

THE CHARTER SCHOOL ADMINISTRATOR

AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

Volume 7

June 2014

ITEMS TO REMEMBER

June

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of May to the control of all funds and reconcile the control with the depository statement. 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.
- 20 Last day to report and make payment of state and county income tax withheld during May to the Department of Revenue.
- 30 Close out all payroll deduction clearing accounts. Balance and close the Fund Ledger and Ledger of Receipts for the school year and reconcile with depositories. Total the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances (January 1 to June 30). Close the ledger for the school year and prove to the Fund Ledger.

July

- 1 Open a Fund Ledger and Ledger of Receipts for the next school year by entering the balance of each fund as determined and proved for June 30. Open a Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances for the next school year by entering in each program account the balance of unexpended appropriations, and by entering in each expenditure account within each program, the balance of the unexpended allotment.
- 4 Independence Day - Legal Holiday (IC 1-1-9-1)
- 20 Last day to report and make payment of state and county income tax withheld during June to the Department of Revenue.
- 31 Last day to submit Biannual Financial Report (Form 9) to the Indiana Department of Education.

Last day to file Employer's Quarterly Federal Tax Return (Form 941) with the Internal Revenue Service for federal and social security taxes for the second quarter.

August

- 1 Prove all ledgers for the month ending July 31 as outlined for the month of June.
- 20 Last day to report and make payment of state and county income tax withheld during July to the Department of Revenue.

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PROCUREMENT CARDS

We have received inquiries concerning the potential use of "procurement cards". We understand some of the intended benefits of procurement cards are to add controls as to where purchases can be made; limit values of each purchase; prevent overspending the budget items; institute parameters on purchases; possibly reducing paperwork; etc.

The State Board of Accounts will not take exception to the use of procurement cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize procurement card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the procurement card may be used must be specifically state in the ordinance or resolution.
- (4) When the purpose for which the procurement card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Procurement cards should be used in conjunction with the accounting system.
- (7) Payment should not be made on the basis of a statement or a procurement card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.
- (9) Procurement cards shall not be used to procure cash advances at "ATM" machines or as a debit card.
- (10) (A) An audit trail must exist for all transactions.
(B) An audit trail must also exist for changes made by an "administrator" such as card parameters, etc..
- (11) Access to transactions in accordance with the Public Records Law, IC 5-14-3-1 et seq. as appropriate must be assured.
- (12) Procurement card agreements should not contain references to debt.
- (13) Governmental units need to have available (if applicable) a copy of "SAS 70" audits of a sponsoring bank.

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GATEWAY ANNUAL REPORT

Starting July 1, 2014, schools will be required to submit certain information in the state's Gateway system to fulfill the requirements of Indiana Code 5-11-1-4. The Gateway Annual Report requires different information than the annual report that is required to be published and sent to the Indiana Department of Education by IC 5-3-1-3. The Gateway Annual Report requires a representative from the school to be designated the "submitter" of the report. The person that the school designated as the "submitter" for the Gateway 100R report that was completed in January has been named the default "submitter" for the Gateway Annual report. Therefore, if this is not the person the school designates as the "submitter" for the Gateway Annual report, then they will need to contact annualreports@sboa.in.gov and notify them of the desire to name a different "submitter".

An email notification that the report was available for access was sent to the default "submitter" for each school on June 4th. If no one of at the school corporation received the email, then you will need to contact annualreports@sboa.in.gov and notify us who the school corporation has designated as the "submitter" of the Gateway Annual Report.

CHANGES TO GASB PENSION REPORTING TO IMPACT EMPLOYERS IN 2015

Significant pension reporting changes are coming from the Governmental Accounting Standards Board (GASB). These will affect employers participating in retirement plans administered by the Indiana Public Retirement System (INPRS). GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued in June, 2012 and is effective for fiscal years beginning after June 15, 2014. This statement is an amendment to GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures.

The new standards in GASB Statement No. 68 set different methods for pension funding and financial reporting. Historically, there has been a close relationship between how governments fund pensions and how they account and report information. However, the new guidance makes a clear shift from a funding-based approach to an accounting-based approach. This shift was designed to improve pension information and increase the transparency, consistency, and comparability of pension information across governments.

For GAAP basis employers, GASB Statement No. 68 will have a significant impact on financial statements. It requires GAAP basis employers to report their net pension liability (unfunded liability) in the financial statements. Calculation of pension expense will change, and deferred outflows / inflows of resources related to pensions will also need to be reflected in the financials. There will be substantial financial statement note disclosures and additional required supplementary information related to employer's participation in retirement plans administered by INPRS.

GASB Statement No. 68 doesn't apply to non-GAAP basis employers. The Indiana State Board of Accounts (SBoA) will provide direction with what will be required to be included with your annual financial statements.

Employers are encouraged to begin preparations for these changes. You can do so by discussing possible implications of these changes with preparers of your financial statements. Also, because GAAP basis employers' financial statements will be required to show their proportionate share of net pension liability, if applicable you may want to review debt covenants for possible violations resulting from these accounting changes.

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CHANGES TO GASB PENSION REPORTING TO IMPACT EMPLOYERS IN 2015 (continued)

INPRS plans to provide individual employers with their required financial reporting information and is currently analyzing the proposed changes. In early 2014, the GASB plans to issue an Implementation Guide for GASB Statement No. 68. The Implementation Guide and or the Statement may be downloaded at no charge or purchased in a hard copy format at the GASB's website www.gasb.org. After the Implementation Guide has been issued, the INPRS and SBoA plan to have additional communications with you regarding the implementation of GASB Statement No. 68.

If you have any questions, please contact Dawn Anderson with the Indiana State Board of Accounts at dranderson@sboa.in.gov or (317) 232-2513.

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions Questions and Answers

Q: Who is impacted by GASB Statement No. 68?

A: *GASB Statement No. 68 directly impacts GAAP basis (economic resources measurement focus and accrual basis of accounting) employers. Non-GAAP (regulatory, etc.) basis employers will be indirectly impacted as the Indiana State Board of Accounts (SBoA) will provide direction with what will be required to be included with your financial statements. Additionally, any employer may be subject to the audit of their payroll and census (birthday, sex, etc.) data by the Indiana Public Retirement System's (INPRS) auditor, regardless of their basis of accounting.*

Q: When is GASB Statement No. 68 effective?

A: *GASB Statement No. 68 becomes effective for fiscal years beginning after June 15, 2014 and is an amendment to GASB Statement No. 27. For most employers in the state of Indiana, the requirements of GASB Statement No. 68 will be effective for fiscal year ends ending June 30, 2015 or December 31, 2015.*

Q: Will GASB Statement No. 68 cause contribution rates to increase?

A: *No. GASB Statement No. 68 does not impact the funding policies of pension plans.*

Q: What are the primary requirements of GASB Statement No. 68?

A: *GASB Statement No. 68 significantly changes the accounting and financial reporting regarding pension plans for GAAP basis employers. Some of the primary changes impacting GAAP basis employers are:*

- *Employers are required to record their proportionate share of the net pension liability or asset in their financial statements.*
- *Changes the calculation of the pension expense to be reported by employers and requires the recording of deferred inflows and outflows of resources in their financial statements.*
- *Replaces many of the current note disclosures and required supplementary information to be provided in employer financial statements.*

Q: How are employers to obtain the required information to be reported?

A: *The Indiana Public Retirement System (INPRS) plans to prepare stand alone employer schedules of allocations and amounts, which should provide the required information by plan. The Indiana State Board of Accounts and INPRS plan to provide training and spreadsheets to assist employers. Details on how the stand alone employer schedules of allocations and amounts will be communicated are in process.*

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GASB STATEMENT NO. 68 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS QUESTIONS AND ANSWERS (continued)

Q: Will the testing of payroll and census data required by the recent AICPA Whitepaper have any impact on employers (see Whitepaper at: www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep_cs_census_data_whitepaper.pdf)?

A: Potentially yes. The auditor of INPRS will select a sample of employers from each defined benefit plan to test the payroll and census data provided by employers to INPRS. Employers could be contacted to assist with the audits of their census data as early as May of this year.

Q: Where can employers obtain information about GASB Statement No. 68 and its implementation?

A: GASB has an implementation toolkit at: www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163527940

Q: Who do I contact with any questions?

A: If you have any questions, please contact Dawn Anderson with the Indiana State Board of Accounts at dranderson@sboa.in.gov or (317) 232-2513.

NEW LAWS AFFECTING CHARTER SCHOOLS

The following is a digest of some of the laws passed by the 2014 Regular Session of the General Assembly affecting charter schools. Please note the effective dates. Some of the laws do not pertain directly to charter schools, but are included in the Digest for ready reference to the covered subject matter.

The digest is not intended as an expression of legal interpretations, nor is the digest intended to be all inclusive. References in the digest will be to the Indiana Code in the following form (Amends IC 12-20-9-6) (Amends Indiana Code, Title 12, Article 20, Chapter 9, Section 6). If you have any questions regarding legal interpretation, please consult your township attorney.

Public Law 33 – Senate Enrolled Act 205 – Effective July 1, 2014 Charter Schools

Amends IC 20-24-4-1; IC 20-24-9-1; IC 20-24-9-2; and IC 20-26-7-1; Adds IC 20-31-9-9 and IC 20-31-9.5-7 - Requires an authorizer to submit an annual report of certain information to the state board of education (state board), the department of education, and the public. Limits the length of a charter agreement to not more than seven years. Requires the state board to determine, during a turnaround academy's fifth year of operation, whether the turnaround academy will be returned to the operation of the school corporation, become a charter school, or be subject to an additional intervention. Specifies that the length of a contract with a special management team to operate a turnaround academy is 5 years.

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NEW LAWS AFFECTING CHARTER SCHOOLS (continued)

Public Law 35 – Senate Enrolled Act 321 – Some effective July 1, 2014 and some effective upon passage Charter School Funding

Amends IC 20-24-3-17 and IC 20-24-5-5; Adds IC 20-31-8-7 – Allows a charter school organizer to notify the department that it wants to receive the tuition support distributions for the state fiscal year 2014-2015 for all of the charter schools that the organizer operates. Provides that the state examiner shall establish guidelines and prescribe reporting requirements for organizers that are consistent with generally accepted accounting principles. Requires the organizer's authorizer to verify to the department that the charter schools are operated by the organizer. Provides that the department shall distribute the tuition support for the verified charter schools to the organizer. Permits the organizer to distribute the tuition support to each charter school it operates in the amounts determined by the organizer. Requires identification numbers and accounts to be used at the organizer and charter school levels. Prohibits an organizer from using tuition support for expenses incurred outside Indiana that are not directly related to the charter school the organizer operates in Indiana. Provides that a student, and the student's siblings, who attends a charter school may attend a different charter school held by the same organizer in subsequent years. Provides that if the state board adopts a rule to assign a category or designation of school improvement to a school corporation the state board shall also assign a category or designation of school improvement to a charter school organizer.

Public Law 37 – Senate Enrolled Act 363 – Effective upon passage Complexity index calculation

Adds IC 20-33-5-7.5 and Amends IC 20-43-13-3 – Provides that the following apply in the case of a school corporation that does not request reimbursement from the state for providing free curricular materials to students: (1) The complexity index used in determining state funding is based on the percentage of the school corporation's students who were eligible to receive free curricular materials. (2) The school corporation shall estimate and report to the department of education the percentage of the school corporation's students who are enrolled in the school corporation and are eligible for such assistance. Authorizes the state board of education to adopt emergency rules to implement this provision.

Public Law 38 – House Enrolled Act 1063 – Effective upon passage Charter School Compacts

Amends IC 10-13-3-21; IC 20-35-5-1; IC 20-35-5-2; IC 20-35-5-3; IC 20-35-5-4; IC 20-35-5-5; IC 20-35-5-6; IC 20-35-5-7; IC 20-35-5-14; and IC 36-1-7-1; Adds IC 20-24-8-9 – Provides that a charter school and a school corporation may enter into a compact under which the: (1) school corporation or charter school agrees to provide goods, facilities, services, or other consideration to the other party to the compact; and (2) charter school authorizes the school corporation to include the charter school's performance assessment results when calculating the school corporation's performance assessment. Provides that a charter school may participate in a special education cooperative. Provides that a special education cooperative may be operated and managed by a board of managers that consists of members as determined by agreement between the parties. Provides that a charter school may enter into an interlocal agreement.

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NEW LAWS AFFECTING CHARTER SCHOOLS (continued)

Public Law 39 – House Enrolled Act 1079 – Effective July 1, 2013 (retroactive)

Student transfers

Amends IC 20-26-11-32 – Provides that the governing body of a school corporation may authorize the school corporation to enter into an agreement with an accredited nonpublic school or charter school to allow students of the accredited nonpublic school or charter school to transfer to a school within the school corporation. Provides that a school corporation that has adopted a policy not to accept student transfers after June 30, 2013, is not prohibited from enrolling a member of a household in which any other member of the household was a transfer student who attended a school within the school corporation during the 2012-2013 school year. Provides that in the event a school corporation enrolls a transfer student or a member of the same household of a transfer student that attended a school corporation during the 2012-2013 school year, the school corporation shall also allow a student or member of the same household of a student who attended an accredited nonpublic school within the attendance area of the school corporation during the 2012-2013 school year to enroll in a school within the school corporation.

Public Law 47 – House Enrolled Act 1028 – Effective July 1, 2014

Dropout Recovery Schools – Charter Schools

Amends IC 20-24-4-1; IC 20-24-7-4; IC 20-24-7-13.5; and IC 20-31-8-5.2; Adds IC 20-24-1-2.3; IC 20-24-3-18.5; and IC 20-24-7-14; Repeals IC 20-24-2.1-5 – Adds a definition of an "adult high school". Repeals a provision that prohibits the establishment of new adult high schools. Provides that an adult high school may only be authorized by the Indiana charter school board. Requires a charter for an adult high school to contain certain requirements. Provides that, with certain exceptions, for state fiscal years beginning after June 30, 2014, an adult high school is not entitled to receive funding from the state unless the general assembly enacts an appropriation for the adult high school. Provides that an adult high school is subject to an alternative accountability system established by the state board. Provides that certain authorizers may collect a 3% administrative fee from the amount appropriated to an adult high school. (Current law provides that an authorizer may collect the administrative fee from the charter school's basic tuition support.)

Public Law 80 – Senate Enrolled Act 32 – Effective Upon passage

Public official bonding

Adds Noncode Provision – Urges the legislative council to assign to an appropriate study committee the topic of the bonding of elected public officials.