental	State biennium budget bill, See USAS	Externally imposed by State General Assembly	Restricted
SR	SR	Federal Grant Funds	Intergovernmental	Catalog of Federal Domestic Assistance	Externally imposed by Federal Granting Agency	Restricted
DS	DS	Bond Retirement (002)	Property Taxes	ORC Sections 5705.09 & 133.18	Externally imposed by State Statute & Voter Approval	Restricted
CP	CP	Permanent Improvement (003)	Property Taxes	ORC Section 5705.21	Externally imposed by State Statute & Voter Approval	Restricted
			Property Taxes-diverted inside millage	ORC Chapter 5705	Internally imposed by Board of Education & Budget Commission Approval	Committed
			Income Tax	ORC Section 5748.02	Externally imposed by State Statute & Voter Approval	Restricted
			Sale of Permanent Improvement	ORC Section 5705.10F	Externally imposed by State Statute	Restricted
			Transfers +	Transfers from General, ORC Section 5705.12, AOS Permission Req'd	Board of Education has identified a specific purpose by resolution	Committed
			Transfers +	Transfers from General, ORC Section 5705.12, AOS Permission Req'd	Board of Education has not identified a specific purpose	Assigned
CP	CP	Building Fund (004)	Debt Proceeds +	ORC Section 133.32	Externally imposed by State Statute	Restricted
CP	CP	Classroom Facilities (010)	Intergovernmental	ORC Sections 3318.04, .080 & .15	Externally imposed by State Statute/OSFC/Voters	Restricted
CP	CP	Library Construction (017)	Debt Proceeds +	ORC Sections 3375.43 & .44	Externally imposed by State Statute/Voters	Restricted
CP	CP	Special Levy (Capital Projects) (033)	Property Taxes	ORC Sections 5705.21	Externally imposed by the Voters	Restricted
CP	CP	Capital Projects (070)	Specific Source TBD by School	ORC Section 5705.13 (C) & Board Resolution	Internally imposed by Board of Education	Committed
			Transfers +	ORC Section 5705.13 (C) & Board Resolution	Board of Education has identified a specific purpose by resolution	Committed
			Transfers +	ORC Section 5705.13 (C) & Board Resolution	Board of Education has not identified a specific purpose	Assigned
CP	CP	Capital Grants Fund (071)	Intergovernmental	Grant agreement	Externally imposed by State Statute	Restricted
CP	CP	Vocational Education Equipment (420)	Intergovernmental	HB 1, 128th GA appropriation line item 200-526	Externally imposed by State General Assembly	Restricted
CP	CP	School Net (450)	Intergovernmental	HB 1, 128th GA appropriation line item 228-539	Externally imposed by State General Assembly	Restricted

School Districts						
GASB 54 Fund Balance Classification Analysis						
GASB 54 Fund	Prior Fund	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
CP	CP	Telecommunity (453)	Intergovernmental	HB 1, 128th GA appropriation line item 228-630	Externally imposed by State General Assembly	Restricted
CP	CP	School Building Ass't Limited Fund (496)	Intergovernmental	Senate Bill No. 102	Externally imposed by Senate Bill 102	Restricted
CP	CP	CAP (498)	Intergovernmental	House Bill 810 (122 GA)	Externally imposed by House Bill 810	Restricted
CP	CP	Emergency School Repair (583)	Intergovernmental	Catalog of Federal Domestic Assistance #84.3542	Externally imposed by Federal Grant	Restricted
Perm + c	Perm	Special Trust (007)	Donations-Corpus can't be spent	External resource providers	Externally imposed by donor	Nonspendable
			Earnings on corpus	External resource providers	Externally imposed by donor	Restricted
Perm + c	Perm	Endowment (008)	Donations-Corpus can't be spent	External resource providers	Externally imposed by donor	Nonspendable
			Earnings on corpus	External resource providers	Externally imposed by donor	Restricted

**School Districts
Explanatory Notes**

The preceding chart shows the “prior budgetary USAS fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

+ GASB 54 Fund Classification

- a Some of the funds with charges for services or tuition and fees revenue could be reported as enterprise funds and would not report fund balance.
- b Some of the donation funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will not change.
- c The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

+ Foundation Revenue/Inflow

Transfers and debt proceeds represent an inflow not a revenue.

+ Type of Constraint

Fund 018 has no legal restrictions, at best fund balance is assigned

Counties

GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General	Various, all unrestricted	None	None	Unassigned
General	SR	Certificate of Auto Title Administration	Fees retained by clerk of courts	ORC Section 325.33	State Statute - Residual Balance Unrestricted	Unassigned
General	SR	Equipment Recorders Supply	Charges for Services	ORC Section 317.321	State Statute - Residual Balance Unrestricted	Unassigned
General	SR	Public Defender	Charges for Services	ORC Sections 120.18 & 120.28	Reimbursement of costs	Unassigned
General	SR	Various	Charges for Services	No resolution establishing funding source	Resolution establishing intent of fund	Assigned
General	General	Unclaimed Monies	Unclaimed Funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
General	SR	Underground Storage Tanks	Transfers from other funds +	AOS Bulletin 94-04	Remediation deductible; no specific source, transfers	Committed
General	SR	Compensated Absences	Transfers +	ORC Section 5705.13 (B), Cash transferred from other funds	County's intent--pmt of sick/vacation/comp-time at termination	Committed
SR	SR	Mental Health Programs	Property Taxes	ORC Section 5705.221	Externally imposed by State Statute	Restricted
SR	SR	Jail Operating Levy	Property Taxes	ORC Section 5705.19 (MM)	Externally imposed by State Statute	Restricted
SR	SR	Emergency 911 Operating Fund	Property Taxes	ORC Section 5705.19 (BB)	Externally imposed by State Statute	Restricted
SR	SR	Mental Retardation	Property Taxes	ORC Section 5705.19 (L)	Externally imposed by State Statute	Restricted
SR	SR	Children Services Levy	Property Taxes	ORC Section 5705.24	Externally imposed by State Statute	Restricted
SR	SR	Senior Citizens Levy	Property Taxes	ORC Section 5705.19 (Y)	Externally imposed by State Statute	Restricted
SR	SR	County Home Levy	Property Taxes	ORC Section 5705.19 (K)	Externally imposed by State Statute	Restricted
SR	SR	Special Levy	Property Taxes	ORC Section 5705.19	Externally imposed by State Statute	Restricted
SR	SR	Criminal and Administrative Justice	Permissive Sales Tax	ORC Sections 5739.021 & 5741.021	Externally imposed by State Statute & Resolution	Restricted
SR	SR	Specific Purpose Permissive	Permissive Sales Tax	ORC Sections 5739.026 & 5741.021	Externally imposed by State Statute & Resolution	Restricted
SR	SR	Dog and Kennel	Charges for Services	ORC Sections 955.19 & .20	Externally imposed by State Statute	Restricted
SR	SR	Real Estate Assessment	Charges for Services	ORC Sections 325.31 & 319.54	Externally imposed by State Statute	Restricted
SR	SR	Geographic Information System (GIS)	Charges for Services	ORC Section 325.31	Externally imposed by State Statute	Restricted
SR	SR	Dispute Resolution Fees	Charges for Services	ORC Section 2101.163	Externally imposed by State Statute	Restricted
SR	SR	Delinquent Real/Assessment Collection	Charges for Services	ORC Section 321.261	Externally imposed by State Statute	Restricted
SR	SR	Indigent Guardianship	Charges for Services	ORC Section 2111.51	Externally imposed by State Statute	Restricted
SR	SR	Marriage License	Charges for Services	ORC Sections 3113.34, 2101.16 & 2303.201	Externally imposed by State Statute	Restricted
SR	SR	County Home	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Developmental Disabilities	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Children's Services	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Jail Operations	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Motor Vehicle Gas Tax (MVGT)	Intergovernmental - Gas Tax	ORC Sections 5735.25, 27,28, 29, 292, 30 & 5728.06	Externally Imposed by State Statute	Restricted
SR + a	SR	Airport	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Beautification	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR + a	SR	CDBG:				
		CDBG	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		Community Home Improvement Program	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		CDBG Revolving Loan	Intergovernmental - Grants	Grant Award/Agreement	Externally imposed by Grantor +	Restricted +
SR	SR	Child Support Enforcement Agency	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Children Services Grants	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Community Corrections Act Program	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Continuing Prof. Training Sheriff	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Crime Victims Assistance Office	Intergovernmental - Grants	ORC Section 307.62 & Federal/State Grantors	Externally imposed by Statute & Grantor	Restricted
SR	SR	Developmental Disabilities Grants:				
		Preschool Grant	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		Title I	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		MR Lunch	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		Family Resources	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Domestic Violence Investigator	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Felony Delinquent Care & Cust.	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Juv Prob Serv Enhancement	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Juvenile Acct Incentive Block Grant	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted

Counties

GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Balance Classification Analysis							
GASB 54 Fund	Prior Fund	Fund Name	Revenue Source	Foundation Revenue (SR only)/	Source of Constraint	Type of Constraint	Fund Balance
Classification	Classification	Fund Name	Inflow				Classification
SR	SR	Litter Control	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
SR	SR	Mediation Juvenile Program	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
SR	SR	Mental Health	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
SR	SR	Prisoner Incentive	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
SR	SR	Public Assistance:					
		Human Services	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
		WIA	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
SR	SR	Revolving Loan	Intergovernmental - Grants	Grant Award	Externally imposed by Grantor		Restricted
SR	SR	Victim Witness	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
SR + b	SR	Clerk of Courts Computer Fund	Fines and Forfeitures	ORC Section 2303.201(A)	Externally imposed by State Statute		Restricted
SR + b	SR	Conduct of Business	Fines and Forfeitures	ORC Section 2101.19	Externally imposed by State Statute		Restricted
SR + b	SR	County Probation Services	Fines and Forfeitures	ORC Section 321.44	Externally imposed by State Statute		Restricted
SR + b	SR	Court Computer Equipment	Fines and Forfeitures	ORC Section 2303.201(B)	Externally imposed by State Statute		Restricted
SR + b	SR	Court Computer Research	Fines and Forfeitures	ORC Section 1907.261	Externally imposed by State Statute		Restricted
SR + b	SR	Court Special Projects	Fines and Forfeitures	ORC Sections 1907.24(B)(1), 2303.201 (E)(1), & 4511.19(G)(5)(e)	Externally imposed by State Statute		Restricted
SR	SR	Drug Law Enforcement	Fines and Forfeitures	ORC Section 2925.03, Technical Bulletin 86-16	Externally imposed by State Statute		Restricted
SR	SR	Enforcement and Education	Fines and Forfeitures	Technical Bulletin 90-25	Externally imposed by State Statute		Restricted
SR	SR	Indigent Drivers Alcohol Treatment	Fines and Forfeitures	ORC Section 2949.094	Externally imposed by State Statute		Restricted
SR	SR	Law Enforcement Trust	Fines and Forfeitures	ORC Section 2981.13	Externally imposed by State Statute		Restricted
SR	SR	Juvenile Diversion	Fines and Forfeitures	ORC Section 5139.43	Externally imposed by State Statute		Restricted
SR	SR	Concealed Handgun Lic Exp	Fees, Licenses and Permits	ORC Section 311.42	Externally imposed by State Statute		Restricted
SR + c	SR	County Donation Fund	Donations	External resource providers	Externally imposed by contributor		Restricted
SR + c	SR	County Donation Fund	Donations	External resource providers	Implied by donor, internally imposed by resolution		Committed
DS	DS	Bond Retirement	Permissive Sales Tax	ORC Sections 5739.026 & 133.081	Externally imposed by State Statute & Resolution		Restricted
			Property Taxes	ORC Sections 5705.19; 133.10, .18, & .25	Externally imposed by State Statute or voters		Restricted
			Rental Revenue	ORC Section 133.151	Externally imposed by State Statute		Restricted
			Transfers +				Assigned
DS	DS	Special Assessment Bond Retirement	Special Assessments	ORC Sections 133.17 & 6115.50	Externally imposed by State Statutes		Restricted
CP	CP	Capital Improvements	Note Proceeds +	ORC Section 133.32	Externally imposed by Debt Covenants		Restricted
CP	CP	Capital Improvements	Grants	Federal/State Grantors	Externally imposed by Grantor		Restricted
CP	CP	Capital Improvements	Property Taxes	ORC Section 5705.19 (G)	Externally imposed by State Statute		Restricted
CP	CP	Capital Improvements	Permissive Sales Tax	ORC Section 5739.026	Externally imposed by State Statute		Restricted
CP	CP	Issue II Improvements	Intergovernmental	OPWC Money	Externally imposed by grantor/OPWC		Restricted
CP	CP	Capital Improvement Assessment Fund	Special Assessments	ORC Section 5705.09	Externally imposed by State Statute		Restricted
CP	CP	Construction	Specific Source TBD by County	ORC Section 5705.13 (C) & County Resolution	Internally imposed by county resolution		Committed
			Transfers +	ORC Section 5705.13 (C) & County Resolution	Commissioners have identified a specific purpose by resolution		Committed
			Transfers +	ORC Section 5705.13 (C) & County Resolution	Commissioners have not identified a specific purpose		Assigned
CP + b	CP	Court Computer Fund	Fines and Forfeitures	ORC Section 2303.201(B)	Externally imposed by State Statutes		Restricted
Perm + d	Perm	Endowment	Donations-Corpus can't be spent	External resource providers	Externally imposed by donor		Nonspendable
Perm + d	Perm	Endowment	Earnings on corpus	External resource providers	Externally imposed by donor		Restricted

**Counties
Explanatory Notes**

The chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

+ GASB 54 Fund Classification

- a Some of the grant funds which are presented as special revenue funds could also be capital projects funds based on the use of the award; however, the fund balance classification will not change.
- b Some of the court computerization funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will still be restricted.
- c Some of the donation funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will still be restricted.
- d The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

+ Foundation Revenue/Inflow

Transfers and debt proceeds represent an inflow not a revenue.

+ Type of Constraint

Review grant agreement for constraints on use of interest payments and collection of receivable.

+ Fund Balance Classification

The fund balance classification related to the loan receivable may be presented as restricted if the proceeds from the collection of the receivable are restricted.

Townships

GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General (1000)	Various sources	None	None	Unassigned
General	SR	Compensated Absences	Transfers +	ORC Section 5705.13(B) Cash transferred from other funds	Township's intent--payment of sick/vacation/comp-time at termination	Committed
General	SR	Underground Storage Tank (2291 - 2339)	Transfers +	AOS Bulletin 94-04	Remediation deductible; however, no specific source, transfers	Committed
General	General	Unclaimed Monies Fund	Various unclaimed funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
General	SR	Zoning	None	ORC Chapter 519	None	Unassigned
General	SR	Various	Charges for Services	No resolution establishing funding source	Resolution establishing intent of fund	Assigned
General	General	General	Hotel/Motel Tax - 50% for general fund	ORC Section 5739.09(B)	None	Unassigned
SR	SR	Motor Vehicle License Tax Fund (2011)	Motor Vehicle License Fees	ORC Chapter 4503	Externally imposed by State Statute	Restricted
SR	SR	Gasoline Tax Fund (2021)	Gas Tax	ORC Section 5728.06 & Chapter 5735	Externally imposed by State Statute	Restricted
SR	SR	Road and Bridge Fund (2031)	Property Taxes	ORC Section 5705.19 (G)	Externally Imposed by State Statute	Restricted
SR	SR	Road and Bridge Fund (2031)	Property Taxes--inside millage	ORC Section 5705.06 (F)	Internally Imposed by Trustees	Committed
SR	SR	Cemetery (2041 -2069)	Property Taxes	ORC Sections 517.03 & 5705.19 (T)	Externally Imposed by State Statute	Restricted
SR	SR	Cemetery (2041 -2069)	Charges for Services	ORC Section 517.15 A, C	Externally Imposed by State Statute	Restricted
SR	SR	Cemetery (2041 -2069)	Charges for Services	ORC Sections 517.07 & 517.08	Externally Imposed by State Statute	Restricted
SR	SR	Garbage and Waste Disposal District (2071 - 2079)	Property Taxes--inside millage	ORC Section 505.29,	Internally Imposed by Trustees	Committed
SR	SR	Garbage and Waste Disposal District (2071 - 2079)	Property Taxes	ORC Section 5705.19 (V)	Externally Imposed by State Statute	Restricted
SR	SR	Garbage and Waste Disposal District (2071 - 2079)	Charges for Services	ORC Section 505.29 - no separate fund req'd - Resolution establishing funding source	Internally imposed by township resolution	Committed
SR	SR	Police District (2081 -2109)	Property Taxes	ORC Sections 505.48, 505.51, & 5705.19 (J)	Externally Imposed by State Statute	Restricted
SR	SR	Police District (2081- 2109)	Charges for Services	ORC Section 505.431 - no separate fund req'd - Resolution establishing funding source	Internally imposed by township resolution	Committed
SR	SR	Fire District (2111-2139)	Taxes	ORC Sections 505.39 & 5705.19 (I)	Externally Imposed by State Statute	Restricted
SR	SR	Fire District (2111 - 2139)	Charges for Services	ORC Sections 505.371 & 505.375 - separate fund - rate set by fire district board	Externally imposed by State Statute	Restricted
SR	SR	Road District (2141 -2169)	Property Taxes	ORC Section 5573.211	Externally Imposed by State Statute	Restricted
SR	SR	Park Levy (2171 - 2179)	Property Taxes--inside millage	ORC Section 511.27	Internally Imposed by Trustees	Committed
SR	SR	Park Levy (2171 - 2179)	Property Taxes	ORC Section 5705.19 (H)	Externally Imposed by State Statute	Restricted
SR	SR	Special Levy (2191 -2219)	Property Taxes	ORC Sections 5705.19, 505.46 & .47	Externally imposed by voters	Restricted
SR	SR	Drug Law Enforcement (2221)	Fines and Forfeitures	ORC Section 2925.03, Technical Bulletin 86-16	Externally imposed by State Statute	Restricted
SR	SR	Permissive Motor Vehicle License (2231)	Intergovernmental		Externally imposed by State Statute	Restricted
			- Permissive MVL	ORC Chapter 4504	Externally imposed by State Statute	Restricted
SR	SR	Permissive Sales Tax (2241)	Hotel/Motel Tax - 50% for convention and visitors' bureau	ORC Section 5739.09(B)	Externally imposed by State Statute	Restricted
SR	SR	Federal Law Enforcement (2251)	Fines and Forfeitures	AOS Bulletin 88-18	Externally imposed by State Statute	Restricted
SR	SR	Law Enforcement Trust (2261)	Fines and Forfeitures	ORC Section 2981.13 (C)(1)	Externally imposed by State Statute	Restricted
SR	SR	Enforcement and Education (2271)	Fines and Forfeitures	AOS Bulletin 90-28	Externally imposed by State Statute	Restricted
SR	SR	Fire and Rescue, Ambulance and Emergency Medical Services (2281 - 2289)	Charges for Services	ORC Section 505.84 - separate fund - rate set by township trustees	Externally imposed by State Statute	Restricted
SR	SR	Service Assessments (2401 - 2599)	Special Assessments	ORC Section 515.11 - lighting	Externally imposed by State Statute	Restricted
SR	SR	Miscellaneous Special Revenue (2901 - 2999)	TBD by township	TBD by township	TBD by township	TBD by township
DS	DS	General Retirement Fund (2101 - 3199)	Property Taxes	ORC Sections 5705.19; 133.10 & 133.25	Externally imposed by State Statutes	Restricted
			Transfers +	Transfers from General Fund		Assigned
DS	DS	Special Assessment Bond Retirement (3301 -3399)	Special Assessments	ORC Sections 133.17 & 6115.50	Externally imposed by State Statutes	Restricted

**Townships
Explanatory Notes**

The chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

+ GASB 54 Fund Classification

The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

+ Foundation Revenue/Inflow

Transfers and debt proceeds represent an inflow not a revenue.

Libraries						
GASB 54 Fund Balance Classification Analysis						
GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General	Various sources	None	None	Unassigned
General	General	Unclaimed Monies Fund	Various unclaimed funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
SR	SR	Miscellaneous Special Revenue	Intergovernmental - Grants	Federal/State Grantors	Externally Imposed by Grantor	Restricted
DS	DS	General Retirement Fund	TBD by Library	TBD by Library	TBD by Library	TBD by Library
CP	CP	Capital Projects	TBD by Library	TBD by Library	TBD by Library	TBD by Library
CP	CP	Building and Repair Fund	TBD by Library	TBD by Library	TBD by Library	TBD by Library
Perm +	Perm	Permanent	Donations-Corpus can't be spent	ORC Section 5705.09(F)	Externally imposed by donor	Nonspendable
Perm +	Perm	Permanent	Earnings on corpus	ORC Section 5705.09(F)	Externally imposed by donor	Restricted

**Libraries
Explanatory Notes**

The chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

+ GASB 54 Fund Classification

The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

+ Foundation Revenue/Inflow

Transfers and debt proceeds represent an inflow not a revenue.

MAS BULLETIN

THOMAS E. FERGUSON

AUDITOR OF STATE

MANAGEMENT ADVISORY SERVICES

P.O. Box 1140 - Columbus, Ohio - 43266-1140 (614) 466-4717 or 1-800-345-2519

MAS8616.BUL

MAS BULLETIN 86-16

MAS NO. 86-16
DATE 9/22/86
PAGE 1 of 2

TO: ALL CLERKS OF COURTS
ALL COUNTY AUDITORS
ALL COUNTY SHERIFFS
ALL CITY AUDITORS
ALL TOWNSHIP CLERKS
ALL VILLAGE CLERKS

SUBJECT: Amended Senate Bill No. 67, Revised Code Section 2925.03,
Effective August 29, 1986 (Drug Law Enforcement Fund)

The purpose of this advisory bulletin is to inform you that any fines collected under this section of the Revised Code "shall be paid to the law enforcement agencies in this state that were primarily responsible for or involved in making the arrest of, and in prosecuting, the offender. The mandatory fines shall be used to subsidize each agency's law enforcement efforts that pertain to drug offenses. Any additional fine imposed pursuant to division (I) of this section shall be disbursed as otherwise provided by law. (K) If a person is charged with any violation of this section and posts bail pursuant to sections 2937.22 to 2937.46 of the Revised Code or criminal rule 46, and if the person forfeits the bail, the forfeited bail shall be paid pursuant to division (J) of this section."

The presiding court should make the determination as to which law enforcement agencies shall participate in the distribution and how much each agency should receive.

The court collecting the bail and/or fine should collect and account for the fines under this section of the Revised Code in a manner similar to that of other fines.

Upon distribution (from the court), the law enforcement agency (except any state agency) should deposit the distribution received in the manner provided by law. The distribution should be deposited to the credit of a special revenue fund to be established as follows:

MAS NO. 86-16

Page Two

Amended Senate Bill No. 67 (Drug Law Enforcement Fund)

For all Ohio local governmental entities, the fund shall be known as the "Drug Law Enforcement Fund"; and,

for counties, shall be coded as "B-01"; and,

for townships, shall be coded as "22" in the fund structure;
and,

for villages, shall be coded as "B-8"; and,

any other local governmental entity participating in a distribution under this section should contact the Auditor of State's Management Advisory Services Division for fund code assignments.

This fund does require permission of the Auditor of State for establishment.

The Drug Law Enforcement Fund shall be appropriated in the manner provided by law.

Lastly, the fund shall be established by resolution or ordinance or the legislative body of the local governmental entity.

If you have any questions, you may contact the Auditor of State's Management Advisory Services at ~~1-800-282-0370~~ 1-800-345-2519 or (614) 466-4717.

MANAGEMENT ADVISORY SERVICES
AUDITOR OF STATE - STATE OF OHIO

Russell L. Rouch, Deputy Auditor

THOMAS E. FERGUSON

AUDITOR OF STATE

MANAGEMENT ADVISORY SERVICES

P.O. Box 1140 - Columbus, Ohio - 43266-1140 (614) 466-4717 or 1-800-345-2519

MAS8818.BUL

MAS BULLETIN 88-18

MAS NO. 88-18
DATE 6-22-88
PAGE 1 of 1

TO: CITY AUDITORS
COUNTY AUDITORS
TOWNSHIP CLERKS
VILLAGE CLERKS

The purpose of this advisory bulletin is to inform you of the correct fund to use for those proceeds which are received from Federal law enforcement agencies and which belong to the local government because of its participation (with the Federal agencies) in an arrest and seizure.

These proceeds are restricted and should be used only for law enforcement purposes.

City, county and village fiscal officers should receipt these proceeds into the Law Enforcement Trust Fund created by section 2933.43 of the Revised Code.

Townships clerks whose law enforcement agency has received such proceeds should establish a "Federal Law Enforcement Fund", fund code 25, for these proceeds. This fund is to be classified as a special revenue fund. This fund does not require any further Auditor of State approval for establishment.

These proceeds are to be used only for the purposes as stated in section 2933.43 of the Revised Code for the Law Enforcement Trust Fund.

If you have any questions, you may contact the Auditor of State's Management Advisory Services staff at 1-800-345-2519 or (614) 466-4717.

MANAGEMENT ADVISORY SERVICES DIVISION
STATE OF OHIO ----- AUDITOR OF STATE

Russell L. Rouch, Deputy State Auditor

THOMAS E. FERGUSON

AUDITOR OF STATE

MANAGEMENT ADVISORY SERVICES

P.O. Box 1140 - Columbus, Ohio - 43266-1140 (614) 466-4717 or 1-800-345-2519

MAS NO. 90-25
DATE 7-21-90
PAGE 1 of 2

TO: All Municipal court Clerks
All Municipal Finance Officers
All City Auditors
All Common Pleas Court Clerks
All County Court Clerks
All County Law Libraries
All County Auditors
All Mayor's Courts
All Township Clerks

SUBJECT: OMVI Legislative Changes, Substitute House Bill Number 837.
Effective 7-25-90.

DATE: July 19, 1990

The purpose of this advisory bulletin is to inform you of the passage of legislation that changes in part, the accounting treatment of OMVI related fine money.

Instead of the 50% part of the fines (under 4507.99 of the Revised Code) going to the Indigent Drivers Alcohol Treatment Account, this part of the fines will now be deposited in the Indigent Drivers Alcohol Treatment Fund, (a special revenue fund), (division 4511.191 (M) of the Revised Code), to be established by the county or municipal corporation in which there is a municipal court. No additional authorization from the Auditor of State is necessary for the Fund's establishment; only a resolution of the legislative authority is needed.

Each legislative authority receiving part of the fine imposed under division 4511.99 (A) of the Revised Code should establish an Enforcement and Education Fund, (a special revenue fund). This Fund should be used by the law enforcement agency to pay only those costs it incurs in enforcing Section 4511.19 of the Revised Code or a substantially similar municipal ordinance and in educating the public of laws governing operation of a motor vehicle while under the influence of alcohol, the dangers of operation of a motor vehicle while under the influence of alcohol, and other information relating to the operation of a motor vehicle and the consumption of alcoholic beverages. No additional Auditor of State permission is necessary for fund establishment; only a resolution of the legislative authority is needed.

All Municipal Court Clerks, etc.

Page 2

July 19. 1990

Also a part of the fine money is to be paid to the political subdivision responsible for housing the offender during his term of incarceration. This share of the fine should be used by the political subdivisions to pay or reimburse incarceration costs and should be paid to the fund that pays the cost of incarceration.

The following funds and fund codes may be established by the political subdivisions:

Counties

Indigent Drivers Alcohol Treatment Fund - B-15

Enforcement and Education Fund - B-16

Cities and Villages

Indigent Drivers Alcohol Treatment Fund - B-12 or 212

Enforcement and Education Fund - B-13 or 213

Townships

Enforcement and Education Fund 33

If you have any questions, you may contact the Auditor of State's Management Advisory Services staff at 1-800-345-2519 or (614) 466-4717.

Russell L. Rouch,
Deputy State Auditor

RLR/jr

* * CAUTION * *
* * REMEMBER * *

* * * *The OHIO Revised Code Section(s) included with, or referenced by this MAS BULLETIN May Have Been CHANGED, and Thus May Be OUTDATED.*
* * * *PRIOR to taking any action, CONSULT AN UP-TO-DATE CURRENT LEGISLATIVE SERVICE To Ensure Compliance With The OHIO REVISED CODE. * **
**CONSULT YOUR LEGAL COUNSEL.* * **

THOMAS E. FERGUSON

AUDITOR OF STATE

MANAGEMENT ADVISORY SERVICES

P.O. Box 1140 - Columbus, Ohio - 43266-1140 (614) 466-4717 or 1-800-345-2519

MAS NO. 90-26
DATE 8-6-90
PAGE 1 of 3

TO: City Auditors
County Auditors
Township Clerks
Village Clerks

SUBJECT: Recently enacted legislation pertaining to Law Enforcement
Agencies and Accounting.

DATE: July 13, 1990

The purpose of this advisory bulletin is to inform you of the provisions of recently enacted legislation which affects your law enforcement agency(ies).

Law Enforcement Trust Fund
Drug Law Enforcement Fund

Amended Substitute House Bill No. 215, effective 4-11-90 contains the following new provisions:

Section 2923.32 (B) (6) of the Revised Code. The provision here is for the law enforcement agency that seized property to maintain an accurate record of the property and not identify the officer who seized the property. The information record of the item seized is a matter of public record.

A cumulative report is to be maintained and sent to the Attorney General no later than March 1 of the following year.

Section 2923.35 (A) of the Revised Code. This section provides for the court to maintain an accurate record of actions taken with respect to the property ordered forfeited, or the fine, or civil penalty. The record is a public record.

Section 2923.35 (C) of the Revised Code. This section provides that the prosecuting attorney, for each item he orders forfeited, shall maintain an accurate record which is a public record; and shall report annually on the items forfeited to the Attorney General.

Section 2923.35 (D) of the Revised Code. This section provides that no money shall be allocated to a county sheriff, prosecuting attorney, or municipal police department unless there is an adopted written internal control policy that addresses the use of moneys received from the fund.

City Auditors, County Auditors, Township Clerks, Village Clerks

Page 2

July 13, 1990

Each sheriff, prosecuting attorney, or municipal police department that receives money from a Law Enforcement Trust Fund shall prepare a report covering the calendar year that cumulates all of the information contained in all of the public financial records kept by him.

Sections 2933.41 and 2933.43 of the Revised Code. These sections deal with property which is seized in accordance with Section 2933.43 of the Revised Code.

Written internal control policies must be adopted, and annual reports submitted as previously discussed in this bulletin.

Sections 3719.11, 3719.14 and 3719.141 of the Revised Code deal with controlled substances.

Section 3719.11 of the Revised Code is amended to permit the agency served by the peace officer who obtained or took custody of the controlled substances to destroy the substances or to send them to the Bureau of Criminal Identification and Investigation for destruction.

Sections 3719.14 and 3719.141 of the Revised Code permits a "peace officer" to sell a controlled substance in the performance of his official duties only as provided in Section 3719.141 of the Revised Code; which mandates (in part) that detailed financial records of receipts and expenditures be kept; and written internal control policies governing such a sale be adopted.

Substitute House Bill No. 261, effective 7-18-90 contains the following new provisions:

Townships and township law enforcement agencies have been included with those that may receive proceeds from property forfeited under the corrupt activity law, mandatory drug trafficking fines, and the proceeds from the disposal of seized contraband.

Township law enforcement agencies that receive proceeds of such forfeited property or contraband are required to adopt internal control procedures, to keep public records, and to report to the Attorney General regarding the expenditure of such proceeds. (Sections 2923.35, 2925.03, and 2933.43 of the Revised Code.)

City Auditors, County Auditors, Township Clerks, Village Clerks
Page 3
July 13, 1990

The required internal control policies should be adopted by resolution of the legislative authority.

On or after 7-18-90, townships may establish a Law Enforcement Trust Fund, fund code 32. The Law Enforcement Trust Fund is to be classified as a special revenue fund, governmental fund type for accounting and financial reporting purposes. No additional Auditor of State permission is needed for the Fund's establishment; only a resolution passed by the Trustees is necessary.

If you have any questions, you may contact the Auditor of State's Management Advisory Services staff at 1-800-345-2519 or (614) 466-4717.

Russell L. Rouch, Deputy State Auditor

RLR/jr

* * CAUTION * *

* * REMEMBER * *

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** * * PRIOR to taking any action, CONSULT AN UP-TO-DATE CURRENT LEGISLATIVE SERVICE To Ensure Compliance With The OHIO REVISED CODE. * **
**CONSULT YOUR LEGAL COUNSEL.* * **

MAS NO. 90-28
DATE 8-21-90
PAGE 1 of 2

THOMAS E. FERGUSON

AUDITOR OF STATE

MANAGEMENT ADVISORY SERVICES

P.O. Box 1140 - Columbus, Ohio - 43266-1140 (614) 466-4717 or 1-800-345-2519

TO: All Township Clerks

DATE: August 15, 1990

SUBJECT: Law Enforcement Trust Fund and Enforcement and Education Fund

This advisory bulletin is being issued to inform you of the addition of two new funds, the Law Enforcement Trust Fund (#32) and Enforcement and Education Fund (#33).

The Law Enforcement Trust Fund is a Special Revenue type fund which may need to be established to comply with the provisions of Substitute House Bill No. 261. The fund shall be used to account for the proceeds from property forfeited under the corrupt activity law, and the proceeds from the disposal of seized contraband.

The receipt accounts for Fund 32 shall be:

<u>CODE</u>	<u>RECEIPT ACCOUNT</u>
32-A	Proceeds from the Sale of Property Forfeited Under the Corrupt Activity Law, and Disposal of Seized Contraband.
32-B	Donations
32-C	Other
32-D	Transfers-In
32-E	Advances-In

The appropriation accounts for Fund 32 shall be:

<u>CODE</u>	<u>APPROPRIATION ACCOUNT</u>
32-A-1	Salaries and Wages
32-A-2	Employer's Retirement Contribution
32-A-3	Workers' Compensation
32-A-4	Unemployment Compensation
32-A-5	Tools and Equipment
32-A-6	Supplies and Materials
32-A-7	Contracts
32-A-8	Equipment and Machinery
32-A-9	Buildings
32-A-10	Other Expenses
32-A-11	Transfers-Out
32-A-12	Advances-Out

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August 15, 1990
Page 2

The Enforcement and Education Fund is a Special Revenue type fund which may need to be established to comply with the provisions of OMVI Legislative Changes, Substitute House Bill No. 837 (effective 07-25-90).

The receipt accounts for Fund 33 shall be:

<u>CODE</u>	<u>RECEIPT ACCOUNT</u>
33-A	Fines
33-B	Donations
33-C	Other
33-D	Transfers-In
33-E	Advances-In

The appropriation accounts for Fund 33 shall be:

<u>CODE</u>	<u>APPROPRIATION ACCOUNT</u>
33-A-1	Salaries and Wages
33-A-2	Employer's Retirement Contribution
33-A-3	Workers' Compensation
33-A-4	Unemployment Compensation
33-A-5	Tools and Equipment
33-A-6	Supplies and Materials
33-A-7	Contracts
33-A-8	Equipment and Machinery
33-A-9	Buildings
33-A-10	Other Expenses
33-A-11	Transfers-Out
33-A-12	Advances-Out

Russell L. Rouch
Deputy Auditor
Management Advisory Service

RLR/jr

THOMAS E. FERGUSON

AUDITOR OF STATE

MANAGEMENT ADVISORY SERVICES

P.O. Box 1140 - Columbus, Ohio - 43266-1140 (614) 466-4717 or 1-800-345-2519

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MAS BULLETIN 88-16

MAS NO. 88-16
DATE 5-16-88
PAGE 1 of 4

TO: City Auditors/Finance Director
County Auditors
Township Clerks
Village Clerks
Assistant Auditors of State

SUBJECT: New Permissive Motor Vehicle License Taxes

The purpose of this advisory bulletin is to inform you of the accounting treatment for the above mentioned taxes.

MUNICIPAL CORPORATIONS

A. MUNICIPAL MOTOR VEHICLE LICENSE TAX(ES)

Any municipal corporation levying a motor vehicle license tax under section(s) 4504.17, 4504.171, or 4504.172 of the Revised Code should establish a Municipal Motor Vehicle License Tax Fund (code B9 for villages).

Those municipal corporations levying more than one municipal motor vehicle license tax under sections 4504.17, 4504.171, or 4504.172 of the Revised Code, should receipt the proceeds from each tax into the Municipal Motor Vehicle License Tax Fund. This fund is a special revenue fund, and is a governmental fund type.

The activity codes and descriptions for the new Municipal Motor Vehicle License Tax Fund are:

B10- MOTOR VEHICLE LICENSE TAX FUND

B10-6-A	ENFORCEMENT AND ADMINISTRATION	Costs incurred for enforcing and administering the motor vehicle license tax(es) levied pursuant to sections 4504.17, 4504.171, or 4504.172 of the Revised Code.
B10-6-B	PUBLIC ROADS, HIGHWAYS AND STREETS	Costs incurred for planning, constructing, improving, maintaining and repairing public roads, highways and streets.

B10-6-C	BRIDGES AND VIADUCTS	Costs incurred for maintaining and repairing bridges and viaducts
B10-6-D	DEPARTMENT OF TRANSPORTATION	Costs incurred for projects with the Department of Transportation.
B10-6-E	CROSSING SIGNALS	Costs incurred for crossing signals as apportioned to the municipal corporation pursuant to law.
B10-6-F	DEBT SERVICE	Costs incurred for debt service charges on notes or bonds issued for related authorized purposes.
B10-6-G	SIGNS, MARKERS, LIGHTS AND SIGNALS	Costs incurred for traffic control and safety related purposes.
B10-6-X	OTHER	Costs incurred for authorized purposes not listed in B9-6-A to B9-6-G above.

The receipt account codes and descriptions are:

115	OTHER LOCALLY LEVIED TAXES	All other local tax revenue received from the enactment of local taxes.
143	INTERGOVERNMENTAL REVENUE-COUNTY	Proceeds received from county levied taxes pursuant to section 4504.15 or 4504.16 of the Revised Code.
182	INTEREST	Includes all interest earned on investments of the fund.
184	OTHER	Includes all revenue received and not included elsewhere for this fund.

B. MUNICIPAL CORPORATIONS RECEIVING MOTOR VEHICLE LICENSE TAX PROCEEDS FROM COUNTY LEVIES

Municipal corporations receiving proceeds from a county which has levied a motor vehicle license tax under section 4504.15 of the Revised Code should receipt the proceeds into the new Municipal Motor Vehicle License Tax Fund, using receipt code 143, Other.

Municipal corporations receiving proceeds from a county which has levied a motor vehicle license tax under section 4504.02 of the Revised Code (the "old" tax), should continue to receipt the proceeds into the Street Maintenance, Construction, and Repair Fund.

Legal Counsel should be consulted if there is any question as to whether the "county map", as mandated in section 4504.03 of the Revised Code, is necessary.

TOWNSHIPS

TOWNSHIP MOTOR VEHICLE LICENSE TAX FUND RECEIPTS

For the Township Motor Vehicle License Tax fund, established by Management Advisory Services bulletin 88-14, the following Receipts Accounts are to be used:

- 23-A Motor vehicle license tax proceeds from the township levied motor vehicle license tax (section 4504.18 of the Revised Code)
- 23-B Interest earnings
- 23-C County distribution (for proceeds received from county taxes levied under section 4504.15 or 4504.16 of the Revised Code)
- 23-D Other Receipts

COUNTIES

ADDITIONAL COUNTY MOTOR VEHICLE LICENSE TAXES AND FUNDS

Counties should establish a separate agency fund for the proceeds from the motor vehicle license tax levied under section 4504.15 of the Revised Code and a separate agency fund for the proceeds from the motor vehicle license tax levied under section 4504.16 of the Revised Code.

For motor vehicle license tax proceeds received by a county under section 4504.15 of the Revised Code, counties should establish a Motor Vehicle License Tax Fund - 4504.15, fund code AG-15. Distributions from this fund will be for/to the following:

1. Enforcement and administration of the tax
2. Municipal corporations
3. Townships
4. The county's Motor Vehicle Gasoline Tax Fund

For motor vehicle license tax proceeds received by a county under section 4504.16 of the Revised Code, counties should establish a Motor Vehicle License Tax Fund - 4504.16, fund code AG-16. Distributions from this fund will be for/to the following:

1. Enforcement and administration of the tax
2. Townships
3. The county's Motor Vehicle Gasoline Tax Fund

OTHER

INTEREST EARNINGS

Counties, municipal corporations, and townships having interest earnings on the principals invested from a motor vehicle license tax fund should credit the interest earnings to the fund and not to the General Fund

9 1/2% - 7 1/2% SPLIT OF MOTOR VEHICLE LICENSE TAX PROCEEDS - DOES NOT APPLY

Proceeds received from any county motor vehicle license tax, any township motor vehicle license tax or any municipal motor vehicle license tax should not have 7 1/2% going to the Highway Fund. If you have any questions, you may contact the Auditor of State's Management Advisory Services staff at 1-800-345-2519 or (614) 466-4717.

MANAGEMENT ADVISORY SERVICES DIVISION
STATE OF OHIO ----- AUDITOR OF STATE

Russell L. Rouch, Deputy State Auditor

AUDITOR OF STATE BULLETIN 99-006
APRIL 6, 1999

TO: Fiscal Officer of All Subdivisions
All Independent Public Accountants

SUBJECT: Requests for New Funds

The Auditor of State receives numerous requests to establish new funds under the provisions of Ohio Rev. Code §5705.12 which states:

In addition to the funds provided for by sections 5705.09, 5705.121, 5705.13, and 5705.131 of the Revised Code, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds. The auditor of state shall consult with the tax commissioner before approving such funds.

The purpose of this Bulletin is to identify when a request under this code section is required and when a local government may create a new fund without the Auditor of State's approval.

When Requests are Unnecessary

Approval to establish a new fund is unnecessary when the creation of the desired fund is already authorized or required by statute. Whenever the creation of a fund is authorized or required by statute, either specifically by name, or in general, a separate letter requesting permission to establish the fund is not required.

Examples of specific statutory requirements are found in Ohio Rev. Code §3313.81, which requires that school districts establish food service funds, and in Ohio Rev. Code §5747.50, which requires that each county establish an undivided local government fund. Similar statutory provisions requiring the creation of a specific fund are scattered throughout the Revised Code.

General statutory requirements for the creation of funds are found in Ohio Rev. Code §5705.09. This code section states:

Each subdivision shall establish the following funds:

(A) General fund;

(B) Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;

- (C) Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- (D) A special fund for each special levy;
- (E) A special bond fund for each bond issue;
- (F) A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- (G) A special fund for each public utility operated by a subdivision;
- (H) A trust fund for any amount received by a subdivision in trust.

Based on this statute, it is unnecessary to continue to request permission from the Auditor of State to establish a new fund when the purpose of the fund will be to record and expend the proceeds of debt, to account for a new grant whose use is restricted to a particular purpose or to account for money received in trust.

When Requests are Necessary

It is necessary to continue to submit requests to the Auditor of State when the creation of the fund is not specifically authorized by statute or when the purpose of the fund is not identified in Ohio Rev. Code §5705.09 (A) - (H). Situations in which it would be appropriate to continue to submit requests include: 1) when management wishes to create a new fund in order to capture additional financial information about a specific source of revenue or a specific activity; 2) when the fund will be used to account for restricted gifts or bequests that will not be held in trust; and 3) when management wants to impose internal restrictions on the use of otherwise unrestricted resources

Management often asks to create a new fund to determine how much revenue a specific source generates or how money from a specific source is being spent. In circumstances where the desired financial information can be obtained by creating additional accounts within an existing fund, the creation of a separate fund is generally considered unnecessary. An exception to this policy is made for requests for the creation of proprietary funds.

Proprietary funds are intended to account for activities that are similar to businesses. The activity is at least partially financed by charges for services or goods. Rates are usually set by the legislative authority, and the desire is to maintain accounting records which can demonstrate the extent that charges cover the costs of providing the goods or services. This is accomplished by tracking all revenues and the related expenses of an activity within a single fund. Requests for the creation of a proprietary fund are usually granted.

Sending a request to establish a new fund is still appropriate when the fund will be used to

account for restricted gifts or bequests not held in trust. The creation of a trust fund is not necessary to account for restricted gifts or donations; this money may be accounted for in a special revenue fund or, if restricted to the acquisition of fixed assets, in a capital projects fund. A trust fund is recommended only when there is a formal trust agreement with the donor. Requests to account for restricted gifts and donations are routinely granted based on the need to demonstrate compliance with donor restrictions.

Letters frequently request permission for a new fund based on management's wish to place internal restrictions on the use of otherwise unrestricted resources. These types of requests are generally not approved. It is the policy of the Auditor of State to refuse requests when approval would result in giving readers of financial statements the false impression that the use of the resources in the fund is restricted. The General Assembly has begun authorizing the creation of funds using unrestricted resources in certain specific circumstances. For example, H.B. 426 allows subdivisions to create funds for the payment of compensated absences and for the acquisition of fixed assets. The Auditor of State does not feel it is appropriate to extend this ability into areas where the legislature has not acted.

When responding to requests to establish new funds, the Auditor of State applies two basic guidelines. Separate funds are justified 1) when they will provide management with additional relevant financial information which is not obtainable using the current fund structure; and 2) when necessary to demonstrate compliance with legal or contractual restrictions.

When the purpose of a fund created under the provisions of Ohio Rev. Code §5705.12 has been fulfilled, the unexpended balance may be transferred to the general fund or to the bond retirement fund, but only after the payment of all obligations incurred and payable from the fund. (See Ohio Rev. Code §5705.14) Management may not simply modify or alter the purpose of the fund; that, in effect, creates a new fund and would require a second approval from the Auditor of State.

To request the creation of a new fund, complete the attached form. Send the form and a copy of the resolution or ordinance of the legislative authority authorizing the fund to:

Auditor of State's Office
Local Government Services Division
88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

The request can be deemed approved if you do not receive a letter disapproving the request from the Auditor of State's local government services division within 30 days from the date of submission.

Questions concerning this bulletin should be addressed to the Local Government Services Division of the State Auditors Office at (800) 345-2519.

AUDITOR OF STATE
REQUEST FOR FUND APPROVAL

Entity: _____

Fiscal Officer: _____

Phone No.: _____

Request Date: _____

Fund Requested: _____

Purpose of Fund: _____

Sources of Revenues: _____

Anticipated Expenditures: _____
(Types)

NOTE: Please attach a copy of the resolution requesting approval to establish the fund.

**AUDITOR OF STATE BULLETIN 2000-008
MAY 2, 2000**

TO: ALL COUNTY AUDITORS
ALL CITY AUDITORS, FINANCE DIRECTORS & TREASURERS
ALL VILLAGE FISCAL OFFICERS
ALL SCHOOL DISTRICT TREASURERS
ALL EDUCATIONAL SERVICE CENTER TREASURERS
ALL TOWNSHIP CLERKS
ALL LIBRARY CLERKS/TREASURERS
ALL JOINT FIRE DISTRICT FISCAL OFFICERS
ALL FIRE AND AMBULANCE DISTRICT FISCAL OFFICERS
ALL JOINT RECREATION DISTRICT FISCAL OFFICERS
ALL PARK DISTRICTS
ALL JOINT ADAMH FISCAL OFFICERS
ALL UNION CEMETERY DISTRICT FISCAL OFFICERS
ALL PORT AUTHORITY FISCAL OFFICERS
ALL AIRPORT AUTHORITY FISCAL OFFICERS
ALL WATER AND SEWER DISTRICT FISCAL OFFICERS
ALL TOWNSHIP WASTE DISPOSAL DISTRICT FISCAL OFFICERS
ALL INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: ACCOUNTING FOR CASH BASIS LOCAL GOVERNMENTS' PARTICIPATION
IN ON-BEHALF-OF GRANTS OR IMPROVEMENT PROJECTS¹

Many local governments are the beneficiaries of programs commonly carried out or administered by other local governments or the State. Many of these grant programs or capital improvement projects (hereafter referred to as "program") are administered such that the benefitting governments do not receive cash or make disbursements as part of the program (for example, certain Issue II or CDBG programs). This bulletin describes the proper accounting treatment for these "on-behalf-of" programs.

Cash Accounting

When a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

This accounting treatment should only be applied when a local government or its residents are the recipients of benefits as evidenced by an agreement or an approved program application (This might include a consortium application where a group of local governments enter into an agreement as a consortium and the consortium is not a legally separate entity.²) A local government should not record any program transactions if the government has not entered into an agreement or has not been approved for program participation as a result of its request for participation. That is, transactions should not be recorded if the local government benefits solely as a consequence of a program carried out or

¹ Though this Bulletin is intended primarily for cash basis local governments, local governments reporting under Generally Accepted Accounting Principles may find this guidance helpful when considering the application of Statement No. 24 of the Governmental Accounting Standards Board.

² For purposes of this Bulletin, the consortium fiscal agent may use any reasonable method to allocate receipt and disbursement activity of the consortium among consortium participants. However, be aware that a particular grant may provide specific allocations among consortium participants in which case those allocations should be used.

administered by another party.

For example, suppose the Ohio Department of Transportation administers a program which widens and repaves a five-mile section of state highway located within the Village of XYZ's boundaries. The Village has not applied for funding or entered into an agreement related to the project³. However, the improvements benefit the Village by providing increased access for tourists. In this case the Village would not record any receipts or disbursements related to the project.

Suppose, however, that the Village submits an application to XYZ County for participation in the County's CDBG-funded annual improvement project. The County approves the Village's application for a sidewalk replacement project, and the County advertises for bids, awards the contracts, and pays the vendors directly. In this case, even though the Village did not receive any payment or make any disbursements related to the project, the Village should record receipts and disbursements for the amount of the project payments made on-behalf-of the Village.

Note: When a local government makes on-behalf-of program disbursements for the benefit of another local government, the Auditor of State recommends that the disbursements be recorded as intergovernmental. This treatment prevents two governments from reporting operating or capital disbursements for the same grant. Also, GASB Statement No. 24 provides guidance regarding the fund type to be used when a government receives financial assistance to spend on-behalf-of a secondary recipient. In general, a government receiving such assistance should record the related receipts and disbursements in a governmental fund (though a proprietary or trust fund might also be appropriate). However, if the government has no administrative responsibility the financial activity should be recorded in an agency fund (This would be infrequent.)

Budgetary Accounting (for entities subject to Ohio Revised Code Chapter 5705)

The legislative authority should approve, by resolution, the grant or project application and must establish any fund(s) necessary to meet the grant or project objectives. Auditor of State permission for fund establishment is not necessary, although it may be necessary to obtain a fund number from the Auditor of State if one has not been previously assigned.

Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year. Any on-behalf-of payments expected to be made in the next year should be reflected on the next year's certificate⁴.

The fiscal officer shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code § 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

If the grant or project will be expended over a period longer than the current fiscal year, only the amount expected to be obligated during the current fiscal year should be recorded as appropriated. The remainder of the project should be appropriated in the subsequent year(s)⁵.

³ Some local governments do participate in certain ODOT projects as part of a formal agreement, with matching requirements.

⁴ However, if the local government, with the exception of a school district, has budgeted on a project length basis pursuant to Ohio Rev. Code § 9.34(B), the fiscal officer must obtain an official certificate of estimated resources for the entire project length fiscal period. If the project length basis is used, the local government would appropriate the entire project amount.

⁵ See footnote 4.

Other Matters

Local governments participating in on-behalf-of programs should review program documents and/or contact the awarding entity to determine the estimated and actual on-behalf-of disbursements for the fiscal year. These amounts should be used, respectively, for the budgetary and cash accounting treatment described above.

For federally funded programs, application of this accounting treatment will generally be an indication that the local government is a subrecipient of federal financial assistance, however, each agreement must be evaluated individually. When a local government has not applied for funding or entered into an agreement, as discussed in the ODOT example above, it will generally not be considered a subrecipient of federal financial assistance. When determining whether or not the local government is a subrecipient of federal financial assistance, the guidance provided by Office of Management and Budget (OMB) Circular A-133 should be considered ⁶.

Township officials are compensated based on annual budgets. The application of this accounting treatment and the related budgetary accounting may alter the budget amounts on which officials' compensation is based (see Auditor of State Bulletin 99-008.)

If you have any questions regarding this matter, please contact your regional Auditor of State's Office.

⁶ OMB Circular A-133 section .205 (a) states in part, that the determination of when an award is expended should be based on when the activity related to the award occurs. This section further states, that generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and provisions of contracts or grant agreements. A-133 Section .105 defines *Subrecipient* as a non-Federal entity that expends federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A-133 Section .105 defines *Federal Financial Assistance* to include assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

Under these sections, a local government should generally be considered a subrecipient when it receives cash or non-cash assistance under a federal program for which the local government has significant administrative or compliance responsibility.



JIM PETRO
AUDITOR OF STATE
 STATE OF OHIO
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Date: May 28, 2002
 Bulletin 2002-004

AUDITOR OF STATE BULLETIN

TO: CITY AUDITORS
 COUNTY AUDITORS
 TOWNSHIP CLERKS
 VILLAGE CLERKS
 COUNTY ENGINEERS
 INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: PUBLIC WORKS COMMISSIONS INFRASTRUCTURE PROJECT
 ACCOUNTING (ISSUE 2 MONEY)

The purpose of this advisory bulletin is to inform you of the accounting treatment for infrastructure projects funded through the Ohio Public Works Commission (OPWC). This bulletin updates and combines the guidance provided in prior bulletins on State Issue 2 grants (MAS Bulletin 89-17) and the retainage on contracts (MAS Bulletin 89-11).

A - Establishment of Fund(s)

All local governments participating in Issue 2 Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund to account for both the Issue 2 monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund(s) because the authority exists under Section 5705.09 of the Ohio Revised Code. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received benefit from the project.

The appropriate fund numbers are:	County	Assigned by County
	City	Assigned by City
	Township	14
	Township UAN	4401-4499
	Village	D1
	Village UAN	4901-4499

B - Local Government Matching Requirement

The local governments matching requirement may be satisfied with note or bond proceeds, loans, other grants designated for the same purpose, monies available from other funds of the local government, or labor, materials and equipment that will be contributed to the project by the local government.

In a case where monies available from other funds (i.e., General Fund) will be used to meet matching requirements, the local government shall transfer these monies, providing statutory authority exists for the transfer of the monies, to the capital projects fund. If the authority does not exist for the transfer of monies to the capital projects fund, (i.e., gas



JIM PETRO
AUDITOR OF STATE
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Date: May 28, 2002
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tax, motor vehicle registration fees, street construction, road and bridge funds) then the local governments shall appropriate and expend its matching requirement directly from the other fund if lawfully permitted. It is the local government's responsibility to establish the appropriate account codes to segregate these expenditures from the other expenditures of the fund. Segregation of these expenditures is essential in demonstrating compliance with the matching requirement.

In a case where the local government has approval to contribute labor, materials and equipment, or engineering costs to meet matching requirements, all efforts should be made to record the costs in the project fund. This situation may require interfund billings.

C - Certificate of Estimated Resources and Appropriations

The local government shall include in its official or amended certificate of estimated resources the amount of Issue 2 monies anticipated to be received into the project fund during the fiscal year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year. If the project is not expected to be completed in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).

In situations when the grant or loan will be received after the expenditures have been incurred, it is possible that the local government will have appropriated an amount in one fiscal year that is in excess of the amount reflected as available on the amended certificate of estimated resources. This situation will not constitute a noncompliance citation during an audit. This approach is only acceptable when the eventual receipt of the resources to pay for the full amount of the contract is certain, such as when the money will be coming from the State or Federal government based on an approved grant.

D - Recording of Issue 2 Monies

The OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed by the OPWC.

E - Multi-Project Grants

In situations where one local government agrees to act as fiscal agent for a multi-project grant, the fiscal agent should establish an agency fund for the collection of participating subdivisions' matching shares, and the subsequent payments to the contractors, if the



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agreement between the subdivisions calls for the collection of matching shares. The project manager, chief fiscal officer and chief executive officer designated in the grant agreement are responsible for maintaining a complete set of records to account for the complete project, including notification to each participating subdivision of revenues and expenditures it should post to its own capital projects fund, and the basis of any proration used. In order to accomplish this, it will be necessary to obtain either engineer or contractor cooperation to determine which subdivision(s) benefit from each invoice, and the respective amounts.

F - Accounting for Project Receipts and Expenditures Accurately

Each local government participating in a multi-project grant (one grant awarded to a group of local governments) needs to be able to identify the project activity related to their own government. Unless this information is provided to the local government by the project manager, fiscal officer or other appropriate parties, the accounting records will not accurately reflect the local government's portion of the project. It will also be necessary for each participating local government to receive this information on a timely basis. Receiving information on a timely basis will enable the local government to record the activity in the proper accounting period and will facilitate the preparation of accurate financial reports.

G - Retainage Requirements

Section 153.13 of the Revised Code establishes that for contracts of \$15,000 or greater, the amount of the retainage is to be withheld from the first 50 percent of the payments made. When the invoice which would put the project at or over 50 percent completed is processed, the total contracted retainage amount which has been retained (8 percent from the first 50 percent of payments) should be placed in escrow (in a separate bank account or otherwise in conjunction with the provisions of Section 153.63 of the Revised Code).

Please note that in regard to the fund to be used, the capital projects fund can and should account for payments and continue to hold the retainage. There is no need for a separate fund. Rather, in the case of complying with Section 153.63 of the Revised Code, the emphasis should be in meeting the escrow requirements.

As an example, if we assume the capital projects fund is being used and a \$100,000 contract exists with a 4 percent retainage, (8 percent of the payments made up to the 50 percent point as described in Sections 153.12 and 153.14 of the Revised Code), one could track through the escrow as follows:



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Invoice Received and Payment Requested	Amount Paid	Amount Retained No Escrow	Amount in Escrow
#1 \$20,000	\$18,400	\$1,600	-0-
2 20,000	18,400	1,600	-0-
3* 20,000	19,200	-0-	\$4,000
4 20,000	20,000	-0-	4,000
5 20,000	20,000	-0-	4,000

* At the third payment, the 50 percent completed point was reached and the \$3,200 retained from the first 2 payments, plus the \$800 from the third payment was placed in escrow. Please note that the total retainage of \$4,000 was reached from the first 50 percent of the payments. At the 50 percent completed point, all retainage was placed in escrow.

Turning our attention to the fund involved, we find the following:

Invoice Received and Payment Requested	Fund Balance	Balance in Regular Bank Account	Balance in Escrow Account
Beginning Balance	\$100,000	\$100,000	-0-
#1 \$20,000	81,600	81,600	-0-
2 20,000	63,200	63,200	-0-
3** 20,000	44,000	40,000	\$4,000
4 20,000	24,000	20,000	4,000
5 20,000	4,000	-0-	4,000
Escrow is paid	-0-	-0-	-0-

** The 50 percent completed point is reached. The governmental entity should obtain a monthly bank statement or other monthly accounting of the escrowed money from the escrow agent to use as a reconciliation item in the monthly cash reconciliation.



Dave Yost • Auditor of State

Bulletin 2011-007

Auditor of State Bulletin

Date Issued: October 27, 2011

TO: Ohio Townships and Independent Public Accountants

FROM: Dave Yost
Ohio Auditor of State

SUBJECT: Ohio Revised Code §§ 505.24, 507.09

Recent legislative changes have altered the statutory landscape that governs township fiscal officer and trustee compensation. This bulletin explains the recent legislative changes and the impact of those changes on townships. Additionally, the bulletin details, and provides an example of, what is now required of township trustees and fiscal officers under the new law.

I. Summary of Township Trustee & Fiscal Officer Compensation Law

Ohio Revised Code § 505.24 provides townships the ability to compensate township trustees by one of two methods. The per diem method requires that the board of township trustees pass a resolution creating a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days.¹ The township, then, shall pay the trustee compensation from the township general fund or from other township funds in such proportions as the kinds of services performed may require.

The second method of compensation allows the township, by unanimous vote, to pay the township trustees an annual salary that may not exceed the maximum amount detailed in statute.² This annual salary is paid in equal monthly installments, and may be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Where a township seeks to compensate from funds other than the general fund, however, the township must be able to demonstrate that the expenditures from the fund are consistent with the purpose of the fund and in proportion to the amount of time spent in the service of such fund.³

Under previous law, this required townships to adopt administrative measures to ensure that the amount paid from each restricted fund was proportional to the amount of time spent in the service of such fund. In satisfying this requirement, each township trustee was required to document all time spent on township business and the type of service performed.⁴

¹ Ohio Revised Code § 505.24(C)

² Id.

³ OAG 2004-036, Ohio Revised Code § 5705.10(H)

⁴ OAG 2004-036 at 4

The Auditor of State interpreted, for the purposes of a financial audit, the documentation requirement referenced above to require the completion of daily task logs that detailed the percentage of time spent in the service of each type of fund.

Unlike the law governing the compensation of township trustees, the previous law detailing the compensation of township fiscal officers did not provide specific statutory authority to compensate township fiscal officers from funds other than the general fund. As such, the Auditor of State interpreted, for purposes of a financial audit, the law to require township fiscal officers to be paid from the general fund of the township.

II. Recent Legislative Changes

Recently enacted HB 153 has modified Ohio Revised Code §§ 505.24 and 507.09. Specifically, the Bill has modified Ohio Revised Code § 505.24 to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund.⁵

Additionally, HB 153 modified Ohio Revised Code § 507.09 to now include specific authority to compensate township fiscal officers from the general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund.⁶ Like the change made to Ohio Revised Code § 505.24, this statutory change also requires a township fiscal officer to document the amount of time spent providing services related to each fund by certification.

III. Certification

Each township trustee and township fiscal officer that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized.

The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. A sample certification is attached as an addendum to this bulletin.

If 100% of the compensation of the township trustee/fiscal officer is to be paid from the general fund, no certification is required.

IV. Other Township Employees

While the certification requirement only applies to township trustees and fiscal officers, documentation is still required where a township compensates other township employees from funds other than the general fund.

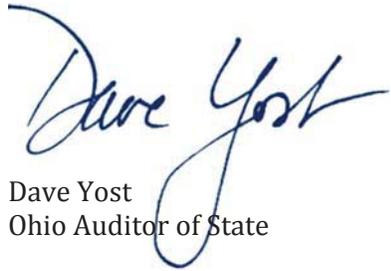
⁵ Ohio Revised Code §505.24(C)

⁶ Ohio Revised Code §507.09(C)

Ohio law provides, generally, that money paid into a fund shall only be used for the purposes of such fund.⁷ Additionally, many local government revenue sources, including gas and motor vehicle license taxes, are “restricted” in that they may only be used for certain specific purposes. As such, all expenditures from such “restricted” funds must be documented to show that it was an allowable expenditure from that fund.

Compensation is no exception. While it is often completely legitimate to pay township employees from “restricted” funds, the amount of such payment must be proportionate to the time that the employee spent working in the service of the “restricted” fund. The easiest way to accomplish this is to have the employee include, in his/her time sheet, a breakdown of the hours worked and the type of services performed. Again, if a township employee is compensated solely from the general fund, this documentation is not required.

Questions concerning this bulletin should be addressed to the Accounting & Auditing Support or Legal divisions of the State Auditor’s Office at (800) 282-0370.



Dave Yost
Ohio Auditor of State

⁷ Ohio Revised Code § 5705.10(H)

Payroll Certification

Pay period XX/XX/20XX – XX/XX/20XX

TRUSTEE NAME/FISCAL OFFICER

The following breakdown represents the amount of time I spent in the service of these funds during this pay period:

- 40% ----- Township General Fund
- 30% ----- Township Road and Bridge Fund
- 10% ----- Township EMS Fund
- 20% ----- Township Cemetery Fund

I certify that the above percentages are an accurate representation of my time spent working in the service of those funds.

NAME

DATE



Dave Yost • Auditor of State

Bulletin 2013-002

Auditor of State Bulletin

Date Issued: June 7, 2013

TO: Ohio Townships and Independent Public Accountants

FROM: Dave Yost, Ohio Auditor of State

SUBJECT: Allocation of Township Trustee and Fiscal Officer Salaries

Auditor of State Audit Bulletin 2011-007 summarized legislative changes governing township fiscal officer and trustee compensation. The Bulletin outlined the authority to compensate township trustees and fiscal officers from funds other than the general fund. These allocations are based on certification by each official of the percentage of time spent working on matters that are to be paid from funds other than the general fund (Ohio Revised Code 505.24(C) and 507.09(C) and 2004 Op. Atty. Gen. No. 2004-036).

In practice, some townships officials have been certifying 100 percent of their time to activities paid from restricted funds. However, township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

Townships allocating 100 percent of officials' salaries to restricted funds will be subject to audit findings. For audits of 2011-2012 periods, noncompliance will be addressed in a management letter comment. However, for 2012-2013 and subsequent audit periods, townships will need to make adjustments to properly allocate the officials' salaries for the entire period. Failure to make necessary allocation revisions could result in findings for adjustment that may serve to disqualify the township from lower-cost agreed upon procedure audits, result in qualified opinions, or otherwise increase audit costs.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Ohio Auditor of State

Bulletin 2009-011

Date Issued: October 30, 2009

TO: All Fiscal Officers
Independent Public Accountants

FROM: Mary Taylor, CPA
Ohio Auditor of State

SUBJECT: Allocating Audit Costs

The purpose of this bulletin is to advise local governments of the ability to charge funds other than the general fund for the cost of an audit.

The fiscal officer may distribute the cost to each fund audited in accordance with its percentage of the total cost. The fiscal officer should determine which funds should be charged a percentage of the audit costs. The Auditor of State is of the opinion that most operating funds of a local government, including utility funds (i.e., water, sewer, electric, refuse), special levy funds, funds that receive gas taxes, and motor vehicle registration fees can be charged a portion of the audit costs.

Other funds of a local government that may be charged a percentage of the audit costs include bond and grant funds. The ability to charge bond funds will depend on the allowable uses defined in the bond legislation. Trust and other funds that receive donations restricted to specific purposes will require analysis by the fiscal officer of the restrictions imposed by the donor and/or trust agreement to determine if any audit costs may be charged to those funds. Agency funds, because of their custodial nature, should not be charged for any share of the cost of an audit for the fiscal officer's role as the fiscal agent.

In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, excluding agency funds, would be acceptable. A local government's indirect cost allocation plan may also be an acceptable method for allocating audit costs.

For grant funds, the costs of audits are allowable if the audits were performed in accordance with the Single Audit Act, as implemented by Circular A-128, "Audits of State and Local Governments." [Note: In June 1997, OMB rescinded Circular A-128 and co-located all audit requirements in a re-titled Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."] Generally, the percentage of costs charged to Federal awards for a single audit shall not exceed the percentage derived by dividing Federal funds expended by total funds expended by the recipient or sub-recipient (including program matching funds) during the fiscal year. The percentage may be exceeded only if appropriate documentation demonstrates higher actual costs. Other audit costs are allowable if specifically approved by the awarding or cognizant agency as a direct cost to an award or included as an indirect cost in a cost allocation plan or rate.

If you have any questions regarding the information in this Bulletin, please contact the Local Government Services staff of the State Auditor's Office at (800) 345-2519.

Mary Taylor, CPA
Auditor of State