

DEPARTMENT OF CORRECTIONS: Assets of previously existing funds should be transferred to newly created Working Capital Revolving Fund under House Bill No. 377 of the 68th General Assembly.

PENITENTIARY:



July 27, 1955

Mr. C. R. Hardy  
Auditor  
Department of Corrections  
Jefferson City, Missouri

Dear Sir:

We have received your request for an opinion of this office, which request reads as follows:

"A written opinion from your office is respectfully requested concerning House Bill No. 377, Section 12, Paragraph 5, of the Sixty-eighth General Assembly, which states the Penitentiary Revolving Fund, Penitentiary Earnings Fund, Intermediate Reformatory Revolving Fund, Intermediate Reformatory Earnings Fund, and Convicts' Relief Fund are hereby abolished and any monies in these funds on the effective date of this Act shall be immediately transferred to the Working Capital Revolving Fund.

"There is in the present assets of the penitentiary Revolving Fund in addition to the money in the State Treasurer's office, accounts receivable items totaling approximately \$100,000, raw materials and finished products in various factories totaling approximately \$250,000. The inventories carried by the factories were purchased out of the original Revolving Fund account and have been carried for the normal manufacturing and operation of the various factories. Are we right in assuming that the accounts receivable items and inventory items are to be transferred as is to the new Working Capital Revolving Fund?

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"The farms of the penitentiary, which are also to be operated under the Working Capital Revolving Fund, have livestock which is held for beef production, a sizable dairy herd which supplies the milk and cream for the penitentiary, work stock for the farms operations and machinery and equipment which is not specifically mentioned in House Bill No. 377.

"Are we right in assuming that the transfer should be made for the assets of the farms?"

House Bill No. 377 of the 68th General Assembly was signed by the Governor on July 14, 1955. It contains an emergency clause, and therefore became effective on that date.

Section 12 of House Bill No. 377 provides:

"Section 12. 1. The gross or total receipts and income of all industrial and farm operations of the institutions within the department of corrections shall be paid into the state treasury and credited to the 'Working Capital Revolving Fund,' which is hereby created.

"2. The working capital revolving fund shall be used only for the establishment, maintenance, rehabilitation, expansion and operation of the prison industrial and farm programs and may be expended for:

(1) The purchase of raw materials to be manufactured, processed or grown, including seed, fertilizer, farm animals and other necessary adjuncts to successful farm operation;

(2) The purchase, repair and replacement of machinery and equipment;

(3) The erection of new buildings and the repair and improvements of buildings used in such industrial or farm operations;

(4) The payment of inmate labor as provided in section 34; and

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(5) All other necessary expenses and costs included in the manufacturing, growing, processing, handling and marketing of articles produced and in the operation and administration of the industrial and farm programs of the division.

"3. The divisions of prison industries and prison farms shall, on or before the fifteenth day of each month, make and enter in proper account books for each industry or farm operation a full and accurate account of all moneys received and expended during the preceding month, on what account received or expended, and shall keep proper vouchers therefor, and shall prepare statements for the director of the department of corrections of each industry and farm operation conducted by the division which shall accurately reflect the financial condition and show the profit or loss of each industry and farm operation for the preceding month. At the end of each fiscal year the divisions shall prepare statements, and submit them to the director of the department, of the financial condition of each industry and farm operation showing the capital assets, current assets including inventory of raw materials, supplies and finished and unfinished products, the amount of sales of articles manufactured, processed or grown, the liabilities, including the amount of depreciation charged off, and the operating costs, including the amount actually paid for inmate labor and the profit or loss accrued to each operation. Any profit or surplus earned shall remain in the working capital revolving fund and shall be paid out only as provided by law. Such information shall be for the use of the director and for inclusion in his report to the governor and general assembly as provided in section 13 of this act.

"4. Said division shall, on or before the tenth day of each month, deposit with the state treasurer all moneys received by them from any contractor or other person, or for any article manufactured, grown, processed or sold for the state, or any money received

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from any other source belonging to the state, taking his receipt. The state treasurer shall take charge of the same and deposit same to the credit of working capital revolving fund and pay it out only for the use, operation, rehabilitation and expansion of the industrial and farm operations of the department.

"5. The penitentiary revolving fund, the penitentiary earnings fund, the intermediate reformatory revolving fund, the intermediate reformatory earnings fund and the convicts' relief fund are hereby abolished and any moneys in these funds on the effective date of this act shall be immediately transferred to the working capital revolving fund."

The new fund, which replaces five previously existing funds, is to be used generally for the same purposes as the funds which it replaces. Sections 217.290 - 217.310, RSMo 1949. In our opinion, for accounting purposes the items about which you inquire should be considered as the newly created Working Capital Revolving Fund. The General Assembly obviously intended that the proceeds of the accounts receivable and inventory of the present Penitentiary Revolving Fund when reduced to cash should be paid into the newly created fund. Therefore, they should now be treated as assets of it.

As for the farm's livestock, paragraph 3 of Section 12 contains the following provision:

"At the end of each fiscal year the divisions shall prepare statements, and submit them to the director of the department, of the financial condition of each industry and farm operation showing the capital assets, current assets including inventory of raw materials, supplies and finished and unfinished products, the amount of sales of articles manufactured, processed or grown, the liabilities, including the amount of depreciation charged off, and the operating costs, including the amount actually paid for inmate labor and the profit or loss accrued to each operation."

In order to gain an accurate picture of the operation of the various farm enterprises, it would be essential to include capital assets on hand at the beginning of the operation of the new fund.

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We consider the failure of the Legislature to make reference to the transfer of such assets to be of no significance inasmuch as their handling is a matter of accounting only. The object of the Legislature was to deal with the handling of money in the fund and they did not purport to define all of the accounting details which would accompany the consolidation of the previously existing funds.

#### CONCLUSION

Therefore, it is the opinion of this office that assets of the previously existing Penitentiary Revolving Fund consisting of inventories and accounts receivable should be considered assets of the newly established Working Capital Revolving Fund under Section 12 of House Bill No. 377. We are further of the opinion that farm livestock and machinery should also be considered for accounting purposes as assets of said newly established fund.

The foregoing opinion, which I hereby approve, was prepared by my Assistant, Robert R. Welborn.

Yours very truly,

JOHN M. DALTON  
Attorney General

RRW:ml