General fund Balance - $6,000

All purchase orders have been closed at year end

2020 Amended Certificate:

General Fund:

Beginning Unencumbered Cash	$6,000	
Property Taxes	$30,000	$55,000
Other	$25,000	
Total Available Resources	$61,000	

Example #1

2020 General Fund Appropriations **$61,000**

Calculation

2020 Current Estimated Resources	$55,000	
2020 General Fund Appropriations	$61,000	
Difference	($6,000)	to Assigned

December 31, 2019 General Fund Balance:

Assigned	$6,000
Unassigned	$0
Total General Fund Balance	$6,000

Example #2

2020 General Fund Appropriations **$52,000**

Calculation

2020 Current Estimated Resources	$55,000
2020 General Fund Appropriations	$52,000
Difference	$3,000

December 31, 2019 General Fund Balance:

Assigned	$0
Unassigned	$6,000
Total General Fund Balance	$6,000

General fund Balance - $6,000

All purchase orders have been closed at year end

2020 Amended Certificate:

General Fund:

Beginning Unencumbered Cash	$6,000	
Property Taxes	$30,000	$55,000
Other	$25,000	
Total Available Resources	$61,000	

Example #3

2020 General Fund Appropriations	**$57,000**

Calculation

2020 Current Estimated Resources	$55,000	
2020 General Fund Appropriations	$57,000	
Difference	($2,000)	to Assigned

December 31, 2019 General Fund Balance:

Assigned	$2,000
Unassigned	$4,000
Total General Fund Balance	$6,000

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

Do not classify funds holding restricted gifts as trust funds if the beneficiary is the government. If a trust agreement designates other parties as beneficiaries, then the fund ***should*** be classified as a trust fund. GASB 1300.108)

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~~

http://www.ohioauditor.gov/resources/AOSNotificatons.html

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~~.

http://www.ohioauditor.gov/contact.html

AUDITOR OF STATE
REQUEST FOR FUND APPROVAL

Replaced with the form available at:
http://www.ohioauditor.gov/resources/AOSNotificatons.html

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 98-013
DECEMBER 16, 1998

TO: All City Auditors, Finance Directors and Treasurers
All Village Clerks and Treasurers
All Township Clerks
All County Auditors
All IPAs

SUBJECT: Accounting for FEMA grants

This office has been receiving numerous questions about the proper accounting treatment for grants received from the Federal Emergency Management Agency. The following are some general guidelines for handling FEMA money:

A. When no work has been completed at the time a check is received, your entity must:

1) Place all funds into a special FEMA fund,

2) Pay bills directly from the FEMA fund keeping in mind that the FEMA fund pays the federal share of each Damage Survey Report (DSR), that is 75% (federal) of the 100% total. The remaining 25% state/local match of any bills may be paid out of the general fund or other non-federal fund that permits expenditures for this purpose. When the state share is received, the state money may be receipted directly into the fund(s) from which the original payment(s) were made. As an alternative, if you wish to keep all expenditures related to the project in one fund, money may be advanced to the FEMA fund and repaid when the state share is received. The Auditor of State recommends that all project expenditures be maintained in one fund.

B. When a portion or all of the work has been completed and paid for at the time the FEMA money is received, your entity must:

1) Place all funds into a special FEMA fund,

2) For work completed and paid for, reimburse the fund(s) used to pay for the goods and/or services (before the FEMA money was received). One way to repay the fund is to reduce the expenditure in the fund making the original payment and to record the expenditure in the FEMA fund. A second method is to have advanced money to the FEMA fund in anticipation of the receipt of the grant. Repay the advance once the FEMA money is received. A third approach is to transfer the FEMA money from the FEMA fund to the fund that made the original payments.

A final alternative to repay from the FEMA fund is to create a bill from the fund that

made the original payment to the FEMA fund. The bill should identify the invoices(s) that were previously paid and show the portion(s) that are being charged to the FEMA fund. This method is most useful when the original expenditures were made in one year and receipt of the FEMA money didn't occur until the following year.

3) For Townships and Villages on the UAN system, the system will permit any of these procedures. Please call ~~1-800-833-8261~~ for any information on how to properly handle these types of transactions on the UAN system.

https://uanlink.ohioauditor.gov/

Other governments that have questions about accounting or interfund transactions may call ~~1-800-345-2519~~.

https://ohioauditor.gov/local.html

4) For any work not completed at the time FEMA money is received, please follow the instruction(s) shown under A.

5) Again, please keep in mind that the Federal FEMA money is to pay 75% federal match with the remaining 25% being paid from the state/local matching funds.

Please note that it is not necessary to create a FEMA fund for each Damage Survey Report. You need only create this fund for the entire grant. Appropriate fund numbers are as follows:

Villages	Alpha-Numeric	Numeric
Special Revenue Fund	B5 or B16	2901-2999
Capital Projects Fund	D2	4901-4999
Townships	**Alpha-Numeric**	**Numeric**
Special Revenue Fund	14	2901-2999
Capital Projects Fund	14	4901-4999

Note: AOS no longer prescribes alpha-numeric fund codes for villages, but does not object to governments that might still use them.

Cities and counties receiving FEMA grants should establish separate funds within their chart of accounts.

No additional Auditor of State approval is necessary to establish the FEMA funds; only a resolution of the legislative authority is needed.

The classification of the fund as special revenue or capital projects will depend on the nature of the expenditures that will be made. If the expenditures are mostly for salaries or repairs, special revenue would be appropriate. If the expenditures are for replacing fixed assets, then classify the fund as capital projects. If expenditures will be a mixture of the two, select the fund type that reflects the majority of the expenditures.

For all FEMA money, the correct receipt code to use is one which identifies the money as coming from the federal government.

UAN villages will use receipt code 411 - Federal Restricted. Non-UAN villages will use receipt code

D-141 - Federal Receipts. UAN Townships will use receipt code 511 - Federal Receipts. Non-UAN townships will use receipt code 14-C - Other Receipts.

Questions concerning this Bulletin should be addressed to the Local Government Services Division of the State Auditor's Office at (800) 345-2519.

Auditor of State Bulletin 99-005
March 24, 1999

TO: All City Auditors, Finance Directors and Treasurers
All Village Clerks and Treasurers
All Township Clerks
All County Auditors
All Independent Public Accountants

SUBJECT: Accounting for FEMA Hazard Mitigation Grants

The Auditor of State's Office recently issued a Bulletin (Bulletin 98-013) that discussed recommended accounting procedures for FEMA Public Assistance grants administered by the Ohio EMA. The purpose of this Bulletin is to address the federal Hazard Mitigation Grant Program also administered by Ohio EMA.

The program was created to assist states and local governments in implementing long term mitigation measures after a disaster declaration. The objectives of the program are to prevent future losses of lives and property due to disasters, to provide funding for State and local mitigation plans and to enable mitigation measures to be implemented during a community's immediate recovery from a disaster.

The program can fund up to 75% of the eligible costs of an approved project. The required local match may be cash, in kind services or materials. Funding is generally provided in advance of program expenditures unless a recipient is designated high risk. High risk projects are funded on a reimbursement basis. Program money must be expended within a reasonable time from receipt, generally within thirty days. All costs associated with the program must be documented and the local government must be able to demonstrate compliance with the local match requirements. Specific guidelines for mitigation grants are available from the Ohio EMA, Mitigation Branch, by calling (614) 799-3530.

The grant program should be accounted for in a separate fund. All federal money should be receipted directly into this fund. The Auditor of State recommends that all program expenditures be accounted for in this fund. Money representing the local share may be transferred by resolution or ordinance into the program fund from the general fund. If the program is funded on a reimbursement basis, the amount representing the federal share may be advanced to the program fund from the general fund and then repaid once the federal money is received.

Appropriate fund numbers are as follows:

Note: AOS no longer prescribes alpha-numeric fund codes for villages, but does not object to governments that might still use them.

Villages	Alpha-Numeric	Numeric
Special Revenue Fund	B5 or B16	2901-2999
Capital Projects Fund	D2	4901-4999

Townships	Alpha-Numeric	Numeric
Special Revenue Fund	14	2901-2999
Capital Projects Fund	14	4901-4999

Cities and counties receiving FEMA grants should establish separate funds within their chart of accounts.

No additional Auditor of State approval is necessary to establish the FEMA funds; only a resolution or ordinance of the legislative authority is needed. The classification of the fund as special revenue or capital projects will depend on the nature of the expenditures that will be made.

For all FEMA money, the correct receipt code to use is one which identifies the money as coming from the federal government.

UAN villages will use receipt code 411 - Federal Restricted. Non-UAN villages will use receipt code D-141 - Federal Receipts. UAN Townships will use receipt code 511 - Federal Receipts. Non-UAN townships will use receipt code 14-C - Other Receipts.

Questions concerning this Bulletin should be addressed to the Local Government Services Division of the State Auditor's Office at (800) 345-2519.

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

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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 2011-004

Auditor of State Bulletin

Date Issued: **September 29, 2011 – Revised ~~May,~~ 2017 (See edits in strikeout and double underlined font)**

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 explanatory information related to GASB 54 in their ~~2010 – 2011~~ *Comprehensive Implementation Guide*. The Guide is organized in a question and answer format. This bulletin references specific questions from the 2015-1 Implementation Guide, shown as Z.54.XX (any revisions from 2016-1 are explicitly noted).

The requirements of this Statement ~~are~~ were 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.~~ [1]

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 or GASB Cod. 1800.166)[2]

[1] While accurate, this sentence was struck out due to the passage of time since the effective date of the GASB requirements.
[2] GASB Codification references in this document were current as of the date of the revisions to this publication; however they are always subject to change.

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 or GASB Cod. 1800.168)

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 or GASB Cod. 1800.170)

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 or GASB Cod. 1800.173).

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 or GASB Cod. 1800.177).

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 (or corpus) reported in a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. (GASB 54 ¶6 or GASB Cod. 1800.166)

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 or GASB Cod. 1800.169)

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 / Cod. 1800.742-1) 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 / Cod. 1800.742-2)

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 identified 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 or GASB Cod. 1800.171) 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 or GASB Cod. 1800.173)

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 or GASB Cod. 1800.174)

When ~~the~~ an 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 or GASB Cod. 1800.176 and Z.54.13 / Cod. 1800.744-2) 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. The determination of the purposes, as well as the amounts for assigned fund balances can be made after the end of the reporting period, so this assignment is not limited to appropriation measures made prior to year end (Z.54.15 / Cod. 1800.743-2).

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. (GASB 54 ¶19 or GASB Cod. 1800.179 and Z.54.16 / Cod. 1800.746-2)

Unassigned fund balance of the general fund of a blended component unit (reported as a special revenue fund by the primary government) should be reclassified as assigned, committed, or restricted based on the process through which those resources of the component unit could be used for other purposes of the primary government. For example, if the resources of the component unit are restricted to the purposes of the component unit, those resources may be classified as unassigned in the context of the stand-alone financial statement of the component unit but would be considered restricted from the perspective of the primary government. (Z.54.50, as amended by 5.41 in the 2016 IG / Cod. 1800.746-6)

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 / Cod. 1800.754-1) 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 / Cod. 1800.751-2) 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 or GASB Cod. 2200.163) The information disclosed in the notes should provide the same level of detail as would be displayed on the face of the financial statements. That is, the disclosure should provide information for the general fund, each major governmental fund, and the nonmajor funds in the aggregate. (Z.54.61 / Cod. 1800.748-2)

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 or GASB Cod. 1800.183)
>
> 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 or GASB Cod. 1800.183)

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 or GASB Cod. 1800.183)

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 or GASB Cod. 1800.184)

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 or GASB Cod. 1800.186)

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 or GASB Cod. 1800.187)

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 or GASB Cod. 1300.104)

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 or GASB Cod. 1300.105)

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 or GASB Cod. 1300.106)

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 or GASB Cod. 1300.107)

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 or GASB Cod. 1300.108)

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 / QZ.704-10). 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. (GASB Cod. 1300.105)

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 / Cod. 1800.707-1) ~~Changes in fund structure should be applied retroactively and will result in restating fund balance for all prior periods.~~[1]

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~~ position in proprietary funds or to the government-wide statement of net assets position.

Relationship of net assets position to fund balance
Restricted fund balance on the governmental fund financial statements will generally be different from restricted net assets position for governmental activities reported on the government-wide statement of net assets position. 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 position in the government-wide statement of net assets position.

Second, the fund financial statements are prepared on the modified accrual basis of accounting and the government-wide statement of net assets position 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 position, the internal service fund is generally included with governmental activities. (Z.54.10 / Cod. 1800.742-3)

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, if the foundation revenues comprise a substantial portion of the total inflows in the fund. Following the constraint placed on fund resources by State law (5705.10(~~H~~I), R.C.), the transferred resources would be reported under the same classification as the foundation revenues in the fund (restricted or committed ~~revenues~~). When transfers from the general fund are the only inflow for ~~to any other~~ governmental funds (other than special revenue fund) fund balance 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." (GASB Cod. 1300.108) 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 (on the governmental fund financial statement), the principal of a permanent fund is reported as nonspendable. On the statement of net assets position, 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 (GASB Cod. 2200.103) states that permanent fund principal amounts should be shown in two additional categories of restricted net assets position—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~~ Templates are 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.~~ Note: After re-evaluation of this guidance subsequent to the date the original bulletin was issued, we have removed this paragraph to prevent confusion. The relevant information is already referenced in the last paragraph of the *Assigned Fund Balance* section on page 4 of this bulletin.

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~~ (614)466-4717.

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 & 5709.47	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 Classification	Prior Fund Classification	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	Revenue Source 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 Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance 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

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
DS	DS	Miscellaneous Debt Service (3901 - 3999)	TBD by Township	TBD by township	TBD by township	TBD by township
CP	CP	Bond Fund (4101 - 4999)	Initial Debt Proceeds +	ORC Sections 133.15, .32, & 504.20	Externally imposed by debt covenants	Restricted
CP	CP	Permanent Improvement (4301 - 4399)	TBD by Township	TBD by township	TBD by township	TBD by township
CP	CP	Public Works Commission Project (4401 - 4499)	Intergovernmental	OPWC Money	Externally imposed by grantor/OPWC	Restricted
CP	CP	Capital Improvement Assessment Fund (4501 - 4599)	Special Assessments	ORC Sections 504.18, 515.16 & 521.06 - water and sewer	Externally imposed by State statute	Restricted
CP	CP	Miscellaneous Capital Projects (4901 - 4949)	TBD by township	TBD by township	TBD by township	TBD by township
Perm	Perm	Cemetery (2041 -2069)	Charges for Services	ORC Section 517.15 B - endowment	Externally imposed by State Statute	Nonspendable
Perm +	Perm	Permanent (4951 - 4999)	Donations-Corpus can't be spent	ORC Section 5705.09(F)	Externally imposed by donor	Nonspendable
			Earnings on corpus	ORC Section 5705.09(F)	Externally imposed by donor	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 Librar
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 NO. 91-11
DATE 4-30-91
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-

Note: GAAP governments should record unclaimed (i.e. "escheat" money) in fiduciary funds per GASB 84. They should account for escheat money per GASB 21 (Cod. E 70)

TO: All Local Governments

SUBJECT: Liability for Public Money; Unclaimed Moneys.

DATE: April 25, 1991

Section 9.39 of the Revised Code provides that unclaimed money shall be deposited 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.

This bulletin addresses the accounting procedures to follow regarding outstanding, stale-dated warrants/checks issued by the governmental entity.

Example: A warrant/check issued to Sams Garage was posted in the cash journal and appropriation ledger in the amount of $100.00 from the Gasoline Tax Fund and has been outstanding for 90 days.

Step 1. When the warrant/check becomes stale-dated (90 days from issue date) a memorandum pay-in should be made to the ~~expendable trust fund -~~ (~~later called~~ agency) unclaimed moneys, post the warrant/check number, name of the payee and identify the money as unclaimed, to the cash journal and receipt ledger. Do not reverse the original entry. You can now remove the warrant/check from the list of outstanding warrants/checks.

Step 2. if the rightful owner, claims the unpaid money, a warrant/check in the amount of $100.00 will be paid from the Trust Fund. If the liability remains unclaimed for a period of five years from the date the money was placed in the Trust Fund, the money shall then be paid to the General Fund.

If, after the five year period the rightful owner claims the unpaid money, a warrant/check in the amount of $100.00 will be paid from the General Fund.

It is recommended that your warrants/checks be printed with the statement "Void After 90 Days".

~~For those townships presently participating in the Uniform Accounting Network, unclaimed money should be deposited to the credit of Fund 27G, "Agency Fund",~~

~~For those townships not participating in the Uniform Accounting Network, unclaimed money should be deposited to the credit of Fund 27. "Agency Fund".~~

Villages should deposit unclaimed money in ~~Fund G5, "Other Trust and Agency Fund".~~

If you have any questions, you may contact the Auditor of State's Management Advisory Service staff at 1-800-345-2519.

VILLAGES:
9101-9199 ***Unclaimed Monies***. Classify the fund balance as ***Nonspendable***, per Bulletin 2001-04.

Russell L. Rouch, Deputy Auditor
Management Advisory Services

RLR/jr

TOWNSHIPS
Per the Township Manual, pg. II-60, "On the financial statements, unclaimed monies should be reflected in the fund that would ultimately receive the money (General Fund). In order to do this, UAN Townships should map the fund with the General Fund on UAN. Manual users would simply combine the Unclaimed Monies Agency Fund with the General Fund, and reflect the "Nonspendable - Unclaimed Monies" on the face of their financial statements."
Also, per the Township Manual, pg. II-77, "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."

Auditor of State
Bulletin 2020-002

DATE ISSUED:	**February 10, 2020**
TO:	**All Public Offices** **Community Schools**
FROM:	**Keith Faber** **Ohio Auditor of State**
SUBJECT:	**Hourly Audit Rates and Allocation of Audit Costs**

Billing Rates

Ohio Revised Code (ORC) 117.13 governs how the Auditor of State's Office charges public offices for the costs for audit services. The total costs of audits, both direct and indirect, are to be recovered by the office. For local governments, these costs are offset by resources available in the Local Government Audit Support Fund and the state General Revenue Fund. For state agencies, these costs take into consideration federal cost recovery guidelines and are offset by resources from the state General Revenue Fund.

The Auditor of State's Office charges local and state entities an hourly rate for audit services in order to recover costs. Prior to House Bill 166 of the 133rd General Assembly, these rates were established by rule, but recent amendments to ORC 117.13 removed the rulemaking authority and instead requires the Auditor to determine and publish annually the rates to be charged to state agencies and local public offices.

For the remainder of FY 2020 or until a subsequent bulletin is published, the following rates are to be charged:

- audit rate charged to local governments is $41/hour,
- audit rate charged to state agencies is $76/hour,
- rate for Local Government Services is $50/hour, and
- rate for interns is 50 percent of the standard rate charged for the services provided.

If you have questions regarding the above billing information, please contact the Finance staff of the State Auditor's Office at (800) 282-0370.

Ability to Charge Funds Other than the General Fund

ORC 117.13 (C)(2) allows fiscal officers of local public offices being audited to allocate the charges billed for the cost of the audit to appropriate funds using a methodology that follows guidance provided by the Auditor of State. 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. Custodial funds (previously referred to as Agency Funds) 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 custodial funds, would be acceptable. A local government's indirect cost allocation plan may also be an acceptable method for allocating audit costs.

For federal grant funds, the costs of audits are allowable if the audits were performed in accordance with the federal Single Audit Act and Uniform Guidance (UG)[1]. 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 above information, please contact the Local Government Services staff of the State Auditor's Office at (800) 345-2519 or (614) 466-4717.

Keith Faber
Ohio Auditor of State

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[1] The costs of audits that are not required by the Single Audit Act or Subpart F are not allowable under 2 CFR 200.425, including performance audits. For more information, refer to questions 1 through 5 presented by the Council on Federal Award Reform (COFAR) on OMB's Uniform Guidance available at: https://cfo.gov/wp-content/uploads/2017/08/July2017-UniformGuidanceFrequentlyAskedQuestions.pdf.

Dave Yost · Auditor of State

Bulletin 2018-003

Auditor of State Bulletin

DATE ISSUED: **November 30, 2018**

TO: **All Political Subdivisions**
All Independent Public Accountants

FROM: **Dave Yost, Auditor of State**

SUBJECT: **House Bill 312 Amendments to Regulate the Usage of Credit and Debit Cards**

Background

House Bill 312 amends Ohio Revised Code sections 505.64, 511.234, 940.11, 940.12, 1545.072, 1711.131, 2913.21, 3313.291, and 3375.392 and enacts sections 9.21, 9.22, 717.13, 3313.311, 3314.52, 3326.52, 3328.52, and 6119.60 of the Revised Code to regulate the use of credit and debit cards. The credit card requirements apply to all political subdivisions, except colleges and universities and counties. The debit card requirements apply to all political subdivisions, except law enforcement.

Written Policy Requirements

House Bill 312 establishes two separate internal control models for credit card usage by political subdivisions: the custody and control model and the compliance officer model. The bulletin describes these models below.

Not later than February 2, 2019, the legislative authority of a political subdivision that holds a credit card account must adopt a written policy for the use of credit card accounts. Otherwise, a legislative authority must adopt a written policy before the use of a card account. The policy must include provisions addressing all the following:

- The appointment of a compliance officer, where applicable;
- The officers or positions authorized to use a credit card account;
- The types of expenses for which a credit card account may be used;

- The procedures for acquisition, use, and management of a credit card account and presentation instruments related to the account including cards and checks;
- The procedure for submitting itemized receipts to the fiscal officer or the fiscal officer's designee;
- The procedure for credit card issuance, credit card reissuance, credit card cancellation and the process for reporting lost or stolen credit cards;
- The political subdivision's credit card account's maximum credit limit or limits; and
- The actions or omissions by an officer or employee that qualify as misuse of a credit card account.

These policy points are a minimum. Policies should be tailored to the specific needs of your entity.

Definitions

"Political subdivision" means a body corporate and politic that is responsible for government activities in a geographic area smaller than that of the state. ***Counties are excluded under Ohio Rev. Code §9.21 pertaining to credit card accounts, but are included under Ohio Rev. Code §9.22 pertaining to debit cards.***

"Credit card account" means any bank issued credit card account, store issued credit card account, financial institution-issued credit card account, financial depository-issued credit card account, or any other card or credit account allowing the holder to purchase goods or services on credit or to transact with the account, and any debit or gift card account related to the receipt of grant moneys.

We interpret credit card accounts to include online purchasing accounts (e.g., Amazon Business which include the ability for local governments to set internal controls over employee spending) and store gift cards (not related to the receipt of grant monies). Store gift cards are credit cards which are preloaded with a set dollar amount and may be used only at a specific retailer.

"Credit card account" does not include the following:

- Procurement card account – a card issued to designated users by a political subdivision to make purchases at selected businesses. Procurement cards can be tied to either a credit card or bank account. Security measures for procurement cards include setting per-purchase and per-month dollar limits. Procurement cards may also feature spending restrictions for the types of purchases allowed and merchant category codes which define where purchases can and cannot be made. ***A bank that manages a procurement card will issue payments to payees within days, while providing monthly invoicing to the local government.*** The appropriate local government supervisor or fiscal staff must review and approve these invoices prior to payment. This differs from a credit card

because use can be limited to specific businesses and dollar amounts. These accounts generate merchant invoices to local governments.

- Gasoline card – card utilized strictly for fuel and automotive parts or repairs purchases.
- Telephone credit card account – account utilized to enable users to make long distance phone calls.
- Any other card account, similar to a gasoline or telephone card, where a merchant category code limiting the type of good that may be purchased is in place as a system of control for use of the card account.

"Presentation instruments" means any card, check, or account number which can be used to purchase goods or services, including online purchasing accounts.

"Debit card account" means a card account issued by a financial institution which allows the holder to transfer money electronically to another bank account when making a transaction. For the purposes of this bulletin, a debit card account includes the following:

- A single-use cash gift card (not related to the receipt of grant monies). A cash gift card is a debit card account with a set dollar amount and may be accepted by any retailer, similar to a debit card. The cash gift card is void upon spending the balance or expiration.
- A prepaid gift card (not related to the receipt of grant monies). A prepaid gift card is a debit card account that is reloadable, unlike the cash gift card.

In both examples above, the gift cards act like cash or debit cards and do not have built-in restrictions over employee spending.

Custody and Control Model

The custody and control model is a system in which the treasurer or fiscal officer maintains physical control over all credit cards of the entity and may use a system requiring the cards to be "signed out" by authorized, designated users. Entities utilizing the custody and control model should specify the following items in their written policies, approved by the governing board:

- Who the authorized, designated users are,
- A reasonable length of time the card is allowed to be out of the control of the treasurer or fiscal officer for the transaction(s) to be completed,[1] and
- The procedures that should be followed to submit itemized receipts, as well as any other entity specific requirements that would fit the needs of a political subdivision.
- An officer or employee is liable in person and upon any official bond the officer or employee has given to the political subdivision to reimburse the treasury for the amount

[1] Auditors will evaluate the length of time a card is out of the control of the treasurer or fiscal officer for reasonableness on a case-by-case basis as part of the upcoming audits of political subdivisions.

for which the officer or employee does not provide itemized receipts in accordance with the credit card policy.

Compliance Officer Model

The compliance officer model is a system in which the treasurer or fiscal officer does not maintain physical control of the credit cards. In this instance, a political subdivision must appoint a compliance officer. The compliance officer should not be the treasurer or fiscal officer and should not be an authorized user of the card or authorize use of the credit card by an individual. In certain instances in which the compliance officer is authorized to use a credit card, the compliance officer must have their credit card statement reviewed by the executive or legislative body of the entity.

A quarterly review process should take place where the compliance officer reviews the number of cards the entity has, the number of active cards the entity has, and the credit limit for each card. ***(See the entity specific sections below for specific requirements of the compliance officer model.)***

Additional General Requirements

The name of the political subdivision must appear on each presentation instrument related to the account including cards and checks.

The use of a credit card account for expenses beyond those authorized by the legislative authority constitutes misuse of a credit card account. An officer or employee of the political subdivision or a public servant as defined under section 2921.01 of the Revised Code who knowingly misuses a credit card account held by the legislative authority violates section 2913.21 of the Revised Code, which is a misdemeanor of the first degree.

The fiscal officer or the fiscal officer's designee annually must file a report with the legislative authority detailing all rewards received based on the use of the political subdivision's credit card account.

No political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision, except law enforcement, is a violation of section 2913.21 of the Revised Code.

The requirements set forth in House Bill 312 do not apply to debit card accounts related to the receipt of grant moneys.

Entity Specific Requirements:

Township Specific Requirements

If a township fiscal officer does not retain general possession and control of the credit card and the entity must utilize the compliance officer model, the following applies:

In a township that has adopted a limited home rule government under Chapter 504 of the Revised Code, the board must appoint a compliance officer to perform the duties as outlined under the policy requirements. The compliance officer may not use a credit card account and may not authorize an officer, employee, or appointee to use a credit card account, with the exception of a board of township trustees serving in the role of compliance officer, then they may use a credit card if so authorized under the policy adopted by the township and may authorize an officer, employee, or appointee to use a credit card account as provided in the policy requirements. The fiscal officer is not eligible for appointment as compliance officer.

In a township that has not adopted a limited home rule government under Chapter 504 of the Ohio Revised Code, the fiscal officer must present credit card account transaction detail from the month previous, monthly to the board. The board must review the credit card transaction detail and the chairperson of the board must sign an attestation stating the board reviewed the credit card account transaction detail.

The compliance officer, if applicable, and the board, at least once every six months, must review the number of cards and accounts issued, the number of active cards, and accounts issued the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The fiscal officer or the fiscal officer's designee annually must file a report with the board detailing all rewards received based on the use of the township's credit card account.

Municipal Corporations (Cities and Villages) Requirements

If a city auditor or village fiscal officer does not retain general possession and control of the credit card and the entity must utilize the compliance officer model, the following applies:

In a municipal corporation that has the authority to operate a mayor's court pursuant to Chapter 1905, of the Revised Code, the chief executive officer of the municipal corporation must appoint a compliance officer to perform the duties enumerated under the policy established. The compliance officer may not use a credit card account and may not authorize an officer or employee to use a credit card account. The village clerk or city auditor is not eligible for appointment as compliance officer.

In a municipal corporation that does not have the authority to operate a mayor's court pursuant to Chapter 1905 of the Revised Code, the village clerk or city auditor must present monthly the

legislative authority credit card account transaction detail from the previous month. The legislative authority must review the credit card account transaction detail and the presiding officer of the legislative authority must sign an attestation stating the legislative authority reviewed the credit card transaction detail.

The compliance officer, if applicable and the legislative authority at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The village clerk or city auditor, as applicable, or the designee of that applicable officer annually must file a report with the legislative authority detailing all rewards received based on the use of the municipal corporation's credit card account.

School District, Educational Service Center, or Information Technology Center Requirements

If a School District, Educational Service Center (ESC), or Information Technology Center (ITC) treasurer does not retain general possession and control of the credit card the governing authority must appoint a compliance officer.

Unless the compliance officer is a superintendent of a school district or chief administrator of an ITC, the compliance officer may not use the credit card account. The compliance officer may not authorize an officer or employee to use a credit card account. If a school district superintendent acting as compliance officer has authority to use a credit card account, the treasurer or the treasurer's designee, who must not be the school district superintendent, must review monthly the credit card account transaction detail and must sign an attestation stating the treasurer or designee reviewed the credit card account transaction detail. If the chief administrator of an ITC acting as compliance officer has authority to use a credit card account, the governing authority must review monthly the credit card account transaction detail and must sign an attestation stating the governing authority reviewed the credit card account transaction detail. The treasurer of the board of education, treasurer of the ESC, and chief fiscal officer of the ITC are not eligible for appointment as compliance officer. The superintendent of a school district or chief administrator of an ITC is eligible for appointment as compliance officer.

The compliance officer at least once every six months must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The treasurer or chief fiscal officer, as applicable, or the designee of that applicable officer annually must file a report with the board or authority detailing all rewards received based on the use of the credit card account.

Community School and STEM School Requirements

If a community or STEM school treasurer does not retain general possession and control of the credit card, the governing authority must appoint a compliance officer.

Except for a chief administrator of a community or STEM school serving as compliance officer, the compliance officer may not use a credit card account. The compliance officer may not authorize an officer or employee to use a credit card account. If a chief administrator acting as compliance officer has authority to use a credit card account, the governing authority must review the credit card account transaction detail monthly, and must sign an attestation stating the governing authority reviewed the credit card account transaction detail. The designated treasurer is not eligible for appointment as compliance officer. The chief administrator is eligible for appointment as compliance officer.

The compliance officer and the governing authority at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts credit limits.

The designated treasurer or the designated treasurer's designee annually must file a report with the governing authority detailing all rewards received based on the use of the community or STEM school's credit card account.

College Preparatory Boarding School Requirements

If the treasurer of the college-preparatory boarding school does not retain general possession and control of the cards, the board should appoint a compliance officer.

Except for a chief administrator of college-preparatory boarding school serving as compliance officer, the compliance officer may not use a credit card. If the chief administrator acting as compliance officer has authority to use a credit card account, the board must review the credit card account transaction detail monthly, and must sign an attestation stating the board reviewed the credit card account transaction detail. The treasurer is not eligible for appointment as compliance officer. The chief administrator is eligible for appointment as compliance officer.

The compliance officer and the governing body at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The treasurer or the treasurer's designee annually must file a report with the board detailing all rewards received based on the use of the college-preparatory boarding school's credit card account.

Library Requirements

If the fiscal officer of a free public library or library district does not retain general possession

and control of the credit card account, and presentation instruments related to the account include cards and checks, the board must appoint a compliance officer.

The compliance officer may use a credit card account only upon authority from the fiscal officer of the free public library or library district, except the director of a free public library or library district serving in the role of compliance officer may use a credit card if so authorized under the policy. If the compliance officer has authority to use a credit card account, the fiscal officer or the fiscal officer's designee, who must not be the compliance officer, monthly must review the credit card account transaction detail and must sign an attestation stating the fiscal officer or designee review the credit card account transaction detail. The compliance officer may not authorize an officer, employee, or appointee to use a credit card account, except a director serving in the role of compliance officer may authorize an officer, employee, or appointee to use a credit card account. The fiscal officer of the free public library or library district is not eligible for appointment as compliance officer. The director is eligible for appointment as compliance officer.

The compliance officer must review the number of cards and accounts issued at least once every six months, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The fiscal officer or the fiscal officer's designee annually must file a report with the board detailing all rewards received based on the use of the free public library's or library district's credit card account.

Summary

Political subdivisions, except colleges and universities, are required to implement a credit card policy by February 2, 2019, if they already hold a credit card account. All other entities subject to this legislation must adopt a credit card policy before obtaining a credit card account. The policy should address each point as outlined in the legislation, at a minimum, with additional specific policy points to fit the needs of the entity. No political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision, except law enforcement, is a violation of section 2913.21 of the Revised Code.

Questions

If you have any questions regarding this bulletin, please contact the AOS Center for Audit Excellence at (800) 282-0370.

Dave Yost
Auditor of State

1-29 Compliance Requirement: Ohio Rev. Code §§ 507.09 and 505.24(D)- Allocating township trustee and fiscal officer compensation.

Summary of Requirement, per Ohio Rev. Code §§ 507.09(E) and 505.24(D):

Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, allocating 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

(1) **Trustees receiving per diem compensation (MUST USE TIME AND EFFORT DOCUMENTATION)**: When members of the board of township trustees are compensated per diem, a ***majority*** of the board must pass a resolution establishing the periodic notification method to be used for reporting the number of days spent in the service ***and kinds of services rendered*** on those days.[117] The per diem compensation shall be paid from the township general fund or from other township funds in proportion to the kinds of services rendered, as documented. (For example, the township could charge trustee time spent on road repairs to the road & bridge fund.) Ohio Rev. Code § 505.24(A) limits the number of days a trustee can be compensated to 200.

However, for ***salaries*** **not** paid from the general fund, 2004 Op. Atty. Gen. No. 2004-036 established the following documentation requirements:

> As noted above, however, a board of trustees is authorized by Ohio Rev. Code § 505.24 to pay trustees' salaries from the general fund or other township funds "in such proportions as the board may specify by resolution." The board may therefore determine, as part of its budgeting process, to appropriate money in the EMS Fund for payment of trustees' salaries. In order to meet the provision in Ohio Rev. Code § 505.84, that the EMS Fund be used only for ambulance and emergency medical services, however, the board would be required to establish administrative procedures for assuring that the proportionate amount paid from the EMS Fund for trustees' salaries properly reflected the proportion of time each trustee spent on EMS matters relative to other township matters. This would necessitate trustees documenting all time spent on township business and the type of service performed, in a manner similar to trustees paid a per diem. To the extent that the board is able to determine the portion of time spent on EMS matters, relative to the total time spent on township business, it may pay the proportionate cost of the trustee's salary from the EMS Fund. If a trustee's time is not documented, however, then no part of his salary may be paid from the EMS Fund.
>
> In other words, 2004 Op. Atty. Gen. No. 2004-036 requires trustees compensated on a per diem basis to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed. If per diem trustees do

[117] The Ohio Rev. Code does not define a "day" for purposes of this requirement. Townships should consult with their legal counsel and adopt a policy in compliance with 2004 Op. Atty. Gen. No. 2004-036. If a Township has a duly enacted policy defining what constitutes a "day" in compliance with 2004 Op. Atty. Gen. No. 2004-036, we will audit in accordance with that policy. If the Township has not adopted a policy, we will audit based on our determination of a "day" as an 8 hour workday.

not document their time, then no part of salaries may be paid from the restricted funds.

The important factor is the portion of time spent on other township funds, relative to the total time spent on township business (as opposed to the total days in a given month). In other words, do not factor days in which no township work is done into the allocation.

Per the above, per-diem trustees must record the time spent on various tasks and the specific fund to which the township will charge their costs when paying any proportion of a trustee's salary from a restricted fund. Although the fire and rescue services, ambulance services, and emergency medical services fund under Ohio Rev. Code § 505.84 was the focus of 2004 Op. Atty. Gen. No. 2004-036, the ruling also applies to funds for the motor vehicle license tax pursuant to Ohio Rev. Code §§ 4504.18 and 4504.19; motor vehicle tax pursuant to Ohio Rev. Code § 4503.02; gasoline tax pursuant to Ohio Rev. Code § 5735.27(A)(5)(d); the cemetery fund pursuant to Ohio Rev. Code § 517.03, and any other restricted fund. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) The township must maintain daily records of tasks performed for each individual trustee that, when reviewed cumulatively for the fiscal year, will provide reasonable justification for the apportionment of salary between funds as specified in the resolution. **Monthly summaries in lieu of daily records are not acceptable.**

(2) **Trustees receiving compensation by annual salary (MUST USE CERTIFICATIONS IF PAID FROM FUNDS OTHER THAN THE GENERAL FUND)**: To be paid on a salary basis in equal monthly installments, the board of trustees must ***unanimously*** pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund (Ohio Rev. Code § 505.24(D)). If trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Trustees must complete a 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 to AOS Bulletin 2011-007. If 100% of the compensation of the township trustee is to be paid to from the general fund, no certification is required.

(3) **Fiscal officer compensation:** Fiscal officers compensated from funds other than the general fund must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. They must complete a 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 to AOS Bulletin 2011-007. If 100% of the compensation of the township fiscal officer is to be paid from the general fund, no certification is required.

For salaried trustees only, AOS will forgo issuance of a finding for adjustment in any case where the Township has reasonable supporting documentation (such as detailed time and effort records, timesheets, etc.) in lieu of the certifications. Absent this documentation, auditors should issue a finding for adjustment. Also, auditors should still issue a noncompliance citation for not preparing the certifications as required by statute in all cases.

Undocumented per diem salaries for trustees, where the trustees officers have been paid from funds other than the General Fund, should result in findings for adjustment and the consideration of opinion qualifications including adverse opinions (if the auditee refuses to post the adjustment).

Townships allocating 100 percent of officials' salaries to restricted funds will be subject to audit findings. Townships must 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.

Note: If the township allocated salaries incorrectly, it is likely they allocated reimbursable health care benefits incorrectly. Improper allocations of health care benefit reimbursements should be included in the findings for adjustment (if the auditee refuses to post the adjustment).

POSSIBLE NONCOMPLIANCE RISK FACTORS:

***Note*: In assessing the risk of noncompliance, auditors should consider recent changes to the statutory requirements described in this OCS step. This statute contains intricate requirements and interpretations.**

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
• Policies and Procedures Manuals, • Knowledge and Training of personnel • Time summaries / timecards • Legislative and Management Monitoring • Management's identification of changes in laws and regulations • Management's communication of changes in laws and regulations to employees		

Suggested Audit Procedures - Compliance (Substantive) Tests:

1. Document how the township records the time spent on each township service.

2. Recompute selected allocations of trustee/fiscal officer salaries or per diem amounts to each fund.

For UAN entities: Use the wage base earning report – detail and summary. For periods before 2015, use the wage detail report.

3. For fiscal officers or trustees paid by annual salary with allocations to funds other than the general fund, trace selected allocations to certifications.

4. For trustees paid per diem, with allocations to funds other than the general fund, trace time or services performed to time or activity sheet.

5. Agree selected postings of the salaries from step 2 to the township's check register.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

Dave Yost · Auditor of State

Bulletin 2015-007

Auditor of State Bulletin

Date Issued: **December 21, 2015** UPDATED February, 2017

TO: **All Auditor of State (AOS) Financial Audit and Local Government Services Staff**
All Public Offices and Other Entities Required to File Annual Financial Reports with the AOS
All Independent Public Accountants (IPAs)

FROM: **Dave Yost, Ohio Auditor of State**

SUBJECT: **Required Annual Financial Report Filing by Public Offices and Other Entities Required to File**

Overview

The purpose of this Bulletin is to provide comprehensive guidance related to required annual financial report filings by public offices and other entities required to file and includes changes to Auditor of State (AOS) policy regarding:

- The new mandatory method for filing via the AOS' Hinkle Annual Financial Data Reporting System (Hinkle System – formerly known as AFDRS),
- The change to require non-generally accepted accounting principles (non-GAAP) basis financial statements to include notes to the financial statements as part of the annual financial report filing, and
- The change in AOS policy to require the financial statements filed via the Hinkle System to be audited beginning with periods ending in 2016.

The Bulletin also reiterates and/or updates previous guidance related to:

- The statutory annual financial report filing requirements, including the public offices and other entities required to file, and the amendment to Ohio Administrative Code (OAC) §117-2-03(B) requiring government insurance pools to file GAAP financial statements,
- The required components of financial statements for different bases of accounting,
- The filing due date extension requests,
- The impact of non-compliant filings, including possible "unauditable" declarations when entities fail to submit in accordance with the requirements.

This Bulletin supersedes guidance from previously issued Bulletins 2008-001, 2006-02, 2001-012 and 97-015.

Hinkle Annual Financial Data Reporting System (Hinkle System)

Beginning with 2015 financial report filings, all entities required to file with the AOS **must** file electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System) unless a waiver (described below) has been approved by the AOS for the applicable filing year.

The Hinkle System is an internet-based application that allows certain financial statement, debt and demographic data to be entered and/or uploaded and transmitted to the AOS to satisfy the filing requirements of the Ohio Revised Code (ORC) and the OAC. The Hinkle System increases uniformity in financial reporting, generates the statutory reports to the governor and general assembly required pursuant to ORC §117.38, and provides users of this information improved access and functionality.

The Hinkle System was introduced for the 2013 financial report filing for cities and counties, and the 2014 financial report filing for school districts, including joint vocational school districts, educational service centers, community schools, townships, libraries and villages.

Statutory Filing Requirements

Ohio law (ORC §117.38) requires that local public offices file their annual financial reports with the AOS. Further, OAC §117-2-03(B) requires all counties, cities, school districts, including educational service centers and community schools, and government insurance pools prepare their financial reports pursuant to GAAP. OAC §117-2-03(B) was amended in 2015 to require government insurance pools to prepare their annual financial reports pursuant to GAAP. This new GAAP filing requirement is effective for annual financial report filings for periods ending December 31, 2016 and after. Community improvement corporations (CIC), including economic development corporations and county land reutilization corporations, development corporations, and state universities and colleges are also required to file with the AOS and prepare financial reports pursuant to GAAP per ORC §1724.05, ORC §1726.11, ORC §3345.72 and OAC §126:3-1-01(A)(2)(a), respectively.

Entities subject to ORC §117.38 filing on a GAAP basis have 150 days following the end of their fiscal year to submit their financial statements to the AOS. CICs and development corporations have 120 days following the end of their fiscal year to submit their financial statements to the AOS. Universities and colleges must file their financial statements no later than October thirty-first (31st) of each year. All other entities, and GAAP-mandated entities under OAC §117-2-03(B) choosing to not file on a GAAP basis, have 60 days following fiscal year-end to complete their submission in accordance with ORC §117.38. When due dates fall on a weekend, on a legal holiday or when the AOS is closed to the public, the submission will be due the next business day. An entity failing to comply with the mandated basis of accounting, if applicable, and/or the filing requirements may be subject to non-compliance citations and penalties established by the ORC.

Public Offices and Other Entities Required to File

Each public office, other than a state agency, shall file a financial report for each fiscal year. According to ORC §117.01(D), “public office” means any state agency, public institution, political subdivision, or other organized body, office, agency, institution, or entity established by the laws of the State of Ohio for the exercise of any function of government. "Public office" does not include the

nonprofit corporation formed under §187.01 of the ORC. Other entities, although not public offices, are required to file with the AOS under specific ORC sections.

Public offices and other entities currently required to file with the AOS include the following:

Entity Type	Establishing Code Section
Agricultural Societies (County and Independent)	ORC 1711
Airport Authorities	ORC 308
Alcohol, Drug Addiction and Mental Health Boards (Multiple County)	ORC 340.01
Cemeteries (Joint Township, Union and Union Cemetery Districts)	ORC 517, 759
Cities	ORC 707
Colleges and Universities	ORC 3345.72 and OAC §126:3-1-01(A)(2)(a)
Community Based, Multi-County and Juvenile Correctional Facilities	ORC 2301.51, 307.93, 2151
Community Improvement Corporations (including Economic Development Corporations and County Land Reutilization Corporations) and Development Corporations	ORC 1724, 1726
Community Schools	ORC 3314
Conservancy Districts	ORC 6101
Consolidated Departments of Job and Family Services	ORC 329.40
Convention Facilities Authorities	ORC 351
Counties	ORC 301
County School Financing Districts	ORC 3311.50
Emergency Management Agencies Multi-County Local Emergency Planning Committees (LEPC)	ORC 5502.~~26~~ .27 ORC 3750.03(F)
Entities created as Regional Councils of Governments	ORC 167
Family and Children First Councils	ORC 121.37
Fire, EMS and Ambulance Districts	ORC 307, 505
Government Insurance Pools	ORC 9.833, 2744.08 and 3345.203 (eff 3/15/17)
Health Districts	ORC 3709
Joint Children's Homes	ORC 5153.36

Entity Type	Establishing Code Section
Joint Economic Development Districts (JEDDs) Joint Economic Development Zones (JEDZs)	ORC 715
Joint Police Districts	ORC 505.482
Joint Public Defender Commissions	ORC 120.23
Lake Facilities Authority	ORC 353.02
Libraries	ORC 3375
Memorial Buildings (Board of Trustees)	ORC 345
Metropolitan Housing Authorities	ORC 3735
Multi-County Board of Developmental Disabilities	ORC 5126.02
Multi-County Local Healthier Buckeye Councils	ORC 355.02
New Community Organizations	ORC 349
Park Districts	ORC 511.18/1545
Port/Finance Authorities	ORC 4582
Public Hospitals	ORC 140.01, 339, 513, 749
Recreation Districts	ORC 755
Regional Arts and Cultural Districts	ORC 3381
Regional Library Systems	ORC 3375.90
Regional Planning Commissions	ORC 713
Regional Student Education Districts	ORC 3313
Regional Transportation Improvement Project	ORC 5595
Regional Water and Sewer Districts	ORC 6119
Retirement Systems	ORC 145, 742, 3307, 3309 and 5505
Sanitary Districts	ORC 6115

Entity Type	Establishing Code Section
School Districts (Local, City, Exempted Village, Vocational & Educational Service Centers)	ORC 3311
Science, Technology, Engineering and Mathematics (STEM) Schools	ORC 3326
Soil and Water Conservation Districts Joint Board of County Commissioners Improvement Project	ORC 1515 (transfer to ORC 940 effective 1/1/16)
Solid Waste Management Districts Joint and Regional	ORC 343
Special Improvement Districts	ORC 1710
Townships	ORC 503

Entity Type	Establishing Code Section
Transit Authorities/Commissions (Regional and Single County)	ORC 306
Transportation Improvement Districts	ORC 5540
University Branch Districts	ORC 3355
Villages	ORC 707
Watershed Districts	ORC 6105
Workforce Investment Area Agencies (~~Single and~~ Multiple County) and Workforce Innovation and Opportunity Act Agencies(WIOA)	ORC 6301

- Fiscal officers representing more than one public office or other entity required to file are responsible for filing separate reports for each office.
- Any entity with a filing requirement must file a separate financial report. Inclusion in the financial statements of another reporting entity does **not** satisfy the filing requirement.

Required Components of Financial Statements

The required components of the financial statements will vary by entity type and basis of accounting. The highest level of reporting is the GAAP basis, and, as indicated earlier, is the mandated basis of accounting for several entity types. Many local governments maintain their internal accounting records and prepare their annual financial statements using a Special Purpose Framework *other comprehensive basis of accounting* (OCBOA) as defined in U.S. Auditing Standards AU-C 800. The three common OCBOA bases of accounting for governments in Ohio are: 1) OCBOA Cash basis; 2) OCBOA Modified Cash basis; and 3) Regulatory Cash basis. OCBOA Cash basis and OCBOA Modified Cash basis financial statements are presented using the same *structure* as GAAP financial statements; and, therefore, are also referred to as "GAAP look-alike," since GASB 34 established the current GAAP presentation structure. The third OCBOA basis, Regulatory Cash basis, is a cash basis of accounting used to comply with financial reporting provisions of a governmental regulatory agency, in this case the AOS. AOS' authority for establishing the Regulatory Cash basis is in accordance with the financial reporting provisions ORC §117.38 and OAC §117-2-03(D), and is commonly referred to as the "AOS basis."

The following outline includes the minimum required components of financial statement reports:

- **Governmental Entities (including governmental nonprofit entities) filing GAAP, OCBOA Cash or OCBOA Modified Cash basis**:
  - Management's Discussion & Analysis (required for GAAP; optional for OCBOA Cash or OCBOA Modified Cash)
  - Basic Financial Statements
    - Government-Wide Financial Statements
    - Fund Financial Statements
    - Notes to the Basic Financial Statements
  - Any other Required Supplementary Information (RSI) (GAAP only)
- **Nongovernmental Nonprofit Entities filing GAAP, OCBOA Cash or OCBOA Modified Cash basis:**
  - Basic Financial Statements
    - Statement of Financial Position
    - Statement of Activities (also known as Statement of Changes in Net Assets)
    - Statement of Functional Expenses (required for voluntary health and welfare organizations; optional for all other nonprofit organizations)
    - Statement of Cash Flows (GAAP only)
    - Notes to the Financial Statements
  - Any other RSI (GAAP only)
- **Regulatory Cash Basis Entities (a cash basis commonly referred to as "AOS basis"):**
  - Basic Financial Statements
    - Statement(s) (or Combined Statement(s)) of Receipts, Disbursements and Changes in Fund Balances – Governmental, Proprietary and Fiduciary, as applicable
    - Notes to the Basic Financial Statements

Notes to the Financial Statements - In the AOS' effort to provide assistance to our clients, we will continue to be available to assist entities in the preparation of notes to the financial statements. *GASB Codification 2300* explains the notes to the financial statements are intended to communicate information that is necessary for a fair presentation of the financial statements that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes to the financial statements are an integral part of the financial statements, intended to be read with the financial statements, and are the entity's responsibility to prepare.

In previous AOS bulletins, entities preparing financial statements on a non-GAAP basis were permitted to exclude notes to the financial statements as part of the annual financial report filing and engage the AOS to assist with preparation of the notes during the audit. However, this has caused confusion, and it is important to note the preparation of the notes is the responsibility of the entity and should be completed in conjunction with preparing the financial statements. Therefore, the notes to the financial statements, and all other components listed above, are required to be included in the financial statements filed with the AOS via the Hinkle System as described below.

The AOS provides shells of financial statements and note disclosures for entities permitted to report on an OCBOA basis on our website at:

https://ohioauditor.gov/references/shells.html.

Documentation/Information Required for Hinkle System/Required Annual Financial Report Submission

The data required to be submitted as part of the annual financial report submission differs depending on the type of entity:

All entities - required to prepare a file of the entity's **final, unaudited** financial statements as described in the *Required Components of Financial Statements* section above. In order to upload the file into the Hinkle System, all components of the financial statements must be in one Adobe Acrobat PDF file of less than 30MB.

In addition to the PDF file of the full financial statement package, the following entity types are also required to key certain financial, debt and demographic data into the Hinkle System:

- Cities
- Counties
- School Districts, including Joint Vocational School Districts
- Educational Service Centers
- Community Schools
- Townships
- Libraries
- Villages

The specific data to be entered by each entity type is described in the Frequently Asked Questions (FAQs) and is reflected in the Quick Guide for each entity type available on the AOS website at:

http://www.ohioauditor.gov/financialreporting/default.html.

Accessing Hinkle System/ Submission of Annual Financial Report

With the exception of Uniform Accounting Network (UAN) clients (described below), the Hinkle System is only accessible via an **entity-specific** link provided by email to each entity's fiscal officer/designated contact after the end of the entity's annual fiscal year. It is; therefore, important for each entity to ensure any change in fiscal officer contact information, including an email address, is communicated to the AOS. ~~If your entity has registered for eServices, please login at: https://eServices.ohioauditor.gov and request the change. Otherwise, an entity should notify the AOS of the change via the email address established for the *Hinkle System* correspondence (HinkleSystem@ohioauditor.gov).~~ Guidance for notifying the AOS is available at: AOS Notifications.

- ***UAN Clients*** – for most UAN clients, the entity's required filing in the Hinkle System will be completed as part of the year-end UAN reporting. For UAN clients reporting on GAAP or another accounting basis which cannot be prepared by UAN, instructions will be provided by UAN regarding how to file via the Hinkle System.

- ***Electronic Filing Waiver for Small Governments*** – a waiver from required electronic filing in the Hinkle System may be requested for limited circumstances. If a non-UAN, small government entity is unable to file electronically, an Electronic Filing Waiver Request for Small Governments form, available on our website or by contacting the AOS, should be

completed and submitted for consideration. The entity will receive a response letter from the AOS indicating whether or not the waiver has been approved generally within ten (10) working days of the AOS receiving the request. Submission of a waiver request does not extend the due date for filing the entity's financial report. If approved, a waiver is only granted for one financial reporting year. A new request must be submitted for each annual financial reporting period. If the waiver is approved, the entity must submit: 1) a copy of the waiver approval with, if required, the requested demographic information completed; and 2) the final, unaudited financial statements, as described in the *Required Components of Financial Statements* section above, to the AOS, in order for the AOS to complete the Hinkle System filing on the entity's behalf.

Note: Submission of an entity's annual financial report by any method other than as described above will not satisfy the requirements of OAC §117-2-03(A)(1).

Publication - ORC §117.38 requires at the time the annual financial report is filed with the AOS, the chief financial officer shall publish notice in a newspaper of general circulation in the political subdivision or taxing district that states the financial report has been completed by the public office and is available for inspection at the office of the chief financial officer. Therefore, the ORC does not provide for filing "draft" financial statements with the AOS. Each entity has the ability to save and modify data in the Hinkle System up to the point of submission; however, submission to the AOS should not occur until the **final, unaudited** financial statements are prepared and ready for inspection. Once submitted via the Hinkle System, the data cannot be modified without contacting the AOS.

Filing Extensions

Normally, entities should ensure sufficient time has been planned and any necessary assistance has been engaged to prepare their annual financial statements in order to meet the statutory filing due dates; however, the AOS recognizes that occasionally circumstances may arise that justify granting an extension of the annual financial report filing deadline as permitted by ORC §117.38. Generally, the AOS will consider granting an extension to a public office, or other entity required to file, under extraordinary circumstances as defined below:

- The public office or other entity required to file is located in an area where a major flood or natural disaster has recently occurred;
- The records were destroyed through fire or casualty;
- The records are not updated due to the recent death or disability of the person responsible for preparing the annual financial report;
- A newly elected or appointed public official requests an extension due to poor maintenance of financial records by the predecessor official; or
- Other extenuating circumstances as determined by the AOS.

The **initial** year an entity is required to file via the Hinkle System is also an acceptable reason for requesting an extension. However, since the Hinkle System will be fully implemented for all entities with the 2015 annual financial reporting filings, extension requests for this reason will not be granted for reporting years 2016 and beyond.

Extension Requests must:

- State the reason(s) for the request;
- Indicate the requested filing extension date (up to a maximum of two (2) months beyond the statutory due date);
- Be signed by the chief fiscal officer and a representative of the governing board of the public office or other entity required to file; and
- Be in a PDF format and submitted to the AOS via the entity specific Hinkle System link[1] **no later than** the statutory due date for filing the entity's annual financial report. Extension requests cannot be submitted after the statutory/extended due date or by any other method.

The entity will receive a response email generally within ten (10) working days of the AOS receiving the request indicating whether the filing extension request has been granted. Additionally, once an entity selects the basis of accounting for reporting in the Hinkle System, the filing due date will appear in the upper right corner of each of the Hinkle System screens. Any extension granted will be reflected next to the due date with a Pending, Approved or Denied designation.

Non-Compliant Filing/Failure to File

ORC §117.38 imposes a penalty of $25 per day ($750 maximum) for entities that file late or fail to file. Failure to file includes entities which fail to file under a mandated basis of accounting as discussed in the *Statutory Filing Requirement* section of this bulletin. The AOS may waive all or any part of the penalty assessed under this section once the entity has filed the report via the Hinkle System. To be considered a ***complete*** annual financial report filing and avoid any penalties and/or non-compliance citations, the financial statements submitted via the Hinkle System **must include all components, including the notes to the financial statements,** as summarized in the *Required Components of Financial Statements* section of this bulletin.

During an entity's financial audit, procedures outlined in the *Ohio Compliance Supplement* will be performed to determine whether the entity's annual financial report filing(s) for the period under audit was complete, timely, and prepared utilizing the mandatory basis of accounting, if applicable. Auditors will inspect the Hinkle System filing to determine whether amounts reported agree with the entity's underlying accounting records and include all the required components. Material non-compliance will be cited in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* when an entity mandated to prepare its financial statements on a GAAP basis reports on a non-GAAP basis and/or may be cited if the financial statements filed were significantly incomplete/misstated. Entities failing to file by the statutory due date, including any granted extensions, may be cited for the late filing in the management letter.[2]

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[1] For guidance, please refer to the Hinkle System Extension Request Quick Guide.

[2] Refer to the *Ohio Compliance Supplement* for further guidance.

Failing to file an annual financial report may be an indication the public office's records have not been maintained sufficiently to audit; and, therefore, may lead to the AOS determining the public office is "unauditable" (i.e. unable to be audited) in accordance with ORC §117.41.

When the AOS determines a public office's records are not sufficient to allow the audit to be performed, a letter is sent to the public office that formally declares the entity to be unauditable. If the public office fails to make reasonable efforts and continuing progress to bring its records into an auditable condition within 90 days after the unauditable declaration, the AOS shall request the Attorney General's Office commence legal action pursuant to Ohio Rev. Code §117.42 to compel the public office to bring its accounts, records, files, or reports into an auditable condition.

Per ORC §1724.06 and §1726.12, respectively, if a CIC (including economic development corporations and county land reutilization corporations) or development corporation fails to prepare and file its annual financial report with the AOS within 90 days of the time prescribed for filing (i.e. 210 days following the end of the fiscal year) or the AOS declares the CIC or development corporation unauditable, and the CIC or development corporation fails to then prepare and file its annual report within 90 days of the declaration, the AOS shall certify that fact to the Secretary of State's Office. The Secretary of State then shall cancel the articles of the CIC or development corporation, and all rights, privileges, and franchises conferred upon that CIC or development corporation will cease.

Auditing of Financial Statements Filed

In order to provide timely, relevant and accurate financial information and meet the objective of completing timely audits , it is critical that each entity file its annual financial report via the Hinkle System by the statutory or extended due date.

Although the ORC and OAC requirements discussed in this bulletin were clearly established to ensure public offices and other required entities prepare their annual financial reports completely, utilizing the mandated accounting basis, and by a date sufficient to allow for the timely completion of the financial audit, many entities have filed financial statements that were draft, incomplete, or on a basis other than which they intended to have audited. An annual financial report filing that only meets the statutory filing deadline, without regard for the accuracy and completeness of the financial statements, defeats the objective to complete the entity's financial audit in a timely manner. Rather, the entity's filing of their annual financial report should signal the final, unaudited financial statements have been prepared, are ready for public inspection, and are available for audit.

With this in mind, **beginning with audits of financial periods ending in 2016**, the AOS (and any independent public accounting (IPA) firms contracted to perform audits for the AOS) will audit the financial statements uploaded and submitted to the AOS via the Hinkle System. At the commencement of the audit, the AOS or IPA will verify with the entity that the financial statements submitted via the Hinkle System are the final, unaudited financial statements for the audit period. If the entity indicates the financial statements filed via the Hinkle System for the audit period require modification, the entity must contact the AOS via the Hinkle System Inquiry Form in order to re-file. The filing date and accounting basis of the re-filed annual financial report will then become the basis for determining compliance with the filing requirements discussed in this Bulletin.

As indicated earlier, to ensure compliance with the annual financial report filing requirements, entities should plan sufficient time and engage any necessary assistance to prepare their annual financial statements in order to meet the statutory filing due dates. Entities requiring assistance with any aspect of the preparation of their annual financial statements may wish to contact the AOS' Local Government Services.

Questions regarding this bulletin or regarding annual financial report filing requirements may be directed to the Hinkle System Inquiry Form.

Dave Yost
Ohio Auditor of State