

**AUDITOR OF STATE BULLETIN 98-003  
AUGUST 13, 1998**

TO: ALL COUNTY AUDITORS  
ALL SCHOOL DISTRICT TREASURERS  
ALL EDUCATIONAL SERVICE CENTER TREASURERS  
ALL COMMUNITY SCHOOL GOVERNING AUTHORITIES  
ALL COMMUNITY SCHOOL DISTRICT SPONSORS  
ALL INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: ACCOUNTING AND REPORTING FOR COMMUNITY SCHOOLS

Authority for the establishment of community schools was provided for under Chapter 3314., ORC, HB 215, effective until 7-1-98 and SB 55, effective 7-1-98. This bulletin provides guidance for the financial accounting and reporting for such community schools.

With certain exceptions which are discussed in this bulletin, a community school with an approved contract is to account for and report its financial transactions in the same manner as all Ohio school districts. Community schools should notify the Auditor of State's office of their existence at the beginning of the first fiscal year in which they commence operations. Notification should be sent to:

State Auditor's Office  
Clerk of the Bureau  
88 E. Broad Street  
P.O. Box 1140  
Columbus OH 43216-1140

The governing authority, fiscal agent or sponsor should obtain an "information retrieval number" (IRN) for the community school district established by an approved plan. IRN's should be obtained from the Ohio Department of Education by writing, or E-mail at:

Ohio Department of Education  
Information Management Service  
1320 Arthur E. Adams Drive  
Columbus OH 43221-3595  
E-mail: IMS\_Stein@ODE.Ohio.Gov

The community school district should use the Uniform School Accounting System (USAS) and the Education Management Information System (EMIS) chart of accounts. The treasurer of the community school district or the fiscal agent should use, at a minimum, the required USAS/EMIS dimensions and codes to record the financial transactions of the community school district.

The fiscal year of each community school district should begin July 1 and end June 30. The financial activity of each community school district should be reported in accordance with Generally Accepted

Accounting Principles (GAAP) and within 150 days from the close of the fiscal year submitted to the State Auditor's Office, Local Government Services Division.

Community school districts are not mandated to budget, appropriate, encumber, use purchase orders or obtain the fiscal officer's certification for expenditures. It is strongly recommended, however, that community school districts implement all of these procedures and establish appropriate internal controls. Community school districts should have budgets, (both revenues and expenditures) approved by their governing authority as well as financial plans submitted to and approved by the sponsor.

In order for each community school to be accounted for as a separate school district, the community school must have a complete set of distinguishable financial records including, but not limited to:

- its own checking and other bank accounts (possibly separate banks)
- its own federal and state tax identification numbers
- its own checks and other financial documents such as purchase orders
- separate data processing runs will be or may be necessary to keep track of each community school separately. (For example, the fiscal agent may run payroll checks for his/her school district; then stop and switch checks, this time loading those belonging to community school A; then run payroll for community school A; then switch from community school A to community school B; then run and so forth.)
- its own reconciliations and control totals.
- general ledger
- cash receipts records
- cash disbursements records
- fixed asset records
- other records necessary to enable the school to prepare an annual report that conforms to GAAP

All community schools are subject to the auditing requirements established in Chapter 117 of the Ohio Revised Code. The Auditor of State's office will perform an audit in accordance with generally accepted government auditing standards for the first year of operations of all community schools.

If you have any questions, please contact (800) 345-2519 for the Local Government Services Division or (800) 282-0370 for the Audit Division of the Auditor of State.