

# DISTRICT LEVEL FUNDS OVERVIEW

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# DISTRICT LEVEL FUNDS

- Fund Definitions
- Budgeted Funds
  - Terms and concepts
    - Fund Balance
    - Reserves
    - Reappropriation
  - General Fund – *many details from others later* 😊
  - Budgeted Funds (excluding GF - chart)
- Non-budgeted funds (chart)
- Practice with examples

# Fund Definitions

Why do we use separate funds?

- to account separately for resources affected by different types of spending restrictions
- because financial reporting standards require it

Fund accounting

- Each fund has a self-balancing set of accounts (revenues, expenditures and balance sheet) to keep the cash flow, revenues, expenditures and equity segregated from the other funds.
- It is desirable to have as few funds as legal and sound administrative requirements make possible.

# 20-9-201, MCA Fund Definitions

## BUDGETED FUNDS

- Must adopt a budget to spend money
- Local property tax levies are a common revenue source



Voted Levy – hold an election to obtain voter approval

“Permissive” (non-voted) Levy - voter approval not required

## NON-BUDGETED FUNDS

- No budget needed to spend money
- Expenditures limited to cash available in the fund (20-9-210, MCA)
- No tax revenues

# Budgeted Funds – Terms & Concepts

## Fund Balance

Beginning Fund Balance (cash, generally)

+ Current Year Receipts

- Current Year Expenditures

Ending Fund Balance

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graph TD; A[Ending Fund Balance] --> B[Reserves (keep for cash flow purposes)]; A --> C[Reappropriate (reduces revenue requirement in next year's budget)]; A --> D[Return to state (General Fund only)];
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Reserves (keep  
for cash flow  
purposes)

Reappropriate  
(reduces revenue  
requirement in  
next year's budget)

Return to state  
(General Fund  
only)

# Budgeted Funds – Terms & Concepts

**Reserves** - year-end cash balances kept for cash flow

Fund	Operating Reserve Limit
General (01)	Greater of \$10,000 or 10% of ensuing year budget (20-9-104, MCA)
Transportation (10)	20% of ensuing year budget (20-10-144, MCA)
Retirement (14)	20% of ensuing year budget (20-9-501, MCA)
Adult Ed (17)	35% of ensuing year budget (20-7-713, MCA)
Debt Service (50)	Approximate amount of payments due between July 1 and November 30 of <i>second</i> ensuing year (20-9-438, MCA)

# Budgeted Funds – Terms & Concepts

## Fund Balance Reappropriated

Ending fund balance

- Reserves

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= Fund Balance Reappropriated

- Used *in place of new revenue* to fund the ensuing year's expenditure budget
- Reappropriation is mandatory after reserves are maximized
- General Fund reappropriation is limited to 15% of the maximum budget (excess is remitted to the state)

<b>BUDGETED FUNDS</b>	<b>FUND #</b>	<b>FUND NAME</b>	<b>Permissive or Voted Levy?</b>
	01	General	Permissive and voted
	02	Transportation	Permissive
	11	Bus Depreciation	Permissive
	13	Tuition	Permissive
	14	Retirement	Permissive (countywide levy)
	17	Adult Education	Permissive
	19	Non-Operating	Permissive
	28	Technology	Voted
	29	Flexibility	Voted, but tied to state funding
	50	Debt Service	Voted
	61	Building Reserve	Voted



# NON-BUDGETED FUNDS

## Non-budgeted funds

- No formal adoption of a budget needed to spend money
  - Exception: Title program federal grant and state grant applications require a budget (Fund 15)
  - OPI and MASBO advise districts to consider developing a budget for management purposes for these funds:
    - School Foods
    - Impact Aid
    - Interlocal Agreement if using a multidistrict agreement
- Expenditures limited to cash available in the fund (20-9-210, MCA)

**NON-BUDGETED FUNDS**

<b>FUND #</b>	<b>FUND NAME</b>
12	Food Service
15	Miscellaneous Programs
18	Traffic Education
20	Lease Rental Agreement
21	Compensated Absences
24	Metal Mines Tax Reserve
25	State Mining Impact
27	Litigation Reserve
45	Permanent Endowment
60	Building
70-72	Enterprise
73-79	Internal Service
82	Interlocal Cooperative
81-85	Other Trust Funds

# Example #1 – Building Project funded with bond proceeds

A school district holds a bond election seeking voter approval for the issuance and sale of bonds to build a new school. The voters approve the ballot. Identify the fund(s) used in the following transactions:

- Bonds are sold and district receives proceeds.
- Construction of building begins; first in-progress bill is received and the district pays it.
- District adopts a budget for annual repayment of bond principal and interest and levies mills. Property taxes are assessed and the 1<sup>st</sup> half tax payments are received in November.
- District receives another in-progress bill and pays it.
- First principal and interest payment on bonds is due and paid.

# Example #2 – General operating expenses

A district uses both General Fund and Impact Aid Fund money to pay expenditures related to the general operations of the district that are not accounted for in a special fund. The district uses the General Fund for staff salaries and benefits and the Impact Aid Fund for all other general operating expenditures. Which fund(s) would be used in the following transactions:

- District receives 1<sup>st</sup> half property tax payments resulting from tax levies assessed for its General Fund.
- District receives 85% of its Impact Aid payment from the federal government.
- District receives and pays its monthly utility bill.
- District issues December paychecks to its employees.
- District files its TRS report and pays the amount owed for December TRS contributions:
  - TRS contributions withheld from employee paychecks
  - Employer's share of TRS contributions

# QUESTIONS?

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