

## CHAPTER 6

### FEES; DUES; GENERAL FUND; VENDING

#### GRANT FUNDS AND EDUCATIONAL FEES

IC 20-26-4-1 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.

We have developed an audit opinion that we will not take exception to the school board approving rental rates and education fees for the following items:

1. Items meeting the definition of "Curricular Materials" stated in IC 20-18-2-2.7.
2. Items meeting the definition of "Consumable Curricular Materials" as set by the Indiana Department of Education.
3. Items that the school corporation attorney has provided a written opinion that the educational fee does not violate the Indiana Constitutional provisions.

#### RECEIPTING OF EDUCATIONAL FEES

The following types of items should not be assessed, collected or receipted to a school extracurricular account:

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

The Attorney General of the State of Indiana on June 15, 2001 issued Official Opinion 2001-4 concerning "Health Service Fees." The conclusion of Official Opinion 2001-4 states: "Indiana Constitution Article 8 § 1 and the Indiana General Assembly provide for 'Common school systems wherein tuition shall be without charge.' Also, the General Assembly has provided for funding of schools and a method for calculating tuition. Health services, because they include instruction and education are tuition. Therefore, a school corporation may not charge a separate fee for health services."

Additionally, the following items are outside of corporation or extracurricular records and should only be maintained by private groups or individuals and not in the extracurricular account:

PTO    Band Boosters  
PTA    Athletic Boosters

Extracurricular activities are defined in IC 20-41-1-4 as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers. Note that this statutory definition does not include any curricular or educational functions. IC 20-26-5-4 provides that all educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf, including providing the facilities and equipment therefore. 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 in funds of the extracurricular account. Accounting for them should be in the general fund of the school corporation. Examples are:

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

All authorized educational fees (the School Board should be able to justify any educational fees and ensure Constitutional problems do not exist) must be receipted to the Education Fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. IC 20-33-10-4(c) provides that an official recruiting representative may be required to pay a fee for copying and mailing the high school student directory information described in an amount that is not more than the actual cost incurred by the high school. The anticipated expenditure of these fees for educational materials and supplies shall be included in the appropriation for that purpose. If done in this manner, provisions will be made for the furnishing of the materials and supplies by the board of school trustees in the prescribed manner and will not affect the tax rate if the collections are sufficient to offset the expenditures as estimated. Curricular Materials Rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of curricular materials rental). However, proper educational fees belong in the school corporation Education fund and should be transferred timely.

Any dues collected for the support of classes or social organizations shall be receipted to the extracurricular fund for that organization to support the 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 extracurricular account for the specific purpose of providing the special materials. Any extracurricular fund established for this purpose should contain no balance at the end of the school year since the collections from students equals the expenditures for the materials.

Accordingly, with the above references to receipts, all disbursements for educational purposes must be made from school corporation funds and not from extracurricular funds. (See General Fund, Student Activity Fund and Investments and Investment Income Fund) These include disbursements for building equipment, repairs and maintenance; educational and library materials, supplies and equipment; meeting and conference expense of employees; copiers; and, the repair and maintenance of same. Curricular and extracurricular, though associated, are totally separate functions and each has a purpose and authorizing statute and must be treated separately.

### MEMBERSHIP DUES

IC 20-26-5-8 states in part: "The governing body of a school corporation may appropriate necessary funds to provide membership of the school corporation in state and national associations of an educational nature that have as the associations' purpose the improvement of school governmental operations." Accordingly, the State Board of Accounts is of the audit position that dues, memberships and subscriptions should be institutional memberships; i.e., in the name of the school corporation or school building, not an individual's name.

## GENERAL FUND (STUDENT ACTIVITY FUNDS)

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extracurricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.).

IC 20-41-1-9 concerning investment income funds (interest income funds) specifically provides authorization for either corporation or extracurricular type of expenditures. The General School Powers Act (IC 20-26-5-4) provides general, as well as specific, powers and duties of the governing board in carrying out the school purposes of the school corporation which they govern. Included in the specific powers with which the board is charged is the responsibility to ". . . take charge of, manage, and conduct the educational affairs of the school corporation and to establish, locate, and provide the necessary schools, school libraries, and other libraries where permitted by law, other buildings, facilities, property, and equipment." IC 20-41-1-4 provides in part, concerning extracurricular funds: "Funds may not be transferred from the accounts of any organization, class or activity except by a majority vote of its members . . ." IC 20-41-1-4 also provides, concerning extracurricular expenditures: "All expenditures shall be subject to review by the local school board."

Inquiries have questioned the use of a general fund or student activity fund for educational expenditures (copy machines, computers, educational materials, supplies, etc.) which would normally be from school corporation funds. The State Board of Accounts' audit position is as stated above. However, we will not take audit exception to a school having disbursements from an extracurricular "general fund" or "student activity fund" for authorized school corporation type expenditures, such as equipment, supplies, etc., with the following conditions:

1. A policy has been adopted by a school board in a public meeting authorizing these types of expenditures.
2. Providing there are no objections from a majority of an applicable student body to these types of expenditures.
3. Equipment purchases would still require separate approval from the local school board.

Since alternatives exist for funding educational expenditures (i.e., taxes, authorized investment income expenditures, etc.) and other alternatives for the use of a general fund are available (i.e., reducing the cost of items to students and/or parents), we must emphasize the adoption of the aforementioned would be a public policy decision for which the local board of school trustees must accept any and all responsibility.

## CAFETERIA VENDING MACHINES

The Division of School and Community Nutrition of the Department of Education policy regarding vending machines states that vending machines containing foods of minimal nutritional value cannot be sold in the food service area during the breakfast and/or lunch periods. These foods (carbonated beverage

ages, candy, etc.) may, however, be sold outside the food service area during meal periods. The policy goes on to state that the sale of competitive foods (which meet certain nutritional requirements) may, at the discretion of the state agency and school food authority, be allowed in the food service area during the breakfast or lunch periods only if the income from the sale of such foods accrues to the benefit of the nonprofit food service or the school or student organizations approved by the school.

The Division of School and Community Nutrition allows the school food authority to determine where the income from the sale of competitive foods shall go as long as it conforms to the above policy.

The State Board of Accounts is of the audit position that as long as the Division of School and Community Nutrition policy allows for a choice, the decision of which fund will account for the vending revenue is as follows:

1. If a particular student group or organization manages the vending function, the proceeds should accrue to that group's extracurricular fund.
2. If the vending in question is located at athletic events and managed by athletes or athletic department individuals, the proceeds may go to the athletic fund.
3. If no particular student group manages the vending function, the proceeds should go to the School Lunch Fund or the Extracurricular General Fund, Student Activity Fund or Concession Fund for the benefit of all students.

The Board of School Trustees should document their preference in the board minutes.

The possibility exists that an Audit Result and Comment may appear in the audit report if the School Lunch Fund fiscal status is adversely affected by the policy.

### CASH CHANGE FUND

A Cash Change Fund may be established in any school corporation with the approval of the governing body (board of school trustees), where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues. When authorized by the governing body, such Cash Change Fund shall be established by a check drawn on the General Fund (or other appropriate fund) of the extracurricular in an amount to be determined by the governing body. The check is drawn in favor of the officer or employee who has been designated as custodian of the Cash Change Fund. The custodian shall convert same to cash and be held responsible for the safekeeping of such cash and the proper accounting thereof in the same manner as required for other funds of the school corporation. The governing board shall have authority to increase or decrease such fund and shall require the entire Cash Change Fund to be returned to the General Fund if and when it is no longer needed for the purpose established or when a change is made in the custodian of the fund.

IC 36-1-8-2 is particularly applicable in school corporations where either a Curricular Materials Rental Fund or School Lunch Fund, or both, are maintained as extracurricular funds. If a Cash Change Fund is authorized and a check is drawn on the appropriate fund, the check will be recorded as a disbursement in the fund.