



**Dave Yost**  
Ohio Auditor of State

Bulletin 2011-005

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## Auditor of State Bulletin

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**Date Issued: September 30, 2011**

**TO: Public Schools  
Independent Public Accountants**

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

**SUBJECT: Ohio Revised Code 5705.412 - School District Certificate of Adequate Resources**

This bulletin explains modifications to Ohio Revised Code Section 5705.412, effective September 29, 2011.

### **I. Summary of Current Law**

Under current law, Ohio Revised Code § 5705.412 requires that a school district attach a certificate to every contract subject to § 5705.412 that exceeds the lesser of \$500,000 or 1% of the total current fiscal year general fund revenue. The “412 certificate” documents that the district has or will have adequate revenue in approved tax levies, state funding and other resources to cover the amount of the contract for its entire term.

### **II. Recent Legislative Changes**

Recently enacted House Bill 153 modified the requirements of Ohio Revised Code § 5705.412. Specifically, the bill authorizes a school district to enter into multi-year contracts without attaching the currently-required 412 certificate if an *alternative certificate* is attached in place of the 412 certificate.

The alternative certificate must certify the following:

1. The contract is a multi-year contract for materials, equipment, or non-payroll services essential to the education program of the district, and
2. The multi-year contract demonstrates savings over the duration of the contract as compared to costs that otherwise would have been demonstrated in a single year contract, and the terms will allow the district to reduce the deficit it is currently facing in future years as demonstrated in its five-year forecast adopted in accordance with Ohio Revised Code § 5705.391.

The alternative certificate must be signed by the treasurer and the school board president, as well as the superintendent of the school district. If the district is in a state of fiscal emergency, however, the certificate must be signed by a member of the district's financial planning and supervision commission who has been designated by the commission for this purpose.

### **III. Contracts with Lengths that Exceed a School District's Five-Year Forecast**

The Auditor of State's office has been asked to verify our position on whether a school district may sign a 412 certificate for a contract with a length of term that exceeds its five-year forecast. In our opinion, a school district may do so even though the contract's term extends beyond the district's forecast. If, however, the district's five-year forecast is projecting a deficit, the district should attach the alternative 412 certificate if the requirements above are met.

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

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