

# THE SCHOOL ADMINISTRATOR

and Uniform Compliance Guidelines  
ISSUED BY STATE BOARD OF ACCOUNTS

Volume 185

March 2009

## ITEMS TO REMEMBER

### MARCH

- March 1: Prove the Fund Ledger and Ledger of Receipts for the month of February to the control of all funds and reconcile with the depository statements. Prove all receipt accounts for each fund to total receipts for that fund. Prove the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances to the total disbursements of the control account of the Fund Ledger. Prove all expenditure accounts within each program to the total disbursements of that program.
- March 20: Last day to report and make payment of state and county income tax withheld during February to the Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007 "The School Administrator and Uniform Compliance Guidelines".)

### APRIL

- April 1: Prove all ledgers for the month ending March 31 as outlined for the month of February.
- April 10: Good Friday – Legal Holiday (IC 1-1-9-1)
- April 15: Last day for the board of school trustees of the school corporation located wholly or partially within the county, which has the greatest taxable valuation of any school corporation in the county to appoint a member of the governing body to serve as a member of the county board of tax adjustment (IC 6-1.1-29-1). IC 6-1.1-29-9 provides that the county council may adopt an ordinance to abolish the county board of tax adjustment. The ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted.
- April 20: Last day to report and make payment of state and county income tax withheld during March to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, "The School Administrator and Uniform Compliance Guidelines.")
- April 30: Last day to file federal quarterly report, Form 941, to the Internal Revenue Service for federal and social security taxes for the first quarter.

### MAY

- May 1: Prove all ledgers for the month ending April 30 as outlined for the month of February.
- May 1: School corporations not wishing to renew teachers' contracts (non-permanent teachers) for the 2009-2010 school year on or before May 1, shall notify the teacher that the governing body will or consider nonrenewal of the contract for the next school term. The notification shall be: (A) written; and (B) delivered in person or mailed by registered or certified mail to the teacher at the teacher's last known address. IC 20-28-7-9 also provides possible additional procedures.

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ITEMS TO REMEMBER

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- May 20: Last day to report and make payment of state and county income tax withheld during April to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, "The School Administrator and Uniform Compliance Guidelines Manual.")
- May 25: Memorial Day - Legal Holiday (IC 1-1-9-1)
- May 31: On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications) the school corporation shall certify to the county treasurer a list of the names and addresses of each person who has money due the person from the school corporation. (IC 6-1.1-22-14).

OBSOLETE VOLUME

All articles of Volume 145 of The School Administrator have now been updated and reprinted in later volumes of "The School Administrator and Uniform Compliance Guidelines," or are no longer applicable; thus, Volume 145 which was distributed in March of 1999 may now be deleted from your files.

CONSTRUCTION FUND

If capital outlay expenditures for construction of school buildings and additions to or alterations of existing school buildings are to be made entirely from capital projects funds, there is no necessity for establishing a construction fund. Disbursements will be made directly from the capital projects fund pursuant to additional appropriations obtained.

A construction fund shall be established in all instances where capital outlay disbursements for construction, additions or alterations of school facilities are to be made from receipts derived from the sale of general obligation bonds or from other sources not derived from present or past tax levies. Receipt to the construction fund all receipts from sources such as veterans' memorial fund advancements, common school fund advancements as made and federal grants. Also receipt to the construction fund the face value of general obligation bonds sold. Premium and accrued interest derived from the sale of bonds must be receipted to the debt service fund. The Department of Local Government Finance previously took the position capital outlay payments from the construction fund did not require additional appropriations.

If total construction costs of any project are to be paid partially from the capital projects fund and partially from other sources (for example, sale of bonds, and/or veterans' memorial fund loans, common school fund loans, federal grants), you should not transfer any part of capital projects fund balance to the construction fund. The part to be paid from the capital projects fund should be disbursed directly from the capital projects fund, and the remainder of the project costs should be paid from the construction fund.

IC 5-1-2-1 states in part "Appropriations of money from the capital projects fund and proceeds of bonds, notes, and other written obligations issued by or in the name of any: . . . (2) school corporation . . . for a specific project shall not lapse at the end of the year in which the appropriation was made, but shall remain in full force and effect without reappropriation until the purpose for which the appropriation was made has been accomplished or abandoned."

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**DATA PROCESSING SERVICES BY A BANK/OTHER OUTSIDE PROVIDER**

The Indiana Attorney General, in Official Opinion 46 of 1966, included the following provisions and conclusions in response to an inquiry concerning a contract between a county hospital and the data processing center of a bank (other than its duly designated depository) for the preparation and use of the bank's official checks for payroll purposes:

1. Contracts entered into must be in writing. Further, it becomes difficult to conceive how the State Board of Accounts could properly consider and approve accounting systems and procedures established by an oral contract.
2. Accounting forms and procedures established in contracts entered into between banks and local officials must be approved by the State Board of Accounts.
3. Contracts of the nature pursuant to the Opinion need not be bid.
4. Officials and board members are required to be made parties to the contract.
5. The local officials and their sureties are liable for misfeasance by the bank or its employees in handling the accounts. The bank constitutes an agent for the official. The official cannot delegate responsibility when he delegates duties.
6. A bank or trust company is not required to be a depository selected under the Public Depository Act for the officers for whom it is acting.
7. In substance, the bank is acting as a local official in performing his duties. Its work belongs to the public. The checks issued by the bank, signed by it, and drawn on its funds belong to the public and the original must be turned over to the local official in his official capacity. (However, please see below.)

IC 5-15-6-3(a) concerning optical imaging of checks states in part: ". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ." Furthermore, IC 26-2-8-111 states in part: (a) "If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that: (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and (2) remains accessible for later reference."

(e) "If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)." The State Board of Accounts is of the audit position both sides of a check are part of the original record. Therefore, both sides of an "optical imaged check" should be available for public inspection and audit. Encoding, printing or bank certification should exist to ascertain that the back side of a check is part of a particular check, ie, endorsements belong to the front side of a check presented.

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**DATA PROCESSING SERVICES BY A BANK**

(Continued)

Today, most school corporations perform data processing services internally. However, for possible exceptions via a bank, payroll service, etc., the audit position herein remains in effect.

Whenever accounting forms and procedures are in contracts for these services, a copy of the contract together with copies of forms and procedures to be used must be submitted to the State Board of Accounts for approval.

We have found on occasion that school corporations have entered agreements with other data processing centers. If such an agreement is for writing checks, such checks must be on school corporation forms, for the signature of the school corporation treasurer and drawn on the bank account of the school corporation.

The contract may provide that the school treasurer shall draw a check or checks to the contracting bank and the bank in turn will write checks on the bank's own funds for and on behalf of the treasurer of the school corporation. The funds to pay any checks outstanding and not cashed for a period of time may remain with the funds of the bank until such time as they are to be returned to the treasurer of the school corporation.

**TEMPORARY LOANS**

IC 36-1-8-4 states in part "(a) The fiscal body of a political subdivision may . . . resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.

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**TEMPORARY LOANS**

(Continued)

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

(1) Passes . . . a resolution that contains the following:

(A) A statement that the fiscal body has determined that an emergency exists.

(B) A brief description of the grounds for the emergency.

(C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.

(2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Temporary advancements may be made to any depleted fund of the school corporation from the general fund, debt service fund, transportation fund, special education preschool fund or capital projects fund since some of the receipts of these funds are derived from the levying and collection of taxes on property. Receipts of the school lunch fund and textbook rental fund, if handled through the school corporation account, are derived from other operations of the school corporation. Therefore, we would not take audit exception to temporary advancements being made from these funds to any other depleted fund of the school corporation. However, if the school lunch fund and textbook rental fund are handled through an extra-curricular account or accounts, temporary advancements may not be made to a depleted school corporation fund, since the receipts of these funds would be derived from the operation of extra-curricular activities.

Temporary advancements may not be made from the construction fund or from special funds (for example, National Science Foundation Fund 6600) to any depleted school corporation fund, since these funds are not derived from the collection of taxes or from any operation of the school corporation.

**EXTRA-CURRICULAR ACCOUNTS - EDUCATIONAL FEES, PRIVATE FUNDS**

The following should not be collected or receipted to corporation or extra-curricular accounts:

Air Conditioning Fees	Class Fees
Instructional Fees	Bus Rider Fees
Fees For Payroll Positions (Nurses, Principals Counselors, etc.)	

Additionally, we have noted the following which are outside of school corporation or extra-curricular records and should only be maintained by private groups or individuals:

PTO	Band Boosters
PTA	Athletic Boosters

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**EXTRA-CURRICULAR ACCOUNTS - EDUCATIONAL FEES, PRIVATE FUNDS**

(Continued)

IC 20-41-1-7 states in part (a) "The treasurer has charge of the custody and disbursement of any funds . . . (2) incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers); . . . 4) that are not paid from public funds."

IC 20-41-1-7 concerning extra-curricular states in part (a) "The treasurer shall have charge of the custody and disbursement of any funds . . .

(2) incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . .

(4) that are not paid from public funds."

(Note that IC 20-41-1-7 does not include any curricular or educational functions).

IC 20-26-5-4 states in part "In carrying out the **school purposes** of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . . take charge of, **manage, and conduct** the educational affairs of the school corporation and to establish, locate, and provide the necessary schools, school libraries, other libraries where permitted by law, other buildings, facilities, property, and equipment." (Our Emphasis)

IC 20-26-4-1(d) concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions.

All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. The following items erroneously appear sometimes in funds of the extra-curricular account. Accounting for them should be in the general fund of the school corporation.

Adult Education Fees	Rent of School Facilities
Apples in Education	Science Fees
Art Fees	Shop Fees
Distributive Education	Special Education
Driver Education Fees	Summer School Fees
Equipment Sale or Rental	Supplies
Grants (State Federal and Other)	Towel Fees (when towels are purchased from corporation funds)
Home Economics Fees	Typing Fees
Kindergarten Fees	Visual Education Fees
Library Fines and Fees	Vocational Education Fees
Locker Fees	Vocational Evening School Fees
Night School Fees	

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**EXTRA-CURRICULAR ACCOUNTS - EDUCATIONAL FEES, PRIVATE FUNDS**

(Continued)

All educational fees must be receipted to the general fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. The anticipated expenditure of these fees for educational materials and supplies should be included in the appropriation for that purpose. Consequently, provision would be made for the furnishing of the materials and supplies by the board of school trustees in the prescribed manner and would not affect the tax rate if the collections are sufficient to offset the expenditures as estimated.

Any dues collected for the support of classes or social organizations shall be receipted to the extra-curricular fund for that organization to support that fund or organization's activities. If a student in a vocational (shop, home economics, etc.) class, voluntarily begins a project for which special materials are necessary and which will result in a product which the student will take home for personal use, an amount equal to the actual cost of the special materials may be collected from the student and receipted to a fund in the extra-curricular account for the specific purpose of providing the special materials. Any extra-curricular fund established for that purpose should contain no balance at the end of the school year since the collections from students equals the expenditures for the materials.

Furthermore, in accordance with the above references to receipts, likewise all disbursements for educational purposes must be made from school corporation funds and not from extra-curricular funds. These include disbursements for building equipment, repairs and maintenance; educational and library materials, supplies and equipment; meeting and conference expense of employees; room air conditioners, typewriters, adders or calculators, copiers; and, the repair and maintenance of same. Curricular and extra-curricular, though associated, are totally separate functions and each has a purpose and authorizing statutes. They must be treated separately.

**TEXTBOOK RENTAL CALCULATIONS**

We are sometimes asked to provide our audit position concerning the calculation of textbook rental fees.

IC 20-26-12-2 states in part "(a) A governing body may purchase from a contracting publisher, at a price equal to or less than the net contract price, any textbook adopted by the state board and selected by the proper local officials. The governing body may rent these textbooks to students enrolled in any public or nonpublic school that is: (1) in compliance with the minimum certification standards of the state board; and (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbooks."

Therefore, we are of the audit position that up to twenty-five (25%) percent of the retail price of a textbook may be collected annually (which could include actual shipping and handling) for each year of the original six year adoption period. A textbook costing twelve dollars (\$12.00) (which includes shipping and handling) could be recovered at a maximum of eighteen dollars (\$18.00) over the six year period ( $\$12.00/4, \times 6$ ).

**FEDERAL MILEAGE RATE**

We understand the Federal mileage rate has been lowered effective January 1, 2009, to 55 cents. You should consult with the Internal Revenue Service for confirmation and possible reporting implications.

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**PUBLIC WORKS VERSUS PUBLIC PURCHASES**

Official Opinion 2008-5, dated November 3, 2008, issued by the Attorney General of the State of Indiana in response to questions from the State Board of Accounts provided in part the following:

"You have requested our opinion regarding the extent to which the public work laws apply to certain expenditures by school corporations. Although you posed several questions related to this matter, we understand the basic question to be whether the public work statute applies to roof repair/replacement projects undertaken by school corporations and whether school corporations participating in educational service centers are excepted from the public work statute.

**Conclusion**

It is the opinion of this Office that school corporations are covered by the public work statute and are subject to the procedures for bids and quotes whenever they contract for public work even when the public work is contracted through an educational service center. The process required to award a contract for a particular public work project is determined by the cost of the project except in the event of a declared emergency. The definition of 'public work' includes repairs to a roof, including those made to a portion of a roof."

**PUBLISHER'S CLAIM FORM 99P REVISION**

The State Board of Accounts has revised General Form 99P, Publisher's Claim, for use by publishers of qualified newspapers to claim payment from the state and political subdivisions for legal notices. The Publisher's Claim should be completed using the legal rates provided for in Indiana Code as published in State Board of Accounts Bulletins for the appropriate column width and type size used in the legal notice. The claim form must also have proof of publication attached to the claim sent to the government for payment. The proof of publication may be a clipping from the qualified publication or an electronic tear sheet of that legal notice. An electronic tear sheet **MUST** be an exact replica of the legal notice in the newspaper, including being the exact size and type size published.

The Publisher's Claim no longer includes the requirement of a notary public to witness the signature of the claimant certifying the correctness of the claim and attesting to the proof of publication attached to the claim. The legal rate tables are also no longer required to be printed on the back of the General Form 99P.

A sample of General Form 99P is enclosed and should be printed front to back as shown in the sample on letter size (8 ½" by 11") paper. Publishers may use their remaining stock of General Form 99P.