

5-0500.00 INTERFUND ACTIVITY

5-0510.00 INTRODUCTION

Section 20-9-208, MCA, prohibits transfers between funds unless specifically provided by law. This section discusses how to account for each transfer allowed by law. The method used for accounting for a transaction between funds depends on the nature of the transaction. There are **four types of INTERFUND ACTIVITY**:

- a. Interfund Services – transactions between seller funds and purchaser funds.
- b. Interfund Transfers
 - Residual Equity Transfers – nonrecurring or nonroutine transfer of equity between funds. Equity may or may not be returned by recipient fund.
 - Operating Transfers-routine transfers for which there is no intent to return transferred funds to the originating fund.
- c. Interfund Reimbursements – repayments from funds responsible for particular expenditures to the funds that initially paid for them.
- d. Interfund Loans – Usually only used at fiscal year end by Montana school districts to eliminate cash overdrafts.

INTERFUND ACTIVITY should generally be recorded with a journal voucher and letter to the county treasurer to explain the transaction instead of by issuing a warrant from one fund to another. This section explains the use and accounting methods for recording each type of interfund transaction.

5-0520.00 RECORDING INTERFUND ACTIVITY

5-0520.10 INTERFUND SERVICES

Interfund Services are cases where one fund type buys services or products from another fund type. These transactions would normally be treated as revenues, expenditures, or expenses if they involved organizations external to the school district. An interfund service should be reported as revenue in the selling fund and expenditure/expense in the purchasing fund.

Examples of Interfund Services in school districts are:

- a. Internal Service Fund billings to departments.
- b. Payment of health insurance premiums from General and Special Revenue Funds to a Self Insurance Internal Service Fund. Trustees may transfer unused employer contributions for self-insurance group coverage to the Self-Insurance Health Fund (78) to be used to offset losses or increase the fund's reserve (2-18-703, MCA).

5-0520.10**INTERFUND SERVICES TRANSFERS (Cont'd)****To record payment to another fund for services provided to the fund in a business-type transaction:**

For example, assume an internal service fund provides central computer services and the General Fund is charged \$400 for computer services provided for the central office

Internal Service Fund (7X)		
Debit:	101 Cash	\$400
Credit:	402 Revenues	\$400
Revenues Subsidiary Ledger		
X7X-1970	Services Provided to Other Funds	\$400

(To record the receipt of payment for services billed to another fund of the district. **NOTE: Revenue source 1970 is used only in Internal Service Funds**; other funds would record the revenue source code applicable to the type of revenues received.)

General Fund (01)		
Debit:	802 Expenditures	\$400
Credit:	101 Cash	\$400
Expenditures Subsidiary Ledger		
X01-XXX-XXX-XXX	Any appropriate expenditure object	\$400

(To record payment for services provided by the Internal Service Fund.)

5-0520.20**INTERFUND TRANSFERS - RESIDUAL EQUITY TRANSFERS (RET)**

There are two types of interfund transfers: residual equity transfers and operating transfers. Operating transfers are discussed in 5-0520.30.

Residual Equity Transfers are nonrecurring or nonroutine transfers of equity between funds, including fund closures. This is done by recording a Residual Equity Transfer Out (XXX-999-9999-971) of the surrendering fund and a Residual Equity Transfer In (9710) into the receiving fund. The district must notify the County Treasurer of the reason for and the amount of the transfer.

Residual Equity Transfers allowed by Montana law and school accounting policy are as follows:

- a. When all bonds, bond interest, and special assessments of any school district have been paid, all moneys remaining and amounts receivable in the debt service fund shall be transferred by the county treasurer and the school district to the building reserve fund, the technology fund, or the general fund of the school district providing the funds are used for constructing, equipping, or enlarging school buildings or purchasing land (20-9-443, MCA).
- b. When establishing the non-operating fund, the trustees shall close each fund except for the debt service fund and miscellaneous programs fund to the non-operating fund (20-9-505, MCA and ARM 10.10.319).

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INTERFUND TRANSFERS - RESIDUAL EQUITY TRANSFERS (RET)

- c. Any money realized by the sale of bonds and remaining to the credit of the building fund after the full accomplishment of the purpose for which the bonds were sold shall be transferred to the debt service fund to be used for the redemption of bonds of such issue (20-9-508(3), MCA).
- d. Whenever the end-of-the-year cash balance of a lease or rental agreement fund is more than \$10,000, such cash balance in excess of \$10,000 shall be transferred to the general fund of the district. The term cash balance shall be construed to mean fund balance for the purposes of determining the proper amount of the residual equity transfer to the general fund (20-9-509, MCA).
- e. Whenever the trustees of a district maintaining a bus depreciation reserve fund consider it to be in the best interest of the district to sell all of its buses and transfer any portion or all of the bus depreciation reserve cash balance to any other fund maintained by the district, it shall submit such proposition to the electors of the district. If the transfer is approved by the voters, the district shall record the transfer as a residual equity transfer (20-10-147(4), MCA).
- f. Except for the Tuition and Debt Service Funds, whenever the trustees determine a fund used by the district is obsolete or no longer needed, they may close the fund into any fund considered appropriate by the trustees (20-9-201[3](a), MCA). If the tuition fund does not have a cash or fund balance overdraft, an inactive tuition fund must be closed to the district's miscellaneous programs fund.
- g. If the trustees determine that a Tuition Fund is obsolete and no longer needed, they must close the fund into the Miscellaneous Programs Fund (20-6-201, MCA).
- h. When the bonds and bond interest have been fully paid, the trustees may transfer the balance of the Debt Service Fund to the General, Building Reserve, or Technology Funds, provided the money is spent for constructing, equipping, or enlarging school buildings or purchasing land for school purposes. (20-9-443, MCA)

To record a residual equity transfer: For example, to record a residual equity transfer of the balance of \$370 remaining in a Debt Service Fund to the General Fund after all bonds and interest have been paid:

Debt Service Fund (50)		
Debit:	802 Expenditures	\$370
Credit:	101 Cash	\$370
(To record transfer of remaining funds to the General Fund.)		
Expenditures Subsidiary Ledger		
X50-999-9999—971	Residual Equity Transfer Out	\$370

General Fund (01)		
Debit:	101 Cash	\$370
Credit:	402 Revenues	\$370
Revenues Subsidiary Ledger		
X01-9710	Residual Equity Transfers In	\$370
(To record transfer of remaining funds from the Debt Service Fund.)		

The total of all Residual Equity Transfers In accounts must equal the total of all Residual Equity Transfers Out accounts. These accounts are closed to 970 Unreserved Fund Balance in governmental funds or 940 Unrestricted Net Assets in proprietary funds at fiscal year end.

Operating Transfers are routine transfers made without the intent to return transferred amounts to the originating fund. Unlike interfund services transfers, operating transfers do not involve revenues or expenditures/expenses. Between funds of the same district, the transfer should be recorded using other financing sources account 5300 Operating Transfers from Other Funds in the receiving fund, and using other financing uses account 910 Operating Transfers Out in the paying fund.

The operating transfers allowed by Montana law are as follows:

- a. Trustees may appropriate a portion of the General Fund end-of-the-year fund balance to establish a Compensated Absences fund (21). Such reserve shall not exceed 30% of the total school district liability for accumulated sick leave and vacation leave of non-teaching school district employees and administrative personnel on June 30 of the preceding school fiscal year (20-9-512, MCA). The high school district and elementary district must maintain separate Compensated Absences Funds.
- b. General Fund (01) can transfer money, within the budget, to the Litigation Reserve Fund (27) if pending litigation might result in a judgement against the district. The amount held in the Litigation Reserve Fund can be used to pay settlements required as the result of law suits. The fund may not be used for costs of litigation, such as lawyer's fees, phone calls, filing fees, etc. When litigation is settled, the money must be transferred back to the General Fund. (MCA 20-9-515)
- c. Impact Aid Fund (26) can transfer up to 25% of the Impact Aid money to the debt service fund (50) to pay bond principal and interest. (MCA 20-9-437 and 20-9-443)
- d. Money from any fund except the Miscellaneous Programs Fund (15) can be transferred to the Interlocal Agreement Fund (82) to support an interlocal agreement between the school district and another governmental entity. (MCA 20-9-703)
- e. A budget fund, other than the General, Debt Service, Retirement, or Bus Depreciation Funds, may transfer non-tax money to another budgeted fund of the district, except the General Fund. A transfer of tax money must be used for a purpose related to the purpose for which the tax was levied. (20-9-208, MCA and ARM 10.10.320)
- f. A non-budgeted fund may transfer cash to another non-budgeted fund of the district in order to improve efficiency of spending within the district. State and Federal grant money may not be transferred. (20-9-208, MCA and ARM 10.10.320)

To record an operating transfer between funds: For example, assume the district transfers \$600 from the General Fund to the Compensated Absences Fund at fiscal year-end.

General Fund (01)

Debit: 802	Expenditures	\$600
Credit: 101	Cash	\$600
Expenditures Subsidiary Ledger		
X01-XXX-6100-910	Other Financing Uses-Op. Trnsfrs Out	\$600

Compensated Absences Fund (21)

Debit: 101	Cash	\$600
Credit: 402	Revenues	\$600
Revenues Subsidiary Ledger		
X21-5300	Other Financing Sources-Transfers from Other Funds	\$600

(To record operating transfer from the General Fund.)

NOTE: Charges to expenditure object 910-Operating Transfers and income credited to revenue source 5300-Operating Transfers from Other Funds should balance at all times.

Interfund reimbursements are repayments from funds responsible for particular expenditures to the funds that initially paid for them. If the reimbursement is made during the fiscal year in which the transaction occurred, the fund receiving the reimbursement records a reduction of expenditures and increase of cash, and the reimbursing fund records an expenditure and a reduction of cash. If the reimbursement is made in the fiscal year after the year the original expenditure was recorded (i.e., the books are closed), the fund receiving reimbursement records an increase in cash and an increase of miscellaneous revenue, and the reimbursing fund records a reduction of cash and a current expenditure. If the amount is material, the reimbursing fund records a prior period expenditure adjustment instead of a current expenditure.

The district must also send notification to the treasurer that the cash must be moved between funds and the reason the transaction must be made. All district transactions, including interfund reimbursements, must be properly documented in the accounting records of the district.

Examples of situations involving interfund reimbursements are:

— Correcting a coding error; for example, an expenditure paid from a special revenue fund should have been charged against the general fund;

— Distributing costs to proper funds after original payment.

To record a reimbursement of current year expenditures: For example, assume an expenditure of \$25 was incorrectly recorded in the Transportation Fund instead of the General Fund. The Transportation Fund must reimburse the General Fund. The expenditure must be moved from the Transportation Fund to the General Fund.

Transportation Fund (10)

Debit: 101	Cash	\$25
Credit: 802	Expenditures	\$25

Expenditure Subsidiary Ledger

X10-XXX-XXXX-XXX	Any appropriate expenditure object	\$25
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(This entry should reduce the charges to the object originally charged in error.)

(To abate expenditures which should be recorded in the General Fund and receipt of cash moved from that fund.)

General Fund (01)

Debit: 802	Expenditures	\$25
Credit: 101	Cash	\$25

Expenditures Subsidiary Ledger

X01-XXX-XXXX-XXX	Any appropriate expenditure object	\$25
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(To record the expenditure which should be recorded in this fund.)

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INTERFUND REIMBURSEMENTS (Cont'd)

To record the reimbursement of an immaterial expenditure recorded in the prior year: For example, assume the district improperly charged \$300 to the Miscellaneous Programs Fund in the prior year, and now needs to reimburse the deficit with General Fund money.

Miscellaneous Programs Fund (15)

Debit: 101	Cash	\$300
Credit: 402	Revenues	\$300

Revenue Subsidiary Ledger

X15-1900-XXX	Miscellaneous/Other Revenues	\$300
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(To record the immaterial decrease in prior expenditures, the district records miscellaneous revenue for the amount incorrectly charged to the Miscellaneous Programs Fund.)

General Fund (01)

Debit: 802	Expenditures	\$300
Credit: 101	Cash	\$300

Expenditures Subsidiary Ledger

X01-XXX-XXXX-XXX	Any appropriate expenditure object	\$300
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(To record the reimbursement of another fund for expenditures of a prior year which should have been paid from the General Fund. Immaterial amounts are charged to a current expenditure line item.)

To record the reimbursement of a material expenditure recorded in the prior year: For example, assume the district improperly charged \$30,000 to the Miscellaneous Programs Fund in the prior year, and now needs to reimburse the deficit with General Fund money.

Miscellaneous Programs Fund (15)

Debit: 101	Cash	\$30,000
Credit: 402	Revenues	\$30,000

Revenue Subsidiary Ledger

X15-6100-XXX	Material Prior Period Revenue Adjustments	\$30,000
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(To record the material decrease in prior expenditures, the district records a prior period revenue adjustment for the amount incorrectly charged to the Miscellaneous Programs Fund. The adjustment recorded in the 6100 account will be shown on the Trustees' Financial Summary and on GAAP financial statements as an adjustment of beginning fund balance. Interfund reimbursements which involve grants should be identified using project reporters.)

General Fund (01)

Debit: 802	Expenditures	\$30,000
Credit: 101	Cash	\$30,000

Expenditures Subsidiary Ledger

X01-XXX-XXXX-892	Material Prior Period Expenditure Adjustments	\$30,000
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(To record reimbursement of another fund for expenditures of a prior year which should have been paid from the General Fund. Adjustments recorded in the 892 account will be shown on the Trustees' Financial Summary and on GAAP financial statements as an adjustment to beginning fund balance and will not be included in current expenditures. Charges to 892 are subject to the total budget limitations of the fund.)

Interfund Loans are made whenever there is full intent for the borrowing fund to repay the lending fund. If there is no intent for repayment, then a residual equity transfer, if it can be legally made, should be recorded. Interfund loans are commonly used to solve temporary cash flow problems that can be encountered by a fund, and are preferable over outside lending sources because of interest savings for the school district.

Interfund loans are permitted to budgeted funds only. Nonbudgeted fund expenditures are limited in Section 20-9-210, MCA to the cash balance of the nonbudgeted fund. Therefore the cash balance of a nonbudgeted fund may not legally be overspent. Section 20-9-212, MCA requires the county treasurer to register warrants drawn on a budgeted fund only if there is insufficient cash in all funds of the district to pay the warrant. The treasurer will use available cash of any district fund to pay the warrant. This process is essentially a loan from one fund to a budgeted fund.

Recording interfund loans is suggested, but not required at this time, to clear cash overdrafts for funds at June 30. The entries to record the loan would be made at June 30 on the books of the district only and would be reversed immediately at the beginning of the next fiscal year. This practice allows the district to report the true cash position of the district at June 30 rather than showing negative cash balances in overdrawn funds. Recording the entries only on the district's records avoids the difficulty of affecting a change on the county treasurer's records.

Interfund loans should be coded using 160 Interfund Loans Receivable and 601 Interfund Loans Payable. Due to Other Funds and Due from Other Funds **should not be used** for interfund loans. These accounts should reflect receivables or payables between funds for goods or services.

To record an interfund loan: For example, assume the Transportation Fund has a June 30 negative cash balance of \$1,200 and the General Fund has a cash surplus.

General Fund (01)

Debit: 160	Interfund Loans Receivable	\$1,200
Credit: 101	Cash	\$1,200

(To record an interfund loan to another fund. The county treasurer does not record this loan.)

Transportation Fund (10)

Debit: 101	Cash	\$1,200
Credit: 601	Interfund Loans Payable	\$1,200

(To record interfund loan from another fund. The county treasurer does not record this loan.)

After recording the entry, the Transportation Fund cash balance shown on the financial statements would be zero and the fund's balance sheet would show an interfund loan payable (liability).

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INTERFUND LOANS (Cont'd)

At the beginning of the next fiscal year, to reverse the entries above to remove the loan from the district's books:

Transportation Fund (10)

Debit:	601	Interfund Loans Payable	\$1,200
Credit:	101	Cash	\$1,200

(To reverse the interfund loan from another fund which was recorded at the previous fiscal year-end. This entry reduces the liability on the books to zero. The "loan" is actually a temporary use of another fund's balance to cover warrants issued on a budgeted fund which has an insufficient cash balance and is taken care of at the county treasurer's level. The county treasurer does not record this loan entry.)

General Fund (01)

Debit:	101	Cash	\$1,200
Credit:	160	Interfund Loans Receivable	\$1,200

(To reverse the interfund loan to another fund which was recorded at the previous fiscal year-end. This entry reduces the receivable to zero. The county treasurer does not record this entry.)

5-0520.60 QUESTIONS AND ANSWERS ON BUDGET AND CASH TRANSFERS– (cont'd)

Q: What funds cannot be transferred? What are restrictions on transfers?

A: Laws and administrative rules restrict transfers as follows:

1. The Retirement Fund (14) and the Debt Service Fund (50) cannot transfer money to another fund. The Retirement Fund is county money raised specifically for retirement costs and paid only from the Retirement Fund. The Debt Service Fund is local tax money raised to pay bonds and SIDs. (ARM 10.10.320) [NOTE: When all bonds and SIDs have been paid, the Debt Service Fund can be closed and the balance transferred to the Building Reserve Fund (61), the General Fund (01) or the Technology Fund (28) and used for building purposes. (MCA 20-9-443)]
2. Bus Depreciation Fund (11) can transfer money to any other fund only upon voter approval and only after all buses owned by the district have been sold or otherwise disposed. (MCA 20-10-407) (ARM 10.10.320(4))
3. Federal and state grants cannot be transferred. This would include, for example, Title I , IDEA, Drug Free Schools, Gifted and Talented, etc. Most grants are held in the Miscellaneous Programs Fund (15). (ARM 10.10.320)
4. Tax money cannot be transferred from a budgeted fund to a non-budgeted fund. (MCA 20-9-208)
5. Tax money can only be transferred from one budgeted fund to another budgeted fund if the tax money is subsequently expended for the same purpose or a related purpose to the purpose for which the taxes were levied. When tax money is transferred, the trustees' resolution must state the reason for which the taxes were raised and what the taxes will be used for. (ARM 10.10.320(6))
6. Money from a non-budgeted fund cannot be transferred to a budgeted fund. (MCA 20-9-208)

Q: Can tax money be transferred from one fund to another?

A: Except as restricted, tax money can be transferred from one budgeted fund to another budgeted fund if it is used for the same purpose or a related purpose to the reason for which the taxes were raised. A special hearing is required. Restrictions prohibit transferring money from Retirement Fund, Debt Service Fund, and General Fund. (ARM 10.10.320(6))

Q: When can budget authority be transferred?

A: If the district transfers cash from one budgeted fund to another, they can transfer an equal portion of the budget to the other fund. (ARM 10.10.320)

Q: What documentation and process is necessary for a transfer?

A: Any board action should be covered in the board's minutes. If a specific hearing is required, the board should resolve to hold the hearing and should comply with legal hearing requirements. Within 30 days of approving the transfer, the district must notify the Office of Public Instruction (OPI) in writing. (ARM 10.10.320(11))

Q: Can General Fund money be transferred to another fund?

A: No. MCA 20-9-208 prohibits transfers into or out of the General Fund unless school law specifically authorizes the transfer (see list above).

For the transfer of tax money between budgeted funds, the trustees' resolution must state the purpose for which the taxes were raised and the purpose for which the tax money will be spent, justifying how those purposes are the same or related. (ARM 10.10.320(6))

For the transfer of cash between nonbudgeted funds, the trustees' resolution must state specifically how the transfer will improve efficiency of spending within the district. (ARM 10.10.320(8))

TRANSFER MATRIX

TRANSFER MATRIX (DRAFT)		TO BUDGETED FUNDS			TO NON-BUDGETED FUNDS				
		General (01)	Debt Service (50)	All Other Budgeted Funds*	Miscellaneous Programs (15)	Compensated Absences (21)	Litigation Reserve (27)	Interlocal Agreement (82)	All Other Non-Budgeted Funds**
FROM BUDGETED FUNDS	General (01)					MCA 20-9-512	MCA 20-9-515	MCA 20-9-703 (see Note D)	
	Transportation (10)							MCA 20-9-703 (see Note D)	
	Bus Depreciation (11)								
	Retirement (14)								
	Debt Service (50)								
	All Other Budgeted Funds* (see list below)							MCA 20-9-703 (see Note D)	
FROM NON-BUDGETED FUNDS	Miscellaneous Programs (15) (Federal & State Grants)							MCA 20-9-703 OPI approval req'd	
	Compensated Absences (21)	MCA 20-9-512 ARM 10.10.320(4)							
	Impact Aid (26)		MCA 20-9-437 and 20-9-443					MCA 20-9-703 (see Note D)	
	Litigation Reserve (27)	MCA 20-9-515							
	All Other Non-Budgeted Funds** (see list below)							MCA 20-9-703 (see Note D)	

* Other Budgeted Funds:

- 13 Tuition
- 17 Adult Education
- 19 Non-Operating
- 28 Technology
- 29 Flexibility
- 61 Building Reserve

 = NOT ALLOWED

- MCA 20-9-208 (2)(a)(ii) No transfers to or from General Fund, unless specifically authorized in law
- ARM 10.10.320 (3) No transfers from Retirement Fund
- ARM 10.10.320 (4) No transfers from Compensated Absences Fund to any fund other than the General Fund
- ARM 10.10.320 (6) No transfers of any portion of Debt Service Fund, except to close the fund
- ARM 10.10.320 (9) No transfers of cash received through state and federal grants
- ARM 10.10.320 (11) No transfers from budgeted funds to non-budgeted funds, unless specifically authorized in law
- MCA 20-9-208 (2)(a)(ii) No transfers from non-budgeted funds to budgeted funds, unless specifically authorized in law

**Other Non-Budgeted Funds

- 12 School Food Services
- 18 Traffic Education
- 20 Lease Rental Agreement
- 24 Metal Mines Tax Reserve
- 25 State Mining Impact
- 45 Permanent Endowment
- 60 Building
- 70 - 72 Enterprise funds
- 73 - 80 Internal Service funds
- 80 - 85 Trust funds

 = BUDGETED TO BUDGETED ALLOWED (see Note A)

- ARM 10.10.320 (2) Public hearing and resolution required (document in board meeting minutes)
- ARM 10.10.320 (7) Tax dollars transferred must be used for same purpose as original levy; non-tax dollars may be used for any purpose
- ARM 10.10.320 (13) Notify OPI, County Superintendent, and County Treasurer within 30 days of transfer

 = NON-BUDGETED TO NON-BUDGETED ALLOWED (see Note B)

- ARM 10.10.320 (2) Public hearing and resolution required (document in board meeting minutes)
- ARM 10.10.320 (10) Trustees' resolution must state specifically how transfer will be used to improve efficiency of spending
- ARM 10.10.320 (13) Notify OPI, County Superintendent, and County Treasurer within 30 days of transfer

 = TRANSPORTATION FUND RESTRICTION

- ARM 10.10.320 (8) State and county transportation aid not available for transfer to any other fund of the district

 = BUS DEPRECIATION FUND RESTRICTION (see Note C)

- MCA 20-10-147 (4) Must dispose of all buses and obtain voter approval to transfer
- ARM 10.10.320 (5) When all buses are sold, may transfer any portion to any other fund contingent on voter approval
- ARM 10.10.320 (2)(g) No public hearing required after voter approval

(SEE REVERSE SIDE FOR MORE INFORMATION)

IMPORTANT REMINDERS:**- TRANSFERS SHOULD NOT BE USED TO CORRECT CODING ERRORS OR FUND DEFICITS!**

For example, if the School Food Services fund has a deficit, DO NOT transfer money from another fund to the School Food Services fund to correct it. Correct the coding of the expenditures by crediting expenditures in the School Food Services fund and debiting expenditures in the General, Impact Aid or Flexibility funds. Do not use the transfer codes.

- DON'T FORGET TO HAVE A PUBLIC HEARING!

Unless specifically exempted in ARM 10.10.320 (2)(a) through (h), trustees are required to hold a properly noticed hearing to accept public comment on a transfer BEFORE the transfer can occur.

- DON'T FORGET TO NOTIFY OPI AND COUNTY OFFICIALS!

Unless specifically exempted from a public hearing under ARM 10.10.320 (2)(a) through (h), ARM 10.10.320 (13) requires the district must notify OPI, and the County Superintendent and Treasurer IN WRITING within 30 days of approving the transfer. The notice must include a) the funds affected, b) the amount of budget authority and cash transferred, and c) the purposes for which the amount transferred will be used. OPI will accept a copy of approved board meeting minutes to satisfy this requirement provided all the information is included in the minutes.

NOTE A - TRANSFERS BETWEEN BUDGETED FUNDS

MCA 20-9-208 (2)(a)(i) Except as provided in subsection (2)(a)(ii), transfers may be made from one budgeted fund to another budgeted fund or between the final budget and a budget amendment for a budgeted fund whenever the trustees determine, in their discretion, that the transfer of funds is necessary to improve the efficiency of spending within the district or when an action of the trustees results in savings in one budgeted fund that can be put to more efficient use in another budgeted fund. Transfers may not be made with funds approved by the voters or with funds raised by a nonvoted levy unless the transfer is within or directly related to the purposes for which the funds were raised. Before a transfer can occur, the trustees shall hold a properly noticed hearing to accept public comment on the transfer.

ARM 10.10.320 (7) Except for the general fund, retirement fund, debt service fund, and bus depreciation fund, trustees may transfer: (a) any portion of the cash balance in a budgeted fund to another budgeted fund for any purpose allowed by law, provided the money being transferred is comprised of revenue from sources other than tax receipts; and (b) tax revenues from one budgeted fund to another budgeted fund, provided the money is subsequently expended for purposes the same as, or directly related to, the purposes for which the taxes were levied. When tax receipts are transferred, the trustees' resolution shall state the purpose for which the taxes were levied and the purpose for which the funds will be used.

ARM 10.10.320 (12) When the trustees transfer cash from one budgeted fund to another budgeted fund, the trustees may also transfer budget authority up to the amount of the cash transfer, from the paying fund to the receiving fund.

NOTE B - TRANSFERS BETWEEN NON-BUDGETED FUNDS

MCA 20-9-208 (2)(b) Transfers may be made from one nonbudgeted fund to another nonbudgeted fund whenever the trustees determine that the transfer of funds is necessary to improve the efficiency of spending within the district. Transfers may not be made with funds restricted by state or federal law unless the transfer is in compliance with any restrictions or conditions imposed by state or federal law. Before a transfer can occur, the trustees shall hold a properly noticed hearing to accept public comment on the transfer.

ARM 10.10.320 (10) Trustees may transfer any portion of the cash balance in a nonbudgeted fund of the district. The trustees' resolution shall state specifically how the transfer will be used to improve efficiency of spending within the district.

NOTE C - BUS DEPRECIATION FUND

In July 2003, OPI requested an Attorney General's Opinion on the interpretation of MCA 20-9-208 and 20-10-147, concerning closing district funds and transferring district funds. OPI interprets that trustees may not transfer money from a bus depreciation fund until the district has sold or otherwise disposed of all its buses and asked for voter approval for the transfer. This has been the opinion of the State Superintendent since that requirement was specifically amended into MCA 20-10-147 (4) during the 1997 Legislative Session. It is also the interpretation promulgated into ARM 10.10.320 (5). OPI will inform school districts when we receive notice of the Attorney General's opinion.

MCA 20-10-147 (4) Whenever the trustees of a district maintaining a bus depreciation reserve fund sell all of the district's buses and consider it to be in the best interest of the district to transfer any portion or all of the bus depreciation reserve fund balance to any other fund maintained by the district, the trustees shall submit the proposition to the electors of the district. The electors qualified to vote at the election shall qualify under 20-20-301, and the election must be called and conducted in the manner prescribed by this title for school elections. If a majority of those electors voting at the election approve the proposed transfer from the bus depreciation reserve fund, the transfer is approved and the trustees shall immediately order the county treasurer to make the approved transfer.

ARM 10.10.320 (5) Pursuant to 20-10-147, MCA, when all the buses of a school district have been sold or otherwise disposed of, trustees may transfer any portion of the bus depreciation reserve fund balance to any other fund of the district contingent on voter approval.

NOTE D - INTERLOCAL AGREEMENT FUND (a copy of the Interlocal Agreement must be filed with the Secretary of State's office.)

MCA 20-9-703 (1) When the prime agency is a district, it is authorized and required to establish a nonbudgeted interlocal cooperative fund for the purpose of the financial administration of the interlocal cooperative agreement. All revenues received, including federal, state, or other types of grant payments in direct support of the agreement and the financial support provided by cooperating agencies, shall be deposited in such fund. All financial support of the agreement contributed by a district designated as the prime agency may be transferred to the interlocal cooperative fund from any fund maintained by such district by resolution of the trustees. Any such transfer to the interlocal cooperative fund shall be used to finance those expenditures under the agreement which are comparable to those that are permitted by law to be made out of the fund from which the transfer was made and which are within the final budget for the fund from which the transfer was made. No transfer shall be made from the miscellaneous federal programs fund without the express approval of the superintendent of public instruction.

CLOSING FUNDS TRANSFER MATRIX

CLOSING INACTIVE FUNDS (DRAFT)		TO							
		General (01)	Non-Operating (19)	Technology (28)	Building Reserve (61)	All Other Budgeted Funds*	Miscellaneous Programs (15)	Impact Aid (26)	All Other Non-Budgeted Funds**
FROM	Bus Depreciation (11)	MCA 20-10-147 (4) ARM 10.10.319 (4)	MCA 20-9-505 ARM 10.10.319 (5)	MCA 20-10-147 (4) ARM 10.10.319 (4)	MCA 20-10-147 (4) ARM 10.10.319 (4)	MCA 20-10-147 (4) ARM 10.10.319 (4)			
	Tuition (13)		MCA 20-9-505 ARM 10.10.319 (5)				MCA 20-9-201(3)(b) ARM 10.10.319 (2)		
	Debt Service (50)	MCA 20-9-443 (1) ARM 10.10.319 (3)		MCA 20-9-443 (1) ARM 10.10.319 (3)	MCA 20-9-443 (1) ARM 10.10.319 (3)			MCA 20-9-443 (2)	
	All Other Budgeted Funds* (see list below)	MCA 20-9-201(3)(a)	MCA 20-9-505 ARM 10.10.319 (5)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)
	Miscellaneous Programs (15) (not state or federal money)	MCA 20-9-201(3)(a)		MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)		MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)
	Compensated Absences (21)	ARM 10.10.320 (4)							
	Litigation Reserve (27)	MCA 20-9-515 (3)							
	Permanent Endowment (45)	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604
	All Other Non-Budgeted Funds** (see list below)	MCA 20-9-201(3)(a)	MCA 20-9-505 ARM 10.10.319 (5)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)

* Other Budgeted Funds:

- 01 General
- 10 Transportation
- 14 Retirement
- 17 Adult Education
- 19 Non-Operating
- 28 Technology
- 29 Flexibility
- 61 Building Reserve

= ALLOWED (MCA 20-9-201(3)(a))

Trustees may close an inactive fund to any fund considered appropriate, except as otherwise provided by law.

= NOT ALLOWED

PERMANENT ENDOWMENT FUND (MCA 20-9-604) Subject to conditions and requirements of the endowment instrument.

= RESTRICTIONS

BUS DEPRECIATION FUND (MCA20-10-147(4) and ARM 10.10.319(4))

BEFORE a transfer may be made, all buses must be sold or otherwise disposed of AND must obtain voter approval.

Trustees may transfer any portion to any other fund of the district contingent on voter approval.

TUITION FUND (MCA 20-9-301(b) and ARM 10.10.319(2))

When trustees determine the Tuition fund to be inactive, they must close it into the Miscellaneous Programs fund.

NON-OPERATING FUND (MCA 20-9-505 and ARM 10.10.319(5))

A district entering non-operating status shall close all funds, except Debt Service and Miscellaneous Programs to a single Non-Operating fund.

DEBT SERVICE FUND (MCA 20-9-443 and ARM 10.10.319(3))

All bond principal and interest, fees and all outstanding SIDs must be fully paid.

Must close to General (01), Technology (28), or Building Reserve (61) funds.

Must spend transferred funds on constructing, equipping, or enlarging school buildings or purchasing land needed for school purposes.

Must identify money transferred by assigning a project reporter code to track subsequent uses of the funds.

Any federal Impact Aid funds remaining must be transferred back to the Impact Aid (26) fund.

COMPENSATED ABSENCES FUND (ARM 10.10.320(4))

Trustees shall not transfer cash from the Compensated Absences fund to any fund other than the General fund.

LITIGATION RESERVE FUND (MCA 20-9-515(3))

Balance remaining in fund must be reverted back to General fund and used to reduce the district's general fund BASE budget levy requirement.

**Other Non-Budgeted Funds

- 12 School Food Services
- 18 Traffic Education
- 20 Lease Rental Agreement
- 24 Metal Mines Tax Reserve
- 25 State Mining Impact
- 26 Impact Aid
- 60 Building
- 70 - 72 Enterprise funds
- 73 - 80 Internal Service funds
- 80 - 85 Trust funds

NOTE: Districts may not close a fund that has a cash or fund balance deficit to another fund.

Elementary funds close only to another elementary fund; high school funds close only to another high school fund.

State or federal grant money should not be closed to any other fund except by approval of the grantor agency.