

UNCOMMON ACCOUNTING ISSUES

Presented by: Local Government Services

Agenda

Today's uncommon topics will cover:

- New Funds
- FEMA monies
- OPWC payments
- Debt Activity
- Transfers and Advances
- Budgetary
- Special Assessments
- and much more...

Fund Permission Request and AOS Approval

Question: Do I need AOS approval?

Answer: The establishment of certain new funds may require Auditor of State approval.

- Auditor of State approval for a new fund is necessary,
 - When the creation of the fund is not specifically authorized by statute or when the purpose of the fund is not identified in Ohio Revised Code §§ 5705.09 (A) - (H)
 - When management wants to capture additional financial information about a specific revenue source or activity;
 - When the fund will be used to account for restricted gifts or bequests that will not be held in trust; or
 - When management wants to impose internal restrictions not otherwise required by law

Fund Permission Request and AOS Approval (continued)

- Auditor of State approval for a new fund is not necessary,
 - When the creation of the desired fund is already authorized or required by statute (either specifically by name, or in general).
 - 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.

Requesting a New Fund

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

Answer:

- Refer to Auditor of State Technical Bulletin 99-006, the Ohio Township Handbook, and the Village Officer's Handbook.
- The instructions for requesting Auditor of State approval for a new fund can be found at <https://www.ohioauditor.gov/resources/AOSNotifications.html>

Old Funds

Question: There is a fund with \$300 left. There has been no activity in the fund for years. Can I close the fund?

Answer: Work with legal counsel. Closing the fund is dependent upon how the fund was created

- ORC 5705.14 – 5705.16

FEMA Grants

Question: Our township/village is applying for 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
- AOS Bulletin 1999-005
- FEMA Hazard Mitigation

OPWC 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

Debt Activity

Question: The township/village issued allowable debt to purchase a backhoe. The financing agency paid XYZ Equipment Company directly. Does this activity have to be recorded?

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

Question: The township/village issued \$100,000 in allowable debt to pay for a project. The financing agency withheld the costs of issuance out of the proceeds and the township/village only received \$99,000. What needs posted to the ledgers?

Answer: Debt Proceeds (revenue) - \$100,000
Issuance Costs (expenditure) - \$1,000
Everything is booked at gross

Property Taxes

Question: Can I book property taxes net?

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

Transfers/Advances

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

Answer: Transfers are a permanent movement of money, no repayment is expected. Advances are a loan of money. The originating fund expects to be repaid.

Question: How do I transfer or advance monies?

Answer: Two pieces of legislation

1. Appropriation resolution for a Transfer – Advances are not required to be budgeted
2. Legislation directing the transfer or advance.

Transfers/Advances (continued)

Question: Am I allowed to transfer money out of a fund other than the general fund?

Answer: Generally, no. There could be certain cases in which this could be allowable. You will need to consult with legal counsel.

Unclaimed Monies

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

Answer: Create an unclaimed monies fund under ORC Section 9.39
• MAS Bulletin 91-11

Budgetary

Question: Do the permanent appropriations have to match the total available resources on the amended certificate?

Answer: No. Appropriations cannot **exceed** the total available resources by fund.

Budgetary (continued)

Question: What is the legal level of control?

Answer: The level at which the Governing Board set the original/permanent appropriations.
• Remains consistent throughout the year

- General
 - Administrative \$xxx,xxx
 - Personal Services \$xxx,xxx
 - All Other \$xxx,xxx
- Townhalls, Memorial Buildings, and Grounds
 - Personal Services \$xxx,xxx
 - All Other \$xxx,xxx

• This is the minimum level implied by statute

Budgetary (continued)

- General Fund

- Administrative

- Salaries and Wages \$xxx,xxx

- Employees Benefits \$xxx,xxx

- Contractual Services \$xxx,xxx

- Materials & Supplies \$xxx,xxx

- Other \$xxx,xxx

- Capital Outlay \$xxx,xxx

- Total Administrative \$xxx,xxx

- Example – fund>department/activity>object level

Deficit Funds

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

Answer: Contact Local Government Services

1-800-345-2519

Bank Reconciliations

Question: : Do I have to reconcile every month?

Answer: Yes, reconciliations should be completed in a timely manner every month.

Special Assessments

A Special Assessment is a **charge** assessed against real estate parcels for certain public services or projects. This charge is not considered part of your real estate taxes, but is assessed on the real estate tax bill as a separate line. The assessment may only be levied against parcels that have received a direct benefit from the public service or project.

Some examples of what Special Assessment charges are used for, but not limited to:

- Sidewalk Construction or Improvements
- Ditch Construction or Improvements
- Road Construction or Improvements
- Water or Sewer Construction, Improvements, or Extensions
- Lighting Districts

Special Assessments (continued)

Operating special assessments differ from property taxes in the sense that only the property owners who benefit from the special assessment project are assessed. For example, the property owners in a remote area want additional snow-plowing services and agree to a special assessment to pay the township/village for those additional services. Only the property owners whose streets are plowed (rather than the entire real estate tax base) are assessed.

Special Assessments (continued)

Capital special assessments enhance the utility, accessibility, or aesthetic value of the affected properties. Benefited property owners have the option to pay their assessment all at once up front or through an assessment on their property tax bills where the timing of repayments usually coincides with the government's debt repayment schedule.

Street Lighting

Street lights are an integral component of an entity's infrastructure and enhance traffic and pedestrian safety. The payment associated with street lights can be in the form of non-assessed and assessed lighting.

Non-assessed lighting is an expenditure of the General Fund.

When the entity or a specified group of landowners desire a higher level of light and/or aesthetics from the standard electric street lights, the increased costs that this requires can be passed on to the property owners through an assessment.

Special Assessments - Townships

ORC 515.02 When the owners of more than one-half of the feet front of the lots and lands abutting on the streets and public ways of any unincorporated district in a township sign a petition for artificial lighting of the streets and public ways in the district and file it with the township fiscal officer, the fiscal officer shall give to the board of township trustees a notice of the filing of the petition and a copy of it.

ORC 515.08, in part, states.....the cost and expenses of furnishing and maintaining such lights, and of the proceedings in relation thereto, **shall be paid from a fund raised by special assessments** (emphasis added) against the lots and lands in the district which are benefited by such lighting, provided, if the board finds that the lighting will result in general as well as special benefits there may be paid from the general fund of the township treasury such portion of the cost and expenses, except for any accrued interest on unpaid assessments, as is found to represent the value of the general benefit.

Special Assessments - Townships (continued)

ORC 515.11 discusses the process of how the township will certify the special assessment amounts to the County Auditor, and then how the County Auditor will collect the money and distribute it back to your township on the semi-annual tax settlement.

In part,The board of township trustees shall certify to the county auditor the boundaries of the district in which lights are to be erected, and, when requested to do so by the board, the auditor shall apportion the valuation for taxation of any lot or parcel of land lying partly within and partly without the district.

Special Assessments - Villages

Improvements which may be financed by special assessments are specified in ORC 727.01, and certain limitations are set forth. Special assessments are limited to benefits conferred, not to exceed during a five-year period, one-third of the actual value of the property, including improvements, as enhanced by improvements financed by the special assessment. This limitation does not apply to owners of property assessed by their **petition**, or to sidewalk and sewer assessments. (ORC 727.03 to 727.07, 729.01, and 729.06)

Village Contribution - The village council may have the village pay for as much of an improvement as it deems just, but at least two percent of the cost must be paid from village funds, and the cost of intersections must be paid in full, **except when requested by petition**. (Ohio Revised Code Section 727.05)

Special Assessments - Villages (continued)

Certification - After the special assessment is finalized by ordinance, under Ohio Revised Code Section 727.25, and bonds or anticipated notes are issued, the village fiscal officer, shall certify the assessment to the county auditor for collection by the county treasurer as other taxes are collected. (Ohio Revised Code Sections 727.30 and 727.33)

Special Assessment Fund Codes

Depending on if the special assessment is operating vs. capital, the following township or village fund codes should be used:

Fund Number	Fund Name	Fund Number	Fund Name
2281-2289	Fire and Rescue, Ambulance and Emergency Medical Services	4101-4199	Bond
2291-2339	Underground Storage Tank	4301-4399	Permanent Improvement
2401-2599	Special Assessment	4401-4499	Public Works Commission Project - Issue II
2901-2999	Miscellaneous Special Revenue	4501-4599	Special Assessment
		4901-4949	Miscellaneous Capital Projects
Fund Number	Fund Name	Fund Number	Fund Name
2401-2499	Special Assessment	4101-4199	Bond Construction
2901-2999	Other Special Revenue	4201-4299	Grant Construction
		4501-4599	Special Assessment Construction

Auditor of State's Website

Resources

- Publications & Manuals
 - Ohio Township Handbook/Village Officer's Handbook
 - Ohio Compliance Supplement
 - Technical Bulletins
 - Desk Calendar

Local Government Services

- Reference Materials
 - Financial Statement Shells & Footnotes
 - Current Notes
 - Specialized Notes

Current and Past Conferences Materials

OHIO AUDITOR OF STATE
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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

Do not classify funds holding restricted gifts as trust funds if the beneficiary is the government. If a trust agreement designates other parties as beneficiaries, then the fund **should** be classified as a trust fund. GASB 1300.108)

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:

[http://www.ohioauditor.gov/
resources/AOSNotifications.html](http://www.ohioauditor.gov/resources/AOSNotifications.html)

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~~.

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

AUDITOR OF STATE
REQUEST FOR FUND APPROVAL

Replaced with the form available at:
<http://www.ohioauditor.gov/resources/AOSNotifications.html>

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.

<https://uanlink.ohioauditor.gov/>

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

<https://ohioauditor.gov/local.html>

- 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	Note: AOS no longer prescribes alpha-numeric fund codes for villages, but does not object to governments that might still use them.
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.

CARES Act expenditures Guidance

AOS prefers local governments utilize a Reduction of an Expenditure or Reduction of Prior Year Expenditure line-item to move the eligible expenditure out of the fund that originally paid for it and into a new federal fund. However, some accounting systems do not include these options. Therefore, alternatively, entities may use the transfer line-items to reimburse eligible expenditures made in state and local funds with an allowable federal fund.

Local governments should work with their legal counsel to determine whether interfund reimbursements constitute reimbursements of allowable expenditures under the applicable federal program. If so, this bulletin and the AOS Ohio Compliance Supplement Implementation Guide ("Interfund Reimbursements") recognize an accounting principle that permits an entity to reimburse a fund by reducing the expenditure in the fund that made the original payment and recording the expenditure in the fund that contains the federal moneys once the federal moneys have been received. For example, OBM has suggested this method as a way to use CRF moneys received by a local government under HB 481 to reimburse funds that previously paid for eligible Coronavirus Relief Fund (CRF) expenses before the funding became available.

The Auditor of State's office recommends that every local government consult its own legal counsel for advice pertinent to the local government's particular situation to ensure that ORC 5705.14-.16 are not violated. Where disagreement over the application of a rule or statute arises, AOS will give all due consideration to a well-reasoned legal opinion provided by the local government's legal counsel.

Upon availability of the federal award funding, entities should use advances (if the program is operating on a reimbursement basis) or begin posting expenditures directly to the new federal fund.

Auditor of State Bulletin 99-005
March 24, 1999

TO: All City Auditors, Finance Directors and Treasurers
All Village Clerks and Treasurers
All Township Clerks
All County Auditors
All Independent Public Accountants

SUBJECT: Accounting for FEMA Hazard Mitigation Grants

The Auditor of State's Office recently issued a Bulletin (Bulletin 98-013) that discussed recommended accounting procedures for FEMA Public Assistance grants administered by the Ohio EMA. The purpose of this Bulletin is to address the federal Hazard Mitigation Grant Program also administered by Ohio EMA.

The program was created to assist states and local governments in implementing long term mitigation measures after a disaster declaration. The objectives of the program are to prevent future losses of lives and property due to disasters, to provide funding for State and local mitigation plans and to enable mitigation measures to be implemented during a community's immediate recovery from a disaster.

The program can fund up to 75% of the eligible costs of an approved project. The required local match may be cash, in kind services or materials. Funding is generally provided in advance of program expenditures unless a recipient is designated high risk. High risk projects are funded on a reimbursement basis. Program money must be expended within a reasonable time from receipt, generally within thirty days. All costs associated with the program must be documented and the local government must be able to demonstrate compliance with the local match requirements. Specific guidelines for mitigation grants are available from the Ohio EMA, Mitigation Branch, by calling (614) 799-3530.

The grant program should be accounted for in a separate fund. All federal money should be receipted directly into this fund. The Auditor of State recommends that all program expenditures be accounted for in this fund. Money representing the local share may be transferred by resolution or ordinance into the program fund from the general fund. If the program is funded on a reimbursement basis, the amount representing the federal share may be advanced to the program fund from the general fund and then repaid once the federal money is received.

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

Note: AOS no longer prescribes alpha-numeric fund codes for villages, but does not object to governments that might still use them.

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 or ordinance 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.

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.

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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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

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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-

** 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 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-

Note: GAAP governments should record unclaimed (i.e. "escheat" money) in fiduciary funds per GASB 84. They should account for escheat money per GASB 21 (Cod. E 70)

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 27C, "Agency Fund",~~

~~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.

VILLAGES:
9101-9199 **Unclaimed Monies**. Classify the fund balance as **Nonspendable**, per Bulletin 2001-04.

Russell L. Rouch, Deputy Auditor
Management Advisory Services

RLR/jr

TOWNSHIPS

Per the Township Manual, pg. II-60, "On the financial statements, unclaimed monies should be reflected in the fund that would ultimately receive the money (General Fund). In order to do this, UAN Townships should map the fund with the General Fund on UAN. Manual users would simply combine the Unclaimed Monies Agency Fund with the General Fund, and reflect the "Nonspendable - Unclaimed Monies" on the face of their financial statements."

Also, per the Township Manual, pg. II-77, "For unclaimed monies, the difference between the amount of cash in the fund and the estimated liability for payments to claimants would be classified as nonspendable fund balance until the end of the five year holding period. Unclaimed funds are legally required (ORC Section 9.39) to be maintained for five years. For a cash basis entity, the entire cash balance would be reported as nonspendable."



Dave Yost • Auditor of State

Bulletin 2015-007

Auditor of State Bulletin

Date Issued: December 21, 2015 **UPDATED February, 2017**

TO: All Auditor of State (AOS) Financial Audit and Local Government Services Staff
All Public Offices and Other Entities Required to File Annual Financial Reports with the AOS
All Independent Public Accountants (IPAs)

FROM: Dave Yost, Ohio Auditor of State

SUBJECT: Required Annual Financial Report Filing by Public Offices and Other Entities Required to File

Overview

The purpose of this Bulletin is to provide comprehensive guidance related to required annual financial report filings by public offices and other entities required to file and includes changes to Auditor of State (AOS) policy regarding:

- The new mandatory method for filing via the AOS' Hinkle Annual Financial Data Reporting System (Hinkle System – formerly known as AFDRS),
- The change to require non-generally accepted accounting principles (non-GAAP) basis financial statements to include notes to the financial statements as part of the annual financial report filing, and
- The change in AOS policy to require the financial statements filed via the Hinkle System to be audited beginning with periods ending in 2016.

The Bulletin also reiterates and/or updates previous guidance related to:

- The statutory annual financial report filing requirements, including the public offices and other entities required to file, and the amendment to Ohio Administrative Code (OAC) §117-2-03(B) requiring government insurance pools to file GAAP financial statements,
- The required components of financial statements for different bases of accounting,
- The filing due date extension requests,
- The impact of non-compliant filings, including possible “unauditable” declarations when entities fail to submit in accordance with the requirements.

This Bulletin supersedes guidance from previously issued Bulletins 2008-001, 2006-02, 2001-012 and 97-015.

Hinkle Annual Financial Data Reporting System (Hinkle System)

Beginning with 2015 financial report filings, all entities required to file with the AOS **must** file electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System) unless a waiver (described below) has been approved by the AOS for the applicable filing year.

The Hinkle System is an internet-based application that allows certain financial statement, debt and demographic data to be entered and/or uploaded and transmitted to the AOS to satisfy the filing requirements of the Ohio Revised Code (ORC) and the OAC. The Hinkle System increases uniformity in financial reporting, generates the statutory reports to the governor and general assembly required pursuant to ORC §117.38, and provides users of this information improved access and functionality.

The Hinkle System was introduced for the 2013 financial report filing for cities and counties, and the 2014 financial report filing for school districts, including joint vocational school districts, educational service centers, community schools, townships, libraries and villages.

Statutory Filing Requirements

Ohio law (ORC §117.38) requires that local public offices file their annual financial reports with the AOS. Further, OAC §117-2-03(B) requires all counties, cities, school districts, including educational service centers and community schools, and government insurance pools prepare their financial reports pursuant to GAAP. OAC §117-2-03(B) was amended in 2015 to require government insurance pools to prepare their annual financial reports pursuant to GAAP. This new GAAP filing requirement is effective for annual financial report filings for periods ending December 31, 2016 and after. Community improvement corporations (CIC), including economic development corporations and county land reutilization corporations, development corporations, and state universities and colleges are also required to file with the AOS and prepare financial reports pursuant to GAAP per ORC §1724.05, ORC §1726.11, ORC §3345.72 and OAC §126:3-1-01(A)(2)(a), respectively.

Entities subject to ORC §117.38 filing on a GAAP basis have 150 days following the end of their fiscal year to submit their financial statements to the AOS. CICs and development corporations have 120 days following the end of their fiscal year to submit their financial statements to the AOS. Universities and colleges must file their financial statements no later than October thirty-first (31st) of each year. All other entities, and GAAP-mandated entities under OAC §117-2-03(B) choosing to not file on a GAAP basis, have 60 days following fiscal year-end to complete their submission in accordance with ORC §117.38. When due dates fall on a weekend, on a legal holiday or when the AOS is closed to the public, the submission will be due the next business day. An entity failing to comply with the mandated basis of accounting, if applicable, and/or the filing requirements may be subject to non-compliance citations and penalties established by the ORC.

Public Offices and Other Entities Required to File

Each public office, other than a state agency, shall file a financial report for each fiscal year. According to ORC §117.01(D), "public office" means any state agency, public institution, political subdivision, or other organized body, office, agency, institution, or entity established by the laws of the State of Ohio for the exercise of any function of government. "Public office" does not include the

nonprofit corporation formed under §187.01 of the ORC. Other entities, although not public offices, are required to file with the AOS under specific ORC sections.

Public offices and other entities currently required to file with the AOS include the following:

Entity Type	Establishing Code Section
Agricultural Societies (County and Independent)	ORC 1711
Airport Authorities	ORC 308
Alcohol, Drug Addiction and Mental Health Boards (Multiple County)	ORC 340.01
Cemeteries (Joint Township, Union and Union Cemetery Districts)	ORC 517, 759
Cities	ORC 707
Colleges and Universities	ORC 3345.72 and OAC §126:3-1-01(A)(2)(a)
Community Based, Multi-County and Juvenile Correctional Facilities	ORC 2301.51, 307.93, 2151
Community Improvement Corporations (including Economic Development Corporations and County Land Reutilization Corporations) and Development Corporations	ORC 1724, 1726
Community Schools	ORC 3314
Conservancy Districts	ORC 6101
Consolidated Departments of Job and Family Services	ORC 329.40
Convention Facilities Authorities	ORC 351
Counties	ORC 301
County School Financing Districts	ORC 3311.50
Emergency Management Agencies Multi-County Local Emergency Planning Committees (LEPC)	ORC 5502.26 .27 ORC 3750.03(F)
Entities created as Regional Councils of Governments	ORC 167
Family and Children First Councils	ORC 121.37
Fire, EMS and Ambulance Districts	ORC 307, 505
Government Insurance Pools	ORC 9.833, 2744.08 and 3345.203 (eff 3/15/17)
Health Districts	ORC 3709
Joint Children’s Homes	ORC 5153.36

Entity Type	Establishing Code Section
Joint Economic Development Districts (JEDDs) Joint Economic Development Zones (JEDZs)	ORC 715.69-.90
Joint Police Districts	ORC 505.482
Joint Public Defender Commissions	ORC 120.23
Lake Facilities Authority	ORC 353.02
Libraries / Association Libraries eligible for Public Library Funds (PLF)	ORC 3375 /ORC 1713.28
Memorial Buildings (Board of Trustees)	ORC 345
Metropolitan Housing Authorities	ORC 3735
Multi-County Board of Developmental Disabilities	ORC 5126.02
Multi-County Local Healthier Buckeye Councils	ORC 355.02
New Community Organizations	ORC 349
Park Districts	ORC 511.18/1545
Port/Finance Authorities	ORC 4582
Public Hospitals	ORC 140.01, 339, 513, 749
Recreation Districts	ORC 755
Regional Arts and Cultural Districts	ORC 3381
Regional Library Systems	ORC 3375.90
Regional Planning Commissions	ORC 713.21
Regional Student Education Districts	ORC 3313
Regional Transportation Improvement Project	ORC 5595
Regional Water and Sewer Districts	ORC 6119
Retirement Systems /Public Employees Deferred Comp Program	ORC 145, 742, 3307, 3309 and 5505 / ORC 148.02
Sanitary Districts	ORC 6115

Entity Type	Establishing Code Section
School Districts (Local, City, Exempted Village, Vocational & Educational Service Centers)	ORC 3311
Science, Technology, Engineering and Mathematics (STEM) Schools	ORC 3326
Soil and Water Conservation Districts <i>Joint Board of County Commissioners Improvement Project</i>	ORC 1515 (transfer to ORC 940 effective 1/1/16) <i>ORC Chapters 6131 /6133</i>
Solid Waste Management Districts <i>Joint and Regional</i>	ORC 343
Special Improvement Districts	ORC 1710
Townships	ORC 503

Entity Type	Establishing Code Section
Transit Authorities/Commissions (Regional and Single County)	ORC 306
Transportation Improvement Districts	ORC 5540
<i>University Branch Districts</i>	<i>ORC 3355</i>
Villages	ORC 707
Watershed Districts	ORC 6105
Workforce Investment Area Agencies (Single and Multiple County) <i>and Workforce Innovation and Opportunity Act Agencies(WIOA)</i>	ORC 6301

- Fiscal officers representing more than one public office or other entity required to file are responsible for filing separate reports for each office.
- Any entity with a filing requirement must file a separate financial report. Inclusion in the financial statements of another reporting entity does **not** satisfy the filing requirement.

Required Components of Financial Statements

The required components of the financial statements will vary by entity type and basis of accounting. The highest level of reporting is the GAAP basis, and, as indicated earlier, is the mandated basis of accounting for several entity types. Many local governments maintain their internal accounting records and prepare their annual financial statements using a Special Purpose Framework *other comprehensive basis of accounting* (OCBOA) as defined in U.S. Auditing Standards AU-C 800. The three common OCBOA bases of accounting for governments in Ohio are: 1) OCBOA Cash basis; 2) OCBOA Modified Cash basis; and 3) Regulatory Cash basis. OCBOA Cash basis and OCBOA Modified Cash basis financial statements are presented using the same *structure* as GAAP financial statements; and, therefore, are also referred to as “GAAP look-alike,” since GASB 34 established the current GAAP presentation structure. The third OCBOA basis, Regulatory Cash basis, is a cash basis of accounting used to comply with financial reporting provisions of a governmental regulatory agency, in this case the AOS. AOS’ authority for establishing the Regulatory Cash basis is in accordance with the financial reporting provisions ORC §117.38 and OAC §117-2-03(D), and is commonly referred to as the “AOS basis.”

The following outline includes the minimum required components of financial statement reports:

- **Governmental Entities (including governmental nonprofit entities) filing GAAP, OCBOA Cash or OCBOA Modified Cash basis:**
 - Management’s Discussion & Analysis (required for GAAP; optional for OCBOA Cash or OCBOA Modified Cash)
 - Basic Financial Statements
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to the Basic Financial Statements
 - Any other Required Supplementary Information (RSI) (GAAP only)
- **Nongovernmental Nonprofit Entities filing GAAP, OCBOA Cash or OCBOA Modified Cash basis:**
 - Basic Financial Statements
 - Statement of Financial Position
 - Statement of Activities (also known as Statement of Changes in Net Assets)
 - Statement of Functional Expenses (required for voluntary health and welfare organizations; optional for all other nonprofit organizations)
 - Statement of Cash Flows (GAAP only)
 - Notes to the Financial Statements
 - Any other RSI (GAAP only)
- **Regulatory Cash Basis Entities (a cash basis commonly referred to as “AOS basis”):**
 - Basic Financial Statements
 - Statement(s) (or Combined Statement(s)) of Receipts, Disbursements and Changes in Fund Balances – Governmental, Proprietary and Fiduciary, as applicable
 - Notes to the Basic Financial Statements

Notes to the Financial Statements - In the AOS’ effort to provide assistance to our clients, we will continue to be available to assist entities in the preparation of notes to the financial statements. *GASB Codification 2300* explains the notes to the financial statements are intended to communicate information that is necessary for a fair presentation of the financial statements that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes to the financial statements are an integral part of the financial statements, intended to be read with the financial statements, and are the entity’s responsibility to prepare.

In previous AOS bulletins, entities preparing financial statements on a non-GAAP basis were permitted to exclude notes to the financial statements as part of the annual financial report filing and engage the AOS to assist with preparation of the notes during the audit. However, this has caused confusion, and it is important to note the preparation of the notes is the responsibility of the entity and should be completed in conjunction with preparing the financial statements. Therefore, the notes to the financial statements, and all other components listed above, are required to be included in the financial statements filed with the AOS via the Hinkle System as described below.

The AOS provides shells of financial statements and note disclosures for entities permitted to report on an OCBOA basis on our website at:

<https://ohioauditor.gov/references/shells.html>.

Documentation/Information Required for Hinkle System/Required Annual Financial Report Submission

The data required to be submitted as part of the annual financial report submission differs depending on the type of entity:

All entities - required to prepare a file of the entity's **final, unaudited** financial statements as described in the *Required Components of Financial Statements* section above. In order to upload the file into the Hinkle System, all components of the financial statements must be in one Adobe Acrobat PDF file of less than 30MB.

In addition to the PDF file of the full financial statement package, the following entity types are also required to key certain financial, debt and demographic data into the Hinkle System:

- Cities
- Counties
- School Districts, including Joint Vocational School Districts
- Educational Service Centers
- Community Schools
- Townships
- Libraries
- Villages

The specific data to be entered by each entity type is described in the Frequently Asked Questions (FAQs) and is reflected in the Quick Guide for each entity type available on the AOS website at:

<http://www.ohioauditor.gov/financialreporting/default.html>.

Accessing Hinkle System/ Submission of Annual Financial Report

With the exception of Uniform Accounting Network (UAN) clients (described below), the Hinkle System is only accessible via an **entity-specific** link provided by email to each entity's fiscal officer/designated contact after the end of the entity's annual fiscal year. It is; therefore, important for each entity to ensure any change in fiscal officer contact information, including an email address, is communicated to the AOS. ~~If your entity has registered for eServices, please login at: <https://eServices.ohioauditor.gov> and request the change. Otherwise, an entity should notify the AOS of the change via the email address established for the Hinkle System correspondence (HinkleSystem@ohioauditor.gov).~~ Guidance for notifying the AOS is available at: [AOS Notifications](#).

- **UAN Clients** – for most UAN clients, the entity's required filing in the Hinkle System will be completed as part of the year-end UAN reporting. For UAN clients reporting on GAAP or another accounting basis which cannot be prepared by UAN, instructions will be provided by UAN regarding how to file via the Hinkle System.
- **Electronic Filing Waiver for Small Governments** – a waiver from required electronic filing in the Hinkle System may be requested for limited circumstances. If a non-UAN, small government entity is unable to file electronically, an [Electronic Filing Waiver Request for Small Governments form](#), available on our website or by contacting the AOS, should be

completed and submitted for consideration. The entity will receive a response letter from the AOS indicating whether or not the waiver has been approved generally within ten (10) working days of the AOS receiving the request. Submission of a waiver request does not extend the due date for filing the entity's financial report. If approved, a waiver is only granted for one financial reporting year. A new request must be submitted for each annual financial reporting period. If the waiver is approved, the entity must submit: 1) a copy of the waiver approval with, if required, the requested demographic information completed; and 2) the final, unaudited financial statements, as described in the *Required Components of Financial Statements* section above, to the AOS, in order for the AOS to complete the Hinkle System filing on the entity's behalf.

Note: Submission of an entity's annual financial report by any method other than as described above will not satisfy the requirements of OAC §117-2-03(A)(1).

Publication - ORC §117.38 requires at the time the annual financial report is filed with the AOS, the chief financial officer shall publish notice in a newspaper of general circulation in the political subdivision or taxing district that states the financial report has been completed by the public office and is available for inspection at the office of the chief financial officer. Therefore, the ORC does not provide for filing "draft" financial statements with the AOS. Each entity has the ability to save and modify data in the Hinkle System up to the point of submission; however, submission to the AOS should not occur until the **final, unaudited** financial statements are prepared and ready for inspection. Once submitted via the Hinkle System, the data cannot be modified without contacting the AOS.

Filing Extensions

Normally, entities should ensure sufficient time has been planned and any necessary assistance has been engaged to prepare their annual financial statements in order to meet the statutory filing due dates; however, the AOS recognizes that occasionally circumstances may arise that justify granting an extension of the annual financial report filing deadline as permitted by ORC §117.38. Generally, the AOS will consider granting an extension to a public office, or other entity required to file, under extraordinary circumstances as defined below:

- The public office or other entity required to file is located in an area where a major flood or natural disaster has recently occurred;
- The records were destroyed through fire or casualty;
- The records are not updated due to the recent death or disability of the person responsible for preparing the annual financial report;
- A newly elected or appointed public official requests an extension due to poor maintenance of financial records by the predecessor official; or
- Other extenuating circumstances as determined by the AOS.

The **initial** year an entity is required to file via the Hinkle System is also an acceptable reason for requesting an extension. However, since the Hinkle System will be fully implemented for all entities with the 2015 annual financial reporting filings, extension requests for this reason will not be granted for reporting years 2016 and beyond.

Extension Requests must:

- State the reason(s) for the request;
- Indicate the requested filing extension date (up to a maximum of two (2) months beyond the statutory due date);
- Be signed by the chief fiscal officer and a representative of the governing board of the public office or other entity required to file; and
- Be in a PDF format and submitted to the AOS [via the entity specific Hinkle System link](#)¹ **no later than** the statutory due date for filing the entity's annual financial report. Extension requests **cannot be submitted after the statutory/extended due date or by any other method.**

The entity will receive a response **email** generally within ten (10) working days of the AOS receiving the request indicating whether the filing extension request has been granted. Additionally, once an entity selects the basis of accounting for reporting in the Hinkle System, the filing due date will appear in the upper right corner of each of the Hinkle System screens. Any extension granted will be reflected **next to the due date with a Pending, Approved or Denied designation.**

Non-Compliant Filing/Failure to File

ORC §117.38 imposes a penalty of \$25 per day (\$750 maximum) for entities that file late or fail to file. Failure to file includes entities which fail to file under a mandated basis of accounting as discussed in the *Statutory Filing Requirement* section of this bulletin. The AOS may waive all or any part of the penalty assessed under this section once the entity has filed the report via the Hinkle System. To be considered a **complete** annual financial report filing and avoid any penalties and/or non-compliance citations, the financial statements submitted via the Hinkle System **must include all components, including the notes to the financial statements**, as summarized in the *Required Components of Financial Statements* section of this bulletin.

During an entity's financial audit, procedures outlined in the *Ohio Compliance Supplement* will be performed to determine whether the entity's annual financial report filing(s) for the period under audit was complete, timely, and prepared utilizing the mandatory basis of accounting, if applicable. Auditors will inspect the Hinkle System filing to determine whether amounts reported agree with the entity's underlying accounting records and include all the required components. Material non-compliance will be cited in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* when an entity mandated to prepare its financial statements on a GAAP basis reports on a non-GAAP basis and/or may be cited if the financial statements filed were significantly incomplete/misstated. Entities failing to file by the statutory due date, including any granted extensions, may be cited for the late filing in the management letter.²

¹ For guidance, please refer to the [Hinkle System Extension Request Quick Guide](#).

² Refer to the *Ohio Compliance Supplement* for further guidance.

Failing to file an annual financial report may be an indication the public office's records have not been maintained sufficiently to audit; and, therefore, may lead to the AOS determining the public office is "unauditable" (i.e. unable to be audited) in accordance with ORC §117.41.

When the AOS determines a public office's records are not sufficient to allow the audit to be performed, a letter is sent to the public office that formally declares the entity to be unauditable. If the public office fails to make reasonable efforts and continuing progress to bring its records into an auditable condition within 90 days after the unauditable declaration, the AOS shall request the Attorney General's Office commence legal action pursuant to Ohio Rev. Code §117.42 to compel the public office to bring its accounts, records, files, or reports into an auditable condition.

Per ORC §1724.06 and §1726.12, respectively, if a CIC (including economic development corporations and county land reutilization corporations) or development corporation fails to prepare and file its annual financial report with the AOS within 90 days of the time prescribed for filing (i.e. 210 days following the end of the fiscal year) or the AOS declares the CIC or development corporation unauditable, and the CIC or development corporation fails to then prepare and file its annual report within 90 days of the declaration, the AOS shall certify that fact to the Secretary of State's Office. The Secretary of State then shall cancel the articles of the CIC or development corporation, and all rights, privileges, and franchises conferred upon that CIC or development corporation will cease.

Auditing of Financial Statements Filed

In order to provide timely, relevant and accurate financial information and meet the objective of completing timely audits, it is critical that each entity file its annual financial report via the Hinkle System by the statutory or extended due date.

Although the ORC and OAC requirements discussed in this bulletin were clearly established to ensure public offices and other required entities prepare their annual financial reports completely, utilizing the mandated accounting basis, and by a date sufficient to allow for the timely completion of the financial audit, many entities have filed financial statements that were draft, incomplete, or on a basis other than which they intended to have audited. An annual financial report filing that only meets the statutory filing deadline, without regard for the accuracy and completeness of the financial statements, defeats the objective to complete the entity's financial audit in a timely manner. Rather, the entity's filing of their annual financial report should signal the final, unaudited financial statements have been prepared, are ready for public inspection, and are available for audit.

With this in mind, **beginning with audits of financial periods ending in 2016**, the AOS (and any independent public accounting (IPA) firms contracted to perform audits for the AOS) will audit the financial statements uploaded and submitted to the AOS via the Hinkle System. At the commencement of the audit, the AOS or IPA will verify with the entity that the financial statements submitted via the Hinkle System are the final, unaudited financial statements for the audit period. If the entity indicates the financial statements filed via the Hinkle System for the audit period require modification, the entity must contact the AOS [via the Hinkle System Inquiry Form](#) in order to re-file. The filing date and accounting basis of the re-filed annual financial report will then become the basis for determining compliance with the filing requirements discussed in this Bulletin.

As indicated earlier, to ensure compliance with the annual financial report filing requirements, entities should plan sufficient time and engage any necessary assistance to prepare their annual financial statements in order to meet the statutory filing due dates. Entities requiring assistance with any aspect of the preparation of their annual financial statements may wish to contact the AOS' Local Government Services.

Questions regarding this bulletin or regarding annual financial report filing requirements may be directed to [the Hinkle System Inquiry Form](#).

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Ohio Auditor of State