



# Dave Yost • Auditor of State

## AUDITOR OF STATE ORDER 2011-01

### FISCAL CAUTION GUIDELINES Updated December 21, 2011

**WHEREAS**, Ohio Revised Code Section 118.025 requires the Auditor of State to develop guidelines for identifying fiscal practices and budgetary conditions of municipal corporations, counties, and townships that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency;

**WHEREAS**, Ohio Revised Code Section 118.025 grants authority to the Auditor of State to declare in a condition of fiscal caution a municipal corporation, county or township engaging in any of the identified fiscal practices or budgetary conditions, and

**WHEREAS**, failure to correct the following fiscal practices and budgetary conditions could lead to the Auditor of State declaring a municipal corporation, county, or township in a state of fiscal watch or fiscal emergency under Chapter 118 of the Ohio Revised Code;

**NOW THEREFORE**, I, Dave Yost, Auditor of the State of Ohio, establish the following fiscal practices and budgetary conditions as guidelines for the condition of fiscal caution:

1. When the Auditor of State declares that a municipal corporation, county, or township financial records are unauditable, and has issued a letter to the municipal corporation, county, or township indicating the timeframe under which those records must be restored to an auditable condition, and the municipal corporation, county, or township has failed to do so within the timeframe specified in the letter.
2. When the Auditor of State identifies significant deficiencies or material weaknesses over accounting and financial reporting functions, direct and material noncompliance with applicable laws and regulations, or management letter comments which, in the opinion of the Auditor of State, the aggregate effect of such reported issues has a significant effect on the financial condition of the municipal corporation, county, or township.
3. When a deficit fund balance exists at year-end in the General fund that is greater than 2 percent of that fund's revenue for that year, and/or when a deficit fund balance exists at year-end in any other fund that is greater than 2 percent of that fund's revenue for that year, and there are not sufficient resources in the General

fund that may be transferred to eliminate the deficit or in any other fund that may lawfully transfer resources to eliminate the deficit.

Under this condition, a deficit fund balance is a deficit as reported on the basis of accounting used to prepare the entity's annual financial report.

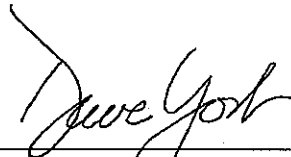
If an annual financial report is not available for the most recent year ended, then the deficit fund balances in the most current fund financial data that is available from the entity may be used.

4. When a low year-end carryover balance exists in the General fund such that the balance is equal to or less than an amount representing one month of expenditures (based on 1/12 of prior year expenditures), and/or when a low year-end carryover balance exists in any other fund such that the balance is equal to or less than an amount representing one month of expenditures (based on 1/12 of prior year expenditures), and there are not sufficient resources in the General fund that may be transferred or in any other fund that may lawfully transfer resources to subsidize the fund.

Under this condition, the low carryover balance should exist for two or more consecutive years.

5. When a municipal corporation, county, or township has not reconciled its accounting journals and ledgers with the treasury/bank for more than three months and is unable to reconcile the records within one month of written notification by the Auditor of State.

I signed this Order on December 21, 2011 in Columbus, Ohio, and it shall remain in effect until otherwise amended or rescinded.



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Dave Yost  
Auditor of State