



Dave Yost • Auditor of State

Bulletin 2011-007

Auditor of State Bulletin

Date Issued: October 27, 2011

TO: Ohio Townships and Independent Public Accountants

FROM: Dave Yost
Ohio Auditor of State

SUBJECT: Ohio Revised Code §§ 505.24, 507.09

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

I. Summary of Township Trustee & Fiscal Officer Compensation Law

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

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

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

¹ Ohio Revised Code § 505.24(C)

² Id.

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

⁴ OAG 2004-036 at 4

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

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

II. Recent Legislative Changes

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

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

III. Certification

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

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

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

IV. Other Township Employees

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

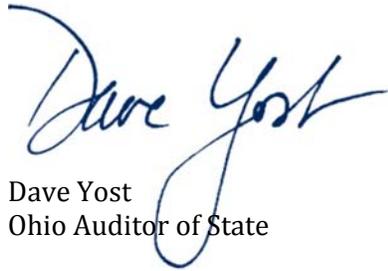
⁵ Ohio Revised Code §505.24(C)

⁶ Ohio Revised Code §507.09(C)

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

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

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



Dave Yost
Ohio Auditor of State

⁷ Ohio Revised Code § 5705.10(H)

Payroll Certification

Pay period XX/XX/20XX – XX/XX/20XX

TRUSTEE NAME/FISCAL OFFICER

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

40% ----- Township General Fund

30% ----- Township Road and Bridge Fund

10% ----- Township EMS Fund

20% ----- Township Cemetery Fund

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

NAME

DATE