



STATE OF IOWA • DEPARTMENT OF PUBLIC INSTRUCTION

GRIMES STATE OFFICE BUILDING • DES MOINES, IOWA 50319

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DECLARATORY RULING #28
 (Cite as 1 D.P.I. Dec. Rul. 65)

December 23, 1981

Superintendent Robert Watt
 Ayrshire Consolidated School District
 Ayrshire, Iowa 50515

Dear Superintendent Watt:

On October 26, 1981, you filed a request for Declaratory Ruling with my office. In your request you raise a question regarding the combining of schoolhouse and general fund bank accounts of a school district. You indicate that while your District's schoolhouse fund has adequate funds available at any given time, your general fund sometimes becomes depleted between state foundation aid and county treasurer property tax payments necessitating the borrowing of money and the payment of interest. The specific question you ask is as follows:

Is there anyway [sic] all monies from the school district can be put into one bank account, but accurate records kept on amount of money transferred from one account to the other?

The answer to your specific question is in the affirmative. Section 291.13, The Code 1981, expressly provides that the schoolhouse fund and the general fund must be kept in separate accounts, but does not specify separate bank accounts. That Section reads as follows:

291.13 General and schoolhouse funds. The money collected by a tax authorized by the electors or the proceeds of the sale of bonds authorized by law or the proceeds of a tax estimated and certified by the board for the purpose of paying interest and principal on lawful bonded indebtedness or for the purchase of sites as authorized by law, shall be called the schoolhouse fund and, except when authorized by the electors, may be used only for the purpose for which originally authorized or certified. All other moneys received for any other purpose shall be called the general fund. The treasurer shall keep a separate account with each fund, paying no order that fails to state the fund upon which it is drawn and the specific use to which it is to be applied. [emphasis added]

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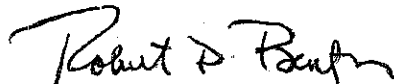
An Iowa Attorney General's Opinion at 1966 O.A.G. 317, concludes that the word "account" in Section 291.13 is not restricted to "bank accounts", and that schools are not required by that Section to maintain separate bank accounts for the schoolhouse and general funds. A photocopy of that entire Opinion is enclosed for your reference. You will note from a reading of that Opinion that even though separate bank accounts do not appear to be required, there are practical reasons for doing so.

Although you did not specifically request a ruling on a question related to interschool fund borrowing, I can infer from your request that the issue is relevant. Because of the different nature and source of the general and schoolhouse funds, it is important to remember that any interest payed to those accounts should be prorated so that each receives appropriate interest. To further such a result, the State Auditor's Office has taken the position that it will not issue an audit exception in regard to temporary loans between the schoolhouse fund and the general fund when certain conditions are met. Those conditions are:

1. All loans between the general and the schoolhouse funds must be accomplished through official board action;
2. A note must be executed between the two funds at an interest rate which complies with the current rate as set by the state; and
3. The loan must be repaid by the end of the fiscal year.

I generally concur with the Auditor's position with regard to temporary loans between the schoolhouse and general funds. However, before any school board decides to loan money between the separate accounts under its jurisdiction, it would be well advised to review the current rates of interest it receives on its invested funds and the amount of interest it would pay on warrants.

Sincerely yours,



Robert D. Benton, Ed.D.
State Superintendent of Public Instruction

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Enclosure