

AUDITOR OF STATE BULLETIN 96-015
JULY 15, 1996

TO: SCHOOL DISTRICT TREASURERS
IPAs

SUBJECT: SCHOOL DISTRICT ANTICIPATED OPERATING DEFICITS

The purpose of this advisory bulletin is to inform all school districts of potential time constraints if they anticipate an operating deficit at June 30, 1997.

School districts that anticipate having insufficient revenues to operate through the year without borrowing, excluding borrowing against their spending reserve, need to pass a resolution indicating the need for a financial forecast by July 31, 1996, to start the procedure outlined in Section 3313.483, Revised Code (commonly referred to as the "State Loan Program").

The process requires involvement of the school districts, Auditor of State's office, State Department of Education and the State Controlling Board, as well as local lending institutions. A significant amount of time is needed to coordinate all aspects of the process.

Due to the requirements placed on school districts under Section 5705.412, Revised Code, certain deadlines are automatically imposed on districts that anticipate operating deficits. Section 5705.412, Revised Code, requires districts to attach a "certificate of adequate revenues" to appropriation measures. This requirement does not apply to temporary appropriation measures if all of the following apply:

- (A) The amount appropriated does not exceed twenty-five per cent of the total amount from all sources available for expenditure from any fund during the preceding fiscal year;
- (B) The measure will not be in effect on or after the thirtieth day following the earliest date on which the district may pass an annual appropriation measure;
- (C) An amended official certificate of estimated resources for the current year, if required, has not been certified to the board of education under division (B) of section 5705.36 of the Revised Code.

In most districts, this statute imposes a deadline around October 1, 1996, to secure State authorization to borrow over the June 30, 1997, year end. If authorization to borrow is not received by this time, a district may be faced with having to pass a temporary appropriation measure which could not be certified under Section 5705.412 of the Revised Code.

School districts faced with a projected operating deficit need to submit a copy of the resolution to this office and the Ohio Department of Education by July 31, 1996, to initiate the process. Our office will make these projects a priority during the months of August and September to assist you in meeting your deadlines.

Mail the resolutions to:

Auditor of State's Office
Local Government Services
Attn: Financial Forecast Information
Post Office Box 1140
Columbus, Ohio 43216-1140

Should you have any questions concerning this bulletin, please contact Local Government Services Division staff at 1-800-345-2519 or 1-614-466-4717.