

AUDITOR OF STATE BULLETIN 97-012
JULY 9, 1997

TO: ALL COUNTY AUDITORS
ALL MUNICIPAL FINANCE OFFICERS
ALL SCHOOL TREASURERS
ALL TOWNSHIP CLERKS
ALL LIBRARY CLERKS
ALL INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: FEDERAL AND/OR STATE GRANTS OR LOANS OF MONEY TO A
POLITICAL SUBDIVISION

The purpose of this advisory bulletin is to inform you of the recommended accounting treatment for federal and/or state grants or loans to political subdivisions.

Ohio Rev. Code § 5705.42 states:

When the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code.

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

Once the grant is awarded or the loan is approved by the federal or state government, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or loan, based on what is to be received in the fiscal year. Any money expected to be received in the next year should be reflected on the next year's certificate. However, if the local government, with the exception of a school district, has budgeted on a project length basis pursuant to Ohio Rev. Code § 9.34(B), the fiscal officer must obtain an official certificate of estimated resources for the entire project length fiscal period.

The fiscal officer shall record the appropriations in accordance with the terms and conditions of the grant or loan agreement. In addition, prior to recording the appropriations, the legislative authority must pass a resolution amending its appropriation measure. Ohio Rev. Code § 5705.40. Beginning with fiscal years ending on or after June 30, 1998, the failure of legislative authority

appropriation of grant or loan funds prior to expenditure or obligation of funds will constitute a noncompliance citation during an audit. If the grant or loan will be expended over a period longer than the current fiscal year, only the amount estimated to be obligated during the current fiscal year should be recorded as appropriated. The remainder of the project should be appropriated in the subsequent year(s).

In situations where the grant or loan proceeds will be received after the expenditures are incurred, it is possible that the local government will have appropriated an amount for 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.

If you have any questions, you may contact the Auditor of State's Local Government Services Division at (800) 345-2519 or (614) 466-4717, the Legal Division at (800) 282-0370 or (614) 752-8683, or your Auditor of State Regional Office.