

# THE SCHOOL BULLETIN

## And Uniform Compliance Guidelines

### ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 221

March 2018

#### ITEMS TO REMEMBER

#### March

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of February 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 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.
- 1 Deadline for each political subdivision to submit annual report to the Department of Local Government Finance in Gateway Debt Management of any outstanding bonds or leases (as of January 1). (IC 5-1-18-9)
- 1 Last day for political subdivisions to report to the Department of Local Government Finance information and data on its retiree benefits and expenditures. (IC 36-1-8-17.5)
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during February to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 30 Legal Holiday – Good Friday (IC 1-1-9-1)
- 31 Last day for the governing board of a school corporation to publish an annual performance report of the school corporation. (IC 20-20-8-3). The report must be published one (1) time annually under IC 5-3-1. (Not earlier than March 15 or later than March 31 of each year)
- 31 If using e-file, last day to file Form W-2 with Form W-3 with the Internal Revenue Service.
- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

#### April

- 1 Prove all ledgers for the month of March.
- 2 Deadline for fiscal year schools to adopt a budget for the 2019 fiscal budget year. (IC 6-1.1-17-5.6)
- 15 Before this date, the board of school trustees of the school corporation located entirely or partially within the county which has the greatest taxable valuation of any school corporation of the county shall appoint a member to serve as a member of the County Board of Tax Adjustment. (IC 6-1.1-29-1; IC 6-1.1-29-2)
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during March to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 30 Last day to file Employer's Quarterly Federal Tax Return, Form 941, with the Internal Revenue Service for payment of federal tax withheld.

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**ITEMS TO REMEMBER**  
**(Continued)**

**April (Continued)**

- 30 Last day to file quarterly reports with the Indiana Department of Workforce Development for the quarter ending March 31.
- 30 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

**May**

- 1 Prove all ledgers for the month of April.
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during April to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 28 Legal Holiday – Memorial Day (IC 1-1-9-1)
- 31 On or before June 1 and December 1 of each year the school corporation shall certify to the county treasurer the name and address of each person who has money due from the school corporation. (IC 6-1.1-22-14)
- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

**2017 HEA 1009 – SCHOOL CORPORATION CHART OF ACCOUNTS**

The SBOA is continuing to work with IDOE, DLGF, and the IASBO subcommittee to finish the framework for the updated Chart of Accounts. SBOA will be participating in all of the regional IASBO meetings that are being held from March 20 – April 10. We plan on giving a presentation that outlines the new requirements for the Chart of Accounts and answer questions associated with the requirements. We also plan on providing more information in the upcoming 2018 School Bulletins, culminating with an updated Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations effective January 1, 2019.

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**SUBSTITUTE TEACHERS**

Wages

IC 20-28-9-6 states "The governing body shall fix wages for substitute teachers. A 'substitute teacher' may be engaged without a written contract."

Licenses

IC 20-28-9-7 "(a) An individual who: (1) holds: (A) a professional license; (B) a provisional license; (C) a limited license; or (D) an equivalent license issued by the department; and (2) serves as an occasional substitute teacher; shall be compensated in conformity with the pay range for substitutes of the school corporation the individual serves. (b) An individual who: (1) holds a: (A) professional license; or (B) provisional license; and (2) serves as a substitute teacher in the same teaching position for more than fifteen (15) consecutive school days; shall be compensated in conformity with the regular pay range for teachers of the school corporation the individual serves."

**SCHOOL CORPORATION – TAX ANTICIPATION WARRANTS**

IC 20-48-1-9 states "(a) If the governing body of a school corporation finds and declares that an emergency exists to borrow money with which to pay current expenses from a particular fund before the receipt of revenues from taxes levied or state tuition support distributions for the fund, the governing body may issue warrants in anticipation of the receipt of the revenues. (b) The principal of warrants issued under subsection (a) is payable solely from the fund for which the taxes are levied or from the school corporation's general fund in the case of anticipated state tuition support distributions. However, the interest on the warrants may be paid from the debt service fund, from the fund for which the taxes are levied, or the general fund in the case of anticipated state tuition support distributions. (c) The amount of principal of temporary loans maturing on or before June 30 for any fund may not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the June settlement. (d) The amount of principal of temporary loans maturing after June 30 and on or before December 31 may not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the December settlement. (f) Proceedings for the issuance and sale of warrants for more than one (1) fund may be combined. Separate warrants for each fund must be issued, and each warrant must state on the face of the warrant the fund from which the warrant's principal is payable. An action to contest the validity of a warrant may not be brought later than fifteen (15) days after the first publication of notice of sale. (g) An issue of tax or state tuition support anticipation warrants may not be made if the total of all tax or state tuition support anticipation warrants exceeds twenty thousand dollars (\$20,000) until the issuance is advertised for sale, bids are received, and an award is made by the governing body as required for the sale of bonds, except that the publication of notice of the sale is not necessary: (1) outside the county; or (2) more than ten (10) days before the date of sale."

The State Board of Accounts is of the audit position that school corporations may issue two sets of (up to) six month warrants maturing on June 30 and December 31, each equal to 80% of the respective settlement, or a school corporation may issue a single set of (up to) twelve month warrants maturing on December 31, equal to 80% of the December settlement and applicable distributions.

Tax anticipation borrowing is to be based upon need. Requirements exist for the computation of a "cumulative cash flow deficit" in order to determine whether or in what amounts tax anticipation warrants may be issued. You should maintain a cumulative cash flow deficit worksheet at the school corporation.

We will not take audit exception to warrants issued under these guidelines unless there was no projected deficit, noncompliance with IC 20-48-1-9, or penalty or interest charges were paid by the school corporation. The ability to take advance draws could offset any cash flow deficit, eliminating the need for anticipation borrowing. Each review will be made on a case by case basis to determine if the computation was reasonable or the borrowing was necessary.

### **INDEBTEDNESS**

The Constitution of the State of Indiana prohibits indebtedness of local units of government in any manner or for any purpose in an amount exceeding 2% on the value of the taxable property within such local unit of government.

Some confusion has existed concerning the Veterans Memorial School Construction Fund and the Common School Fund advancements. The question arises as to whether or not these advancements are considered a part of the indebtedness when applied against the limit of two percent valuation of the school corporation.

#### **Common School Fund**

IC 20-49-4-17 states, "An advance is not an obligation of the school corporation within the meaning of the limitation on or prohibition against indebtedness under the Constitution of the State of Indiana. Nothing in this chapter relieves the governing body of a school corporation receiving an advance of any obligation under Indiana law to qualify the school corporation for state tuition support. The school corporation shall continue to perform all acts necessary to obtain these funds."

#### **Veterans Memorial School Fund**

IC 20-49-2-15 states in part: "(a) An advancement under this chapter is not an obligation of the school corporation within the meaning of the limitation against indebtedness under the Constitution of the State of Indiana. This chapter does not relieve the governing body of a school corporation of any obligation under Indiana law to qualify the school corporation for state tuition support. The school corporation must perform all the acts necessary to obtain state tuition support payments."

(b) "A school corporation receiving an advancement under this chapter shall agree to have the total amount of the money advanced plus one percent (1%) of the outstanding balance deducted from the distribution of state tuition support: (1) for a period not to exceed twenty (20) years; or (2) until all the money advanced plus one percent (1%) has been deducted."

### **PURCHASE OF SCHOOL BUSES**

IC 20-27-4-1 states, "A school corporation may purchase a school bus or special purpose bus to furnish transportation for students. The school corporation may purchase: (1) both the body and the chassis of a school bus; or (2) either the body or the chassis. A purchase may be made for cash or under the terms of a security agreement."

#### **Security Agreements**

IC 20-27-4-3 states, "Before a security agreement is executed, an appropriation for the amount of the purchase price must be made."

#### **General Obligation Bonds**

IC 20-27-4-4 states, "If a school corporation requires funds to purchase a school bus for cash, the school corporation may borrow the necessary funds by issuing general obligation bonds. The bonds shall be issued in the same manner as other general obligation bonds. However, the bonds may not extend for more than six (6) years."

**PURCHASE OF SCHOOL BUSES (Continued)**

**Loans**

IC 20-27-4-5 states, "(a) If a school corporation requires funds to purchase a school bus for cash, the school corporation may, instead of issuing general obligation bonds, negotiate for and borrow funds or purchase the school bus on an installment conditional sales contract or a promissory note secured by the school bus. (b) To effect a loan, the school corporation shall execute a negotiable note or notes to the lender. The notes may not extend for more than six (6) years. (c) Before a note described in this section is executed, an appropriation for the amount of the purchase price of the school bus and any incidental expenses connected with the purchase or the loan, must be made in the same manner as other appropriations are made, except that the amount of the appropriation is not limited by the amount of funds available at the time of the loan or purchase or by the amount of funds to be raised by a tax levy effective at the time of the loan. (d) A petition to borrow, a notice to taxpayers, or other formality is not necessary to borrow funds under this section except as specifically provided in this chapter."

**Manner of Purchase**

IC 20-27-4-6 states, "(a) The purchase of a school bus shall be made in the same manner as provided by law for the purchase of school supplies by a school corporation. (b) If a school bus is purchased under a security agreement, the required notice to bidders or solicitation of bids must set: (1) the length of time the security agreement shall run; and (2) the terms of the security agreement, including the security agreement price and interest rate. (c) The low bid for a security agreement shall be determined by adding to each bidding price the net interest cost and then comparing the totals of the price and interest on each bid. A separate statement of each price shall be made to enable the governing body to determine the advisability of purchasing a school bus under a security agreement."

**Indiana Bond Bank**

IC 20-27-4-7 states, "Notwithstanding any other provision of this chapter, a school corporation may negotiate and enter into loans, security agreements, or leases with the Indiana bond bank for the acquisition and financing of a school bus."

**OPTICAL IMAGES CHECKS**

IC 5-15-6-3 states, "No financial records or records relating to financial records shall be destroyed until the earlier of the following actions: (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied. (2) The financial records or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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)." Our Emphasis.

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**ACCOUNTING FOR INVESTMENTS**

Purchase

When an investment is made the fiscal officer shall issue a warrant or check payable to the financial institution from which the investment is purchased. Electronic transfer of funds to purchase an investment may be used if allowed by local policy or practice as long as a proper audit trail is retained for the transaction. The warrant or check must show the fund or funds on which it is drawn, if the investment is from a specific fund or funds, or if from "total monies on deposit." This wording should be entered in lieu of the fund name or names. The warrant or check should also show the purpose for which it is issued, such as "investment in certificate of deposit" or "investment in United States Governmental Securities." The warrant or check shall be countersigned by the fiscal officer, delivered by the fiscal officer to the financial institution and the certificate of deposit, passbook, securities, or safekeeping receipt for such securities obtained by the fiscal officer.

Renewal of Certificates of Deposit

A certificate of deposit may be renewed for an additional term if authorized by the governing board, without the original certificate of deposit being paid by the depository and a warrant or check being issued for the purchase of a new certificate of deposit. However, if renewed, the interest due the political subdivision shall be paid to the fiscal officer at each maturity date, so the records will reflect the true financial condition and the amount invested at all times. The interest shall not be added to the original deposit and reinvested by the depository.

Reinvestment in Securities

In the case of United States Government Securities, the amount received from investments must be receipted into the records and a warrant or check issued for the purchase of new securities. There is no authority for the "rollover" or reinvestment of securities by a depository; the transactions must be handled through the records of the fiscal officer.

**PROCEDURE FOR POSTING RECORDS AT THE TIME INVESTMENTS ARE PURCHASED OR SOLD**

1. At the time investments are purchased, the fiscal officer and/or bookkeeper should enter the full cost of the securities (purchase price plus accrued interest) as a disbursement from the fund or funds from which the investment is made. Where investment is made from "total monies on deposit," the warrant or check issued will not be posted in the ledger, but a memorandum account should be set up in a separate section of the ledger to which investment transactions will be posted.
2. When investment is made from a specific fund, a new fund entitled "Investments Fund" should be set up on the records. The net price (purchase price less accrued interest) should be entered as a receipt to this fund. The Investment Register, General Form 350, or an alternative form providing the same information should be used for keeping a record of all investments purchased by the political subdivision.
3. Interest received in such investments by fund should be entered as a receipt to the fund from which the investment was purchased. Interest received from investment of "total monies on deposit" should be receipted to the general fund or the fund specified by the governing board.
4. When the investments by fund are sold, the full amount of such sale should be entered as receipt to the fund from which the investment was made. The receipt should show separately the principal (purchase price) received and the interest received from the investment. At this time, the net purchase price (purchase price less accrued interest) should also be entered as a disbursement from the "Investments Fund." When the investment from "total monies on deposit" is sold the principal (purchase price) will not be posted as a receipt to the ledger but the interest thereon will be posted as a receipt to the general fund or fund designated by governing board. Proper entry shall be made also in the memorandum account, as well as in the Investment Register.

Please review Chapter 1 of the Accounting Manual for Indiana Public School Corporations for additional information concerning investments.

### **HOLDING CORPORATIONS**

We would like to draw attention to when holding corporations have received or are nearing the point of having received sufficient funds to redeem all outstanding bonds and pay all interest coupons. In some instances, funds have been invested by holding corporations and the earnings on these investments have served to reduce the number of lease rental payments necessary from the school corporation to meet the needs of the holding corporation. The school corporation must rely on fiscal officers to maintain a close business relationship with the holding corporation treasurer or fiscal trustee to ascertain that the school corporation is receiving credit for earnings on the investment of excess funds on deposit in the holding corporation treasury. Credit to the school corporation may be effected by an eventual reduction in the total amount of lease rental needed to be collected from the school corporation for retirement of the debt of the holding corporation.

Many trust agreements provide for annual reports to be made by each holding corporation to the purchasers of bonds and, in some instances, provide for audited reports to be furnished. We would suggest that copies of such reports be obtained from the holding corporation, if possible. Field Examiners of the State Board of Accounts will assist school corporation fiscal officers as much as possible. IC 20-47-2-23 for public holding corporations states "(a) Upon the termination of a lease entered into under this chapter, the lessor corporation shall return to the school corporation any money held by the lessor corporation in excess of the amount needed to retire bonds issued under this chapter and to dissolve the lessor corporation. (b) A school corporation shall deposit the money received under subsection (a) into its debt service fund or capital projects fund." IC 20-47-3-18 for private holding corporations has similar provisions.

### **COMMODITIES INCLUSION ON FEDERAL EXPENDITURE SCHEDULES**

School Corporations are required to complete the Gateway Annual Report, which contains a section on federal grant information. We received lots of questions about how to calculate the amount of Non-Cash Assistance, or commodities, for the Child Nutrition Cluster programs. We have received better information to on how to calculate the amount of commodities to include on the Gateway schedule. The prior instructions were to review the totals at the top of the Food Distribution Program screen (red Xs). However, it has been determined that the summation of the individual detailed transactions is the appropriate way to calculate the non-cash assistance amounts (green arrows).

After you have logged in to IDOE's School Nutrition portal ([scnweb.doe.state.in.us](http://scnweb.doe.state.in.us)), you will click the green puzzle piece labeled "Food Distribution Program" and click continue at the bottom of the Welcome page. You select the program year and then you click "Summary Menu" near the top of the next page. Click "R/A Summary" and then search for your school corporation's name. This will take you to the School Corporation's page and you will want to go to the "Entitlement" tab. When you get to the entitlement tab you will add the individual amounts detailed in the "Entitlement Used", "No Charge Used", and "Bonus Used" columns that were allocated during the audit period. The sum will be included in the School Lunch Program grant on the Gateway Annual Report and in CFDA# 10.555 on the Federal Expenditure Schedule.

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## Recipient Agency Summary

Indianapolis Public Schools (5385)

Applications	Entitlement	Surveys	Allocations	Inventory	Orders	Invoicing
Current Year	Prior Year	Total Entitlement	Entitlement Used	Remaining Balance	No Charge Used	Bonus Used
1,313,674.02	0.00	1,313,674.02	1,339,671.05	-25,997.03	173,740.05	3,156.42

### Recipient Agency Allocations

Allocation Code	Allocation Date	Entitlement Used	No Charge Used	Bonus Used	Action
SVY103269	9/16/2016	1,770.00	0.00	0.00	<a href="#">View</a>
SVY103304	10/07/2016	4,034.04	0.00	0.00	<a href="#">View</a>
SVY103313	10/14/2016	578.36	0.00	0.00	<a href="#">View</a>
SVY103353	11/03/2016	1,770.00	0.00	0.00	<a href="#">View</a>
SVY103432	1/06/2017	3,169.34	0.00	0.00	<a href="#">View</a>
SVY103515	2/01/2017	14,605.68	0.00	0.00	<a href="#">View</a>
SVY103526	2/10/2017	1,770.00	0.00	0.00	<a href="#">View</a>
Bonus103560	3/02/2017	0.00	0.00	808.00	<a href="#">View</a>
SVY103631	3/03/2017	6,358.13	0.00	0.00	<a href="#">View</a>
SVY103748	3/09/2017	1,409.32	0.00	0.00	<a href="#">View</a>
SVY103749	3/09/2017	13,196.36	0.00	0.00	<a href="#">View</a>
Alloc103772	3/30/2017	0.00	3,371.96	0.00	<a href="#">View</a>
Req106643	5/04/2017	0.00	35,599.80	0.00	<a href="#">View</a>
Req106644	5/04/2017	0.00	933.10	0.00	<a href="#">View</a>

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