



**Dave Yost**  
Auditor of State



How do I record...

Presented by:  
Local Government Services

Ohio Auditor of State  
Dave Yost

[www.ohioauditor.gov](http://www.ohioauditor.gov)

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Discussion will include....

- New Funds
- FEMA monies
- OPWC/OWDA Payments
- Debt Issuances
- Transfers and Advances
- Deficit Balances
- and much more.....



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New Funds

Question: What do I need to do to create a new fund?

*Answer: Technical Bulletin 1999-006*



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## FEMA Grants

Question: I received FEMA monies, what do I need to do?

*Answer: FEMA monies need to run through the FEMA fund (even if reimbursing another fund)*

*AOS Bulletin 1998-013*

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## OPWC/OWDA Payments

Question: OPWC is paying the contractor directly, do I have to record the payments?

*Answer: Yes, you need to record both the revenue and the expenditure.*

*AOS Bulletin 2002-004*

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## Debt Proceeds

Question: I issued \$100,000 in notes to pay for a project. They took the costs of the note out of the proceeds and I only received 99,000. What do I book?

*Answer: Debt proceeds - \$100,000  
Issuance Costs - \$1,000*

*Everything is booked at gross*

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## Transfers/Advances

Question: What is the difference between a transfer and an advance?

*Answer: Advances are a loan of money. The general fund expects to be repaid. Transfers are a move of money, no repayment is expected.*

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## Transfers/Advances

Question: Am I allowed to transfer money out of a capital projects?

*Answer: Generally, no. There are certain cases in which this is allowable. You would need to consult with legal counsel.*

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## Unclaimed Monies

Question: How can I eliminate old outstanding checks on my reconciliation?

*Answer: Create an unclaimed monies agency fund under ORC Section 9.39  
MAS bulletin 91-11*

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## Audit Costs

Question: Am I allowed to charge audit costs to other funds?

*Answer: AOS Bulletin 2009-11*

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## Special Levy Monies

Question: Am I allowed to use the fire levy to pay for the fire truck loan?

*Answer: The ballot language would determine this answer. I recommend consulting your legal counsel.*

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## Income Taxes

Question: What do I withhold income taxes on?

*Answer: The laws change all the time. I recommend calling the IRS directly.*

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## Property Taxes

Question: Can I book property taxes net?

*Answer: No. Property tax settlements are booked at gross (UAN users – memo receipt).*

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## Oil & Gas Leases/Royalties

Question: What fund do I book Oil & Gas leases?

*Answer: General Fund.*

Question: What revenue classification do I use?

*Answer: Miscellaneous Revenue.*

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## Township Salaries

Question: How do I calculate how to charge the salaries to the various funds?

*Answer: You are looking for a reasonable method of calculation.*

*AOS Bulletin 2011-007*

*AOS Bulletin 2013-002*

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## Deficit Funds

Question: UAN won't allow me to have deficit balances. I need to make payroll, what do I do?

*Answer: Contact Local Government Services*

*Northeast – Nita Hendryx*

*Southeast – Robert Burlenski*

*Northwest – Belinda Miller*

*Southwest – April Davis*

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## Declining Balances

Question: Council/Trustees keep spending down our balances. What can I do to curtail the spending?

*Answer: Prepare a forecast (3-5 years) showing the direction of the Village/Township - Contact Local Government Services*

**1-800-345-2519**

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## Fiscal Caution, Watch, Emergency

Question: Am I in Fiscal....?

*Answer: Only the Auditor of State can declare an entity into fiscal caution, watch or emergency.*

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## Fiscal Caution

- **Potential** Triggers for Fiscal Caution
  - Unauditable Financial Records
  - Significant deficiencies, material weaknesses, direct and material noncompliance as disclosed in the financial audit
  - Deficit fund balances
  - Carryover fund balance of less than one month's average expenditures for two or more consecutive years
  - Failure to reconcile accounting journals and ledgers with the treasury

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## Grounds for Fiscal Watch

- Anyone of four conditions constitutes grounds for a fiscal watch:
  - Accounts Payable
  - Deficit Fund Balances
  - Deficit in the Treasury
  - Forecasted General Fund Deficit.

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## Grounds for Fiscal Emergency?

- Any one of six conditions constitutes a fiscal emergency:
- A default on any debt obligation
  - A failure to make payroll to employees
  - An increase in the minimum levy - inside millage
  - Accounts Payable
  - Deficit Fund Balances
  - Deficit in the treasury

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## Bank Reconciliations

Question: Do I have to reconcile every month?

*Answer: Yes. Reconciliations should be completed in a timely manner every month.*

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## Audit Adjustments

- What are they and how do I record them?

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I got a 90 day letter...



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**Local Government Services**

88 East Broad Street  
Columbus, Ohio 43215

Presenter Phone: (800) 345-2519  
Presenter Fax: (614) 466-4717  
E-mail: [contactus@ohioauditor.gov](mailto:contactus@ohioauditor.gov)

 Ohio Auditor of State  
**Dave Yost** [www.ohioauditor.gov](http://www.ohioauditor.gov)

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# OHIO AUDITOR OF STATE'S OFFICE

## LGS REGIONAL MAP

1-800-345-2519

Northwest  
Belinda Miller

Northeast  
Nita Hendryx



Southwest  
April Davis

Southeast  
Robert Burlenski

## *Internal Revenue Service Contacts*

<b>Wendy Speelman</b>		419.512.1809 (cell) <a href="mailto:wendy.e.speelman@irs.gov">wendy.e.speelman@irs.gov</a>		
Adams	Allen	Auglaize	Brown	Butler
Champaign	Clark	Clermont	Clinton	Darke
Defiance	Delaware	Fayette	Franklin	Fulton
Green	Hamilton	Hancock	Hardin	Henry
Highland	Logan	Lucas	Madison	Marion
Mercer	Miami	Montgomery	Ottawa	Paulding
Pickaway	Pike	Preble	Putnam	Ross
Sandusky	Seneca	Shelby	Union	Van Wert
Warren	Williams	Wood	Wyandot	

<b>John Darr</b>		419.526.2886 <a href="mailto:john.l.darr@irs.gov">john.l.darr@irs.gov</a>		
Ashland	Ashtabula	Athens	Belmont	Carroll
Columbiana	Coshocton	Crawford	Cuyahoga	Erie
Fairfield	Gallia	Geauga	Guernsey	Harrison
Hocking	Holmes	Huron	Jackson	Jefferson
Knox	Lake	Lawrence	Licking	Lorain
Mahoning	Meigs	Medina	Monroe	Morgan
Morrow	Muskingum	Noble	Richland	Perry
Portage	Scioto	Stark	Summit	Trumbull
Tuscarawas	Vinton	Washington	Wayne	

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

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

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.

AUDITOR OF STATE  
REQUEST FOR FUND APPROVAL

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 invoice(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.

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

- 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

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.



**JIM PETRO**  
**AUDITOR OF STATE**  
 STATE OF OHIO  
 www.auditor.state.oh.us

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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## AUDITOR OF STATE BULLETIN

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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



## AUDITOR OF STATE BULLETIN

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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:



Date: May 28, 2002  
 Bulletin 2002-004

**AUDITOR OF STATE BULLETIN**

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-	-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.

# MAS BULLETIN

MAS9111.BUL

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 1-800-345-2519

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",

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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.

Russell L. Rouch, Deputy Auditor  
Management Advisory Services

RLR/jr

# Mary Taylor, CPA Auditor of State

## **Bulletin 2009-011**

**Date Issued:** October 30, 2009

**TO:** All Fiscal Officers  
Independent Public Accountants

**FROM:** Mary Taylor, CPA  
Ohio Auditor of State

**SUBJECT:** Allocating Audit Costs

The purpose of this bulletin is to advise local governments of the ability to charge funds other than the general fund for the cost of an audit.

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. Agency funds, because of their custodial nature, 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 agency funds, would be acceptable. A local government's indirect cost allocation plan may also be an acceptable method for allocating audit costs.

For grant funds, the costs of audits are allowable if the audits were performed in accordance with the Single Audit Act, as implemented by Circular A-128, "Audits of State and Local Governments." [Note: In June 1997, OMB rescinded Circular A-128 and co-located all audit requirements in a re-titled Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."] 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 information in this Bulletin, please contact the Local Government Services staff of the State Auditor's Office at (800) 345-2519.

A handwritten signature in cursive script that reads "Mary Taylor". The signature is written in black ink and is positioned above the typed name and title.

Mary Taylor, CPA  
Auditor of State



# Dave Yost • Auditor of State

Bulletin 2011-007

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Auditor of State Bulletin

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**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.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

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.<sup>4</sup>

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<sup>1</sup> Ohio Revised Code § 505.24(C)

<sup>2</sup> Id.

<sup>3</sup> OAG 2004-036, Ohio Revised Code § 5705.10(H)

<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup> 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.

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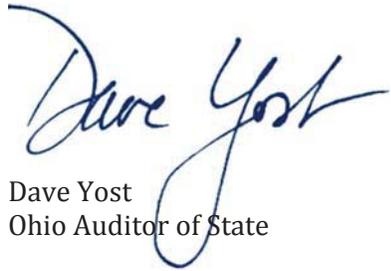
<sup>5</sup> Ohio Revised Code §505.24(C)

<sup>6</sup> 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.<sup>7</sup> 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

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<sup>7</sup> 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



# Dave Yost • Auditor of State

Bulletin 2013-002

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## Auditor of State Bulletin

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**Date Issued:** June 7, 2013

**TO:** Ohio Townships and Independent Public Accountants

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

**SUBJECT:** Allocation of Township Trustee and Fiscal Officer Salaries

Auditor of State Audit Bulletin 2011-007 summarized legislative changes governing township fiscal officer and trustee compensation. The Bulletin outlined the authority to compensate township trustees and fiscal officers from funds other than the general fund. These allocations are based on certification by each official of the percentage of time spent working on matters that are to be paid from funds other than the general fund (Ohio Revised Code 505.24(C) and 507.09(C) and 2004 Op. Atty. Gen. No. 2004-036).

In practice, some townships officials have been certifying 100 percent of their time to activities paid from restricted funds. However, township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

Townships allocating 100 percent of officials' salaries to restricted funds will be subject to audit findings. For audits of 2011-2012 periods, noncompliance will be addressed in a management letter comment. However, for 2012-2013 and subsequent audit periods, townships will need to make adjustments to 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Ohio Auditor of State