



Mary Taylor, CPA
Auditor of State

Bulletin 2008-003

Auditor of State Bulletin

Date Issued: April 9, 2008

TO: School District Treasurers
Educational Service Center Treasurers
STEM School Governing Bodies
STEM School Treasurers
Independent Public Accountants

FROM: Mary Taylor, CPA
Ohio Auditor of State

SUBJECT: Guidance for Science, Technology, Engineering and Mathematics (STEM) Schools

Authority for the establishment of Science, Technology, Engineering and Mathematics (STEM) schools is provided for in Ohio Rev. Code Chapter 3326, effective 6-30-2007. This bulletin provides guidance related to financial accounting, reporting, internal control, compliance and audit requirements for STEM schools.

STEM schools should notify the Auditor of State's office of their creation 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~~

Send e-mail to AOS at:
<http://www.ohioauditor.gov/resources/AOSNotificatons.html>

The governing body should obtain an "information retrieval number" (IRN) for the STEM school. IRN's should be obtained from the Ohio Department of Education by writing or sending an E-mail to:

~~Ohio Department of Education
Policy and Accountability
Attn: Jeanine Molock, MS 708
25 S. Front St.
Columbus OH 43215
E-mail: Jeanine.Molock@ode.state.oh.us~~

Send e-mail to ODE at:
<http://webapp2.ode.state.oh.us/oeds-r/query/default.asp>

ACCOUNTING AND REPORTING

A STEM school is required by Ohio Rev. Code Section 3326.21(B) to account for its financial transactions in the same manner as all Ohio school districts.

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

Each STEM school is to be accounted for separately. Each STEM school must have a complete set of financial records including, but not limited to those listed in Ohio Admin. Code Section 117-2-02, such as:

- Its own checking and other bank accounts
- Its own federal and state tax identification numbers
- Its own checks and other financial documents, such as purchase orders
- Its own reconciliations and control totals.
- Cash receipts records
- Cash disbursements records
- Capital asset records
- Other records necessary to enable the school to prepare an annual report that conforms to GAAP

The fiscal year of each STEM school begins on July 1 and ends on June 30. The financial activity of each STEM school should be reported in accordance with Generally Accepted Accounting Principles (GAAP, pursuant to Ohio Admin. Code 117-2-03(B)) and submitted annually within 150 days from the close of the fiscal year to the State Auditor's Office, Local Government Services Section.

INTERNAL CONTROLS

The management of each STEM school is responsible for the design and implementation of an internal control system that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of its assets, the efficiency and effectiveness of its operation, and its compliance with applicable laws, regulations and contracts.

In designing its internal control system, management should consider policies and procedures that provide for the following:

- Appropriate authorization and approval of transactions
- Adequately designed records to facilitate classification and summarization of transactions
- Security of assets and records
- Periodic reconciliations of account balances
- Periodic verification of assets

Ohio Compliance Supplement Implementation Guide, Exhibit 5, Matrix 3 lists audit compliance tests for STEM schools.

LEGAL COMPLIANCE

Under Generally Accepted Government Auditing Standards (GAGAS), auditors are required to identify and test compliance with direct and material laws and regulations that may have a material effect on the financial statements. Ohio Rev. Code Ch. 3326 sets forth numerous sections of the code with which STEM schools must comply. ~~The Auditor of State's Office is in the process of identifying which of these laws will be considered direct and material to the financial statements and therefore subject to testing during the audit.~~

STEM schools are not mandated to budget, appropriate, encumber, or obtain the fiscal officer's certification for expenditures. It is strongly recommended, however, that STEM schools implement all of these procedures and establish appropriate internal budgetary controls. It is recommended that a STEM school have a budget addressing both revenues and expenditures approved by its governing body.

AUDITS

All STEM schools are subject to the annual auditing requirement established in Ohio Rev. Code Section 117.113. The Auditor of State's office will perform an audit in accordance with generally accepted government auditing standards for each fiscal year of operation of all STEM schools.

TUITION

Ohio Rev. Code Section 3326.50 prohibits a STEM school from charging tuition for any student enrolled in the school. Any money required to be paid or parent services required to be rendered as a condition of enrollment, over and above that allowed by a public school, is considered tuition. As public schools are prohibited from requiring parents to contribute their time as a condition of enrollment and are prohibited from charging for textbooks (which is different from charging for "instructional fees"), the Auditor of State's Office considers both to be tuition.

QUESTIONS

If you have any questions about this Bulletin, please contact the ~~Audit Division of the Auditor of State at (800) 282-0370.~~

your regional Auditor of State's office.

Mary Taylor, CPA
Auditor of State



Auditor of State Bulletin

Date Issued: May 29, 2008

**TO: City Auditors, Finance Directors and Treasurers
County Auditors
County Engineers
Township Fiscal Officers
Township Administrators
Village Clerks, Treasurers and Finance Directors
Village Administrators**

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

SUBJECT: Bridges on the State Highway System within a Municipal Corporation

The Auditor of State's Office provided guidance on the reporting of infrastructure by Ohio cities and counties in Bulletin 2001-008. The Bulletin indicated that bridges on the State Highway System within a municipal corporation were to be reported by the county based on the county's responsibility for their construction and maintenance. It also indicated that the reporting responsibility for lift bridges on a state highway within a municipality was split among cities, counties, villages and the State. The purpose of this Bulletin is to update this guidance based on recent changes in the Ohio Revised Code.

REVISED CODE CHANGES

Sections 5501.49 and 5591.02, Revised Code were modified in H.B. 67 of the 127th General Assembly to read as follows:

5501.49 (Eff. 07/03/2007)

(A) The director of transportation is responsible for the construction, reconstruction, major maintenance and repair, and operation of all ~~lift~~ bridges located on the state highway system within a municipal corporation. ~~The responsibilities of the director pertain only to those lift bridges necessary for the initial construction or continued operation of the state highway system. The county or other person~~ public entity responsible for maintaining the pavements and sidewalks on either end of the bridge is responsible for the routine maintenance of all ~~lift~~ bridges located on the state highway system within the municipal corporation, ~~unless other arrangements have been made between the county and the municipal corporation to perform the routine maintenance.~~

(B) The director may enter into an agreement with the legislative authority of a municipal corporation or a county, upon mutually agreeable terms, for the municipal corporation or county

to operate and perform major maintenance and repair on any ~~lift~~ bridge located on the state highway system within the municipal corporation or county.

(C) The director is not required to obtain the consent of a municipal corporation prior to the performance of any ~~lift~~ bridge maintenance and repair. Except in an emergency, the director shall give a municipal corporation reasonable notice prior to the performance of any work that will affect the flow of traffic. No utilities, signs, or other appurtenances shall be attached to a ~~lift~~ bridge without the prior written consent of the director.

(D) As used in this section:

(1) Major and routine maintenance and repair relates to all elements of a ~~lift~~ bridge, including abutments, wingwalls, and headwalls but excluding approach fill and approach slab, and appurtenances thereto.

(2) "Major maintenance" includes the painting of a ~~lift~~ bridge, and the repair of deteriorated or damaged elements, ~~including~~ of bridge decks, including emergency patching of bridge decks, to restore the structural integrity of a ~~lift~~ bridge.

(3) "Routine maintenance" includes without limitation, clearing debris from the deck, sweeping, snow and ice removal, minor wearing surface patching, cleaning bridge drainage systems, marking decks for traffic control, minor and emergency repairs to railing and appurtenances, emergency patching of deck, and maintenance of traffic signal and lighting systems, including the supply of electrical power.

(4) "Operation" relates solely to lift bridges and to those expenses that are necessary for the routine, daily operation of a lift bridge, such as payroll, workers' compensation and retirement payments, and the cost of utilities.

5591.02 (Eff. 07/03/2007)

~~Except as provided in section 5501.49 of the Revised Code, the~~ The board of county commissioners shall construct and keep in repair all necessary bridges in municipal corporations on all ~~state and~~ county roads and improved roads ~~which~~ that are of general and public utility, running into or through the municipal corporations, and that are not on state highways.

NEW RESPONSIBILITIES

The statutory revisions now place the responsibility for the construction and major maintenance for all bridges on State highways within municipalities on the State. Based on these changes, the State will report these bridges as part of the State's infrastructure beginning in the annual report for fiscal year 2008. Local governments affected by these changes should eliminate these bridges from their annual reports for 2007.

NOTICE FROM ODOT

The Ohio Department of Transportation is in the process of sending a notice of these changes to the affected local governments. Included in this notification is the Department's recognition that the State is also responsible for the major maintenance of bridges over State routes inside a municipality when the bridge was built for the grade separation of the two systems.

REPORTING THE CHANGE

The elimination of these bridges from local governments' annual reports will result in losses for bridges that are not fully depreciated. Losses resulting from this change should be reported on the Statement of Activities in the General Government program. (Language updated based on AOS Bulletin 2008-007.) Note disclosure when the losses are substantial may be included in the Capital Assets note indicating that responsibility for the construction and major maintenance of these bridges has been shifted by a statutory change from the local government to the State.

QUESTIONS

If you have any questions about this Bulletin, please contact the Local Government Services Division of the Auditor of State at (800) 345-2519.

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Bulletin 2008-007

Auditor of State Bulletin

Date Issued: June 6, 2008

TO: City Auditors, Finance Directors and Treasurers
County Auditors
County Engineers
Township Fiscal Officers
Township Administrators
Village Clerks, Treasurers and Finance Directors
Village Administrators

FROM: Mary Taylor, CPA
Ohio Auditor of State

SUBJECT: Bridges on the State Highway System within a Municipal Corporation (Correction to AOS Bulletin 2008-005)

The Auditor of State's Office recently provided guidance on the reporting of bridges on the state highway system within a municipal corporation in Bulletin 2008-005. The Bulletin indicated that bridges on the state highway system within a municipal corporation would be reported by the State beginning with the State's report for the 2008 fiscal year. The Bulletin asked local governments affected by the change to remove these bridges from their report for 2007. Several governments have indicated the difficulty of making this change for 2007 given how close they are to the deadline for filing their Comprehensive Annual Financial Reports.

The Auditor's Office has been responding to this concern by pointing out that the change in reporting would only be required for 2007 if the change has a material effect on the financial statements. If not, then implementing it for 2008 would be acceptable.

CORRECTION

The Bulletin indicated that any loss on the elimination of the bridges from a local government's report should be reported as a program expense in the program in which the expenses for bridge construction, maintenance and repair are reported. This is not the case; the loss should be reported in the General Government program expense classification.

QUESTIONS

If you have any questions about this Bulletin, please contact the Local Government Services Division of the Auditor of State at (800) 345-2519.

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Auditor of State