

Funds at the District Level

Characteristics, revenue sources and
restrictions



Purpose of Presentation

- Characteristics of Budgeted funds
 - State supported
 - Non-state supported
- Brief overview of Non-budgeted
 - Special Purpose
 - Internal Service Funds

Budgeted Funds

- Eleven funds
 - General Fund, Adult Education, Building Reserve, Bus Depreciation, Debt Service, Flexibility, Non-operating, Retirement, Transportation, Technology and Tuition
- Statutory Characteristics
 - When the fund must be established
 - How the budget for the fund is determined
 - Fund specific net levy requirement calculations
 - State support of the fund
 - Limitations and restrictions

General Fund

- Purpose: The General Fund (GF) is for the purpose of financing general maintenance and operational costs of a district not financed by other funds. (20-9-201, MCA)
- Budgeting: Statute defines the minimum GF budget (or BASE budget) and the maximum GF budget for each district. (20-9-306). Trustees must adopt a budget that is at least equal to the BASE budget. The trustees also have the option of budgeting up to the maximum amount or the previous year's GF budget – whichever is greater. (20-9-308, MCA)
- State Revenue: Direct State Aid (ANB & Basic Entitlement), Quality Educator Funds, Indian Education funds, American Indian Achievement Gap funds, At-Risk Payment, Guaranteed Tax Base Aid, Special Education Payments
- Local Revenue: Taxes levied on property within the school district and fund balance re-appropriated.
- Transferability: Transfers from the general fund can only occur for the following purposes:
 - To establish or maintain a compensated absence liability fund. The transfer must be within the adopted general fund budget. (20-9-512, MCA)
 - To fund the litigation reserve fund when active litigation exists. The transfer must be done at the end of the school fiscal year, be within the adopted general fund budget and be transferred back to the general fund at the conclusion of the litigation. (20-9-515, MCA)
 - To the interlocal agreement fund when the district is the prime agency of the agreement. Transfer is completed by a trustee resolution and must be used to finance the operational cost of the interlocal agreement. (20-9-703, MCA)
- Transfers to the general fund can only occur for the following purposes:
 - Excess balance of the compensated absence liability fund. (ARM 10.10.320)
 - Remaining funds in the litigation reserve fund at the conclusion of litigation (20-9-515, MCA)
 - Cash balance excess, as defined in statute, of the lease or rental agreement fund must be transferred to the general fund. (20-5-509, MCA)

Adult Education

- Purpose: The fund is established by districts to account for financing adult education activities. Districts have the option to establish such programs
- Budgeting: Trustees must establish a budget that is sufficient to cover all costs of operations of the adult education fund.
- Local Revenue: **District-wide permissive levy for adult education** and any tuition and fees charged for the use of equipment and materials.
- Transferability: Adult Education funds can be transferred to any budgeted fund, except the general fund. A public hearing must occur. Any tax dollars transferred must be used for the same purpose as the original levy.
- Restrictions: Operating reserve is limited to 35% of the budget for the following school year.

Building Reserve Fund

- Purpose: The Building Reserve Fund is for the purpose of financing voter approved building or construction projects funded with district levies.
- Budgeting: The trustees establish a budget at an amount equal to the total amount approved by the voters divided by the specified number of years of the levy authorization.
- Local Revenue: **District-wide voter approved levy for building.**
- Transferability: Building Reserve funds can be transferred to any budgeted fund, except the general fund. A public hearing must occur. Any tax dollars transferred must be used for the same purpose as the original levy.

Building Reserve Fund

- Purpose: The Building Reserve Fund is for the purpose of financing voter approved building or construction projects funded with district levies. (20-9-503, MCA)
- Budgeting: The trustees establish a budget at an amount equal to the total amount approved by the voters divided by the specified number of years of the levy authorization.
- Local Revenue: **District-wide levy for building.**
- Transferability: Building Reserve funds can be transferred to any budgeted fund, except the general fund. A public hearing must occur. Any tax dollars transferred must be used for the same purpose as the original levy.

Bus Depreciation

- Purpose: This fund is for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. Fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes. However, the Bus Depreciation Fund MAY NOT be used to purchase additional athletics/activities buses. (20-10-147, MCA)
- Budgeting: The trustees can adopt a budget that does not exceed 20% of cost of a new bus or two-way radio.
- Local Revenue: **District wide levy** – established based on budget.
- Transferability: Bus depreciation funds can be transferred to any budgeted fund, except the general fund. A public hearing must occur.
- Note: SB 329 of the 2011 session – eliminated the requirement for the district to seek voter approval to sell all of the district buses and transfer those funds to any budgeted fund.

Debt Service

- Purpose: This fund is required by statute for any district that has outstanding general obligations bonds. This fund is for paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for various purposes, including building or remodeling of district facilities, buying or leasing buses, or funding judgments against the district. (20-9-438,MCA)
- Budgeting: Trustees must budget for bond interest and principle payments, SID assessments, and a limited operating reserve to cash flow between school years. Excess funds, after the operating reserve, are to be re-appropriated for property tax reduction.
- State Revenue: School facility entitlements.
- Local Revenue: **Levy revenue for debt service** – calculated as the annual payment required to fund principle and interest on bonds.
- Federal Revenue: Impact Aid
- Transferability: Transfers of debt service funds may only occur when the fund is closed. Those funds can be transferred to the general fund, building reserve fund or technology funds. If federal impact aid was transferred into the fund, those funds must be returned to the federal impact aid fund.

Flexibility Fund

- Purpose: The flexibility fund is available for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. (20-9-543, MCA)
- Budgeting: The trustees establish the budget amount. Statute does not prescribe how this is accomplished.
- State Revenue: Statute allows the legislature to appropriate funds for this purpose. In addition, if the actual statewide ANB is lower than the estimated projected by the legislature, the savings must be deposited to the fund.
- Local Revenue: **District-wide voter approved levy specifically for the flexibility fund.**
- Transferability: Flexibility funds can be transferred to any budgeted fund, except the general fund. A public hearing must occur.

Non-Operating Fund

- Purpose: The purpose of the non-operating fund is to centralize financing/budgeting functions of a district not operating a school. (20-9-505, MCA)
- Budgeting: Trustees adopt a budget to address the cost of tuition obligations, transportation and maintenance of district owned property.
- Local Revenue: **District wide levy**. This net levy requirement is calculated by reducing the budget amount by the cash amount in the non-operating fund, transportation payments and any other sources of funding.
- Transferability: Non-operating funds can be transferred to any budgeted fund. Can be transferred to the general fund when the school reopens. A public hearing must occur. Any tax dollars transferred must be used for the same purpose as the original levy.

Retirement Fund

- Purpose: The retirement fund is used to pay the school district's share of specific employer contributions including social security and Medicare taxes, Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS) contributions and state unemployment insurance. (20-9-501, MCA)
- This fund covers the employer share associated with employees whose salaries and health-related benefits, if any, are paid from state and local funds, school food services funds, interlocal funds and impact aid funds.
- Budgeting: Trustees must establish a budget equal to the employer contributions for employees whose salaries and health-related benefits are paid from state and local funds, food service funds or the impact aid fund. After the amount is established, the county superintendent calculates the levy requirement and the county commissioners set the levy.
- State Revenue: Guaranteed Tax Base Aid – if eligible.
- Local Revenue: **County-wide levy for retirement funds.**
- Transferability: Retirement funds **cannot** be transferred to any other fund.
- Restrictions: The operating reserve may not be more than 35% of the final retirement budget for the following fiscal year.

Technology Fund

- Purpose: This fund is utilized to purchase, rent, repair, and maintain technological equipment and to provide technical training for district personnel. (20-9-533, MCA)
- Budgeting: The school district has the option of establishing this fund. Trustees must establish a budget that is sufficient to cover all costs of operations of the transportation program based on reimbursements schedules provided in statute.
- State Revenue: The technology payments totaling \$1.0 million are allocated to districts based on a percentage of the district BASE to the state wide BASE budget (20-9-534, MCA).
- Local Revenue: **District wide voter approved levy for technology**. The district can propose to the voters to fund an additional amount for technology, up to 20% of the replacement cost of the equipment.
- Transferability: Technology funds can be transferred to any budgeted fund, except the general fund. A public hearing must occur. Any tax dollars transferred must be used for the same purpose as the original levy.
- Restriction: Statute does not allow for technology funds to be utilized for employer contributions to TRS, PERS , social security or unemployment insurance.

Transportation Fund

- Purpose: Funds for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation. (20-10-143, MCA)
- Budgeting: Trustees must establish a budget that is sufficient to cover all costs of operations of the transportation program based on reimbursements schedules provided in statute.
- State Revenue: Transportation block grant and transportation payments.
- Local Revenue: **County-wide levy for transportation**. The net levy requirement is calculated based on the schedule amount or the budget (whichever is lower) divide by 2 and adjusted for any other sources of revenue to the transportation fund, including but not limited to fund balance re-appropriated, payments from other districts, transportation block grants, natural resource revenues and federal payments.
- Transferability: Transportation funds can be transferred to any budgeted fund. A public hearing must occur. Any tax dollars transferred must be used for the same purpose as the original levy.

Tuition

- Purpose: The tuition fund is used to finance tuition costs for elementary and high school district students attending schools or detention centers outside their district. These placements are either related to protective care of the state, such as foster care or group homes or delinquent youth. (20-5-323, MCA)
- Budgeting: The trustees adopt a budget to cover the cost of tuition for these students.
- State Revenue: Paid by the state based on district reports submitted at the end of each school year. Statute defines the formula for payment.
- Transferability: Tuition funds can be transferred to any budgeted fund, except the general fund. A public hearing must occur.

Other Funds

- Non-budgeted:
 - Funds that do not require a formal budget to make expenditures
 - Expenditures are limited by the cash in the fund
 - Normally for a specific purpose
 - Compensated Absence Fund, Litigation Reserve Fund, Impact Aid Fund, Lease Rental Fund
- Internal Service
 - Funds to account for goods/services provided to schools within a district. (Central Transportation)
- Enterprise Funds
 - Funds to account for goods or services provided to the public. (Daycare fund)

EFB Report

- After the end of the fiscal year, an EFB report is created by OPI. Includes data on all districts and cooperatives for each fund.
- Included in the data, what has been reserved or designated as fund balance reappropriated.
- Examples.

District Level Funds

MCA	B/NB?	FundCodeDescription	#	Fy2010	FY 2011	Change from	Restrictions and Limitations	Fund Revenue	Transferability
20-7-705	B	Adult Education Fund	215	10,768,647	9,800,462	(968,185)	For the purpose of financing adult education activities	Permissive Levy	Budgeted Fund Rules
20-9-503	B	Building Reserve Fund	246	52,840,756	74,656,807	21,816,051	Mill levies approved by the voters for future construction	Voted Levy	Budgeted Fund Rules
20-10-147	B	Bus Depreciation Fund	248	38,072,909	39,859,596	1,786,687	Used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes	Permissive Levy	Budgeted Fund Rules
20-9-438	B	Debt Service Fund	190	14,467,309	18,083,518	3,616,209	Funds for paying interest and principal on outstanding bonds and special improvement district (SID) assessments. Excess funds are to be reappropriated for property tax reduction.	School facility entitlements, impact aid, voted levy	No Transfers of funds
20-9-542	B	Flexibility Fund	339	41,811,185	36,731,252	(5,079,933)	Purpose of paying salaries, operating expenses, building expenses, and purchasing supplies	Over budget of ANB, other appropriations, voted levy	Budgeted Fund Rules
20-9-301	B	General Fund	419	111,562,327	101,183,731	(10,378,596)	Financing general maintenance and operational costs of a district not financed by other funds.	Entitlement, ANB, GTB, Quality Ed, NA Achievement Gap, At Risk, Indian Ed For all. BASE levy permissive. overbase voted levy	No Transfers to or from general fund.
20-9-505	B	Non-Operating Fund	4	98,781	88,555	(10,226)	Accounting for activities of a district in non-operating status	Transfer of the end of the year balance of each fund. Permissive levy	Budgeted Fund Rules
20-9-501	B	Retirement Fund	438	50,886,345	52,603,771	1,717,426	For paying the employers contribution for employees whose salary and health related benefits are paid with state/local funds, food services or impact aid funds.	State Retirement GTB, Non levy revenue, permissive levy	Budgeted Fund Rules
20-9-533	B	Technology Fund	417	18,124,732	18,883,247	758,515	Purchase, rent, repair, and maintain technological equipment and to provide technical training for district personnel	School technology grants, other grants for funding technology in schools. Voted levy.	Budgeted Fund Rules
20-10-143	B	Transportation Fund	409	25,687,223	25,628,401	(58,822)	Home to School Transport Costs	Transportation reimbursement, transportation permissive levy	Budgeted Fund Rules
20-5-323/324	B	Tuition Fund	215	2,395,627	2,541,057	145,430	Finance Tuition costs for elem.& high school students attending schools or detention centers outside their district	State portions of per ANB entitlement	Budgeted Fund Rules
		SUBTOTAL		366,715,839	380,060,397	13,344,558			
20-9-508	NB	Building Fund	261	59,159,702	83,735,439	24,575,737	Primarily to account for the proceeds of bonds sold, to account for insurance proceeds for damaged property or the sale or rental of property	bonds, sold property, payments from developers	Non-budget fund rules
OPI	NB	Central Transportation Internal Service Fund	2	364,662	392,178	27,516	Transportation services provided to in-district elementary and high school districts and other programs such as student extracurricular activities on a cost-reimbursement basis	Cost-reimbursement	Non-budget fund rules
20-9-512	NB	Compensated Absence Fund	279	4,966,438	4,761,975	(204,463)	Financing the accumulated sick leave and vacation pay that a non-teaching or administrative school district employee is entitled to upon termination of employment.	Funded using budgeted General Fund transfers.	Non-budget fund rules
OPI	NB	Data Processing Internal Service Fund	1	337,489	321,765	(15,724)	Data processing services provided to schools or other departments of the district on a cost-reimbursement basis	Cost-reimbursement	Non-budget fund rules
OPI	NB	Day Care Enterprise Fund	8	189,811	163,390	(26,421)	Day care services operated on a commercial basis with little or no financial support from federal or state sources	Day care revenues	Non-budget fund rules
20-9-514	NB	Impact Aid Fund	87	77,903,120	76,643,269	(1,259,851)	Federal funds to assist with the education of federally connected children, considered general aid	Federal Government (20 USC 7701)	Non-budget fund rules, federal restrictions
OPI	NB	Industrial Arts Fund	1	(4,555)	0	4,555	account for major industrial arts programs operated on a commercial basis with little or no financial support	Industrial Arts Revenues	Non-budget fund rules
OPI	NB	Instructional Materials Ctr Internal Service Fund	3	165,744	176,468	10,724	Instructional material services provided to elementary and high schools in the district on a cost reimbursement basis.	Cost-reimbursement	Non-budget fund rules
20-9-511	NB	Interlocal Agreement Fund	59	5,203,051	6,730,884	1,527,833	Funds for the execution of an interlocal agreement	Revenue from other parties to the interlocal agreement	Non-budget fund rules
20-9-509	NB	Lease-Rental Fund	178	1,056,513	1,112,301	55,788	Funds for expenditures related to lease or rental of school property	Revenue from lease and rental of property.	Non-budget fund rules
20-9-515	NB	Litigation Reserve Fund	4	118,700	90,003	(28,697)	Funds for paying legal settlements and court judgments ordered against the district.	Funds transferred from the GF within the adopted budget	Non-budget fund rules

20-9-231	NB	Metal Mines Tax Reserve Fund	35	13,418,557	14,785,087	1,366,530	Can be used for any purpose provided by law.	Metal mine taxes set aside for local entities experiencing impacts from mine development.	Non-budget fund rules
OPI	NB	Miscellaneous Enterprise Fund	9	104,569	150,111	45,542	Account for programs operated on a commercial basis with little or no financial support from federal or state sources.	Commercial Revenues	Non-budget fund rules
OPI	NB	Miscellaneous Internal Service Fund	5	114,784	102,506	(12,278)	Miscellaneous activities operated on a cost-reimbursement basis	Miscellaneous Revenues	Non-budget fund rules
20-9-507	NB	Miscellaneous Programs Fund	440	82,691,325	77,997,483	(4,693,842)	Local, state or federal grants and reimbursements; for specific projects	Tuition, reimbursements or other grants.	Non-budget fund rules
20-9-604	NB	Permanent Endowment Fund	7	823,650	832,910	9,260	To account for trusts and endowments that only allow use of interest earnings, and not principal, to support the district's programs.	Monetary gifts made to a district with or without conditions	Non-budget fund rules
20-9-604	NB	Private Purpose Trust (spend interest only)	101	6,502,302	6,869,896	367,594	Used to account for revenues and expenditures related to other miscellaneous trust-type activities where the trust agreement allows only interest to be used for purposes that do not support district programs.	Monetary gifts made to a district with specific conditions	Non-budget fund rules
20-9-604	NB	Private Purpose Trust (spend principal & interest)	63	3,993,510	4,695,832	702,322	Used to account for revenues and expenditures related to other miscellaneous trust-type activities where the trust agreement allows both principal and interest to be used for purposes that do not support district programs.	Monetary gifts made to a district with specific conditions	Non-budget fund rules
OPI	NB	Purchasing Internal Service Fund	7	1,464,038	1,792,337	328,299	Purchasing services provided to in-district schools or other departments on a cost-reimbursement basis	Cost-reimbursement	Non-budget fund rules
20-10-201	NB	School Food Services Fund	247	5,914,841	6,584,292	669,451	School food service operations	state and federal reimbursements	Non-budget fund rules
20-3-331	NB	Self Insurance Fund - Health	21	19,894,183	27,195,062	7,300,879	Account for financial activities for health plans maintained under 20-3-331, MCA, on a self-insurance basis	Premiums and interest	Non-budget fund rules
20-3-331	NB	Self Insurance Fund - Liability	4	978,211	1,020,333	42,122	Financial activities for liability insurance maintained under 20-3-331, MCA, on a self-insurance basis.	Premiums and interest	Non-budget fund rules
90-6-307	NB	State Mining Impact Fund	8	54,259	54,732	473	Can be used for any purpose provided by law.	Tax prepayments from mineral developers	Non-budget fund rules
20-9-504	NB	Student Extracurricular Activities Fund	259	20,885,081	21,189,364	304,283	Account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities	Revenue from student activities	Non-budget fund rules
20-7-507, 510	NB	Traffic Education Fund	153	3,608,215	3,670,153	61,938	Traffic education programs only	Funds for traffic education, state and private	Non-budget fund rules
		SUBTOTAL		309,908,200	341,067,770	31,159,570			

Grand Total	676,624,039	721,128,167	44,504,128
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