

# HOUSE RESEARCH

## Bill Summary

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### Overview

School districts are required to adopt and use a uniform system of records and accounting. The adopted system, a modified accrual accounting system, is known as Uniform Financial Accounting and Reporting System (UFARS). Under UFARS (see Minn. Stat. §§ 123B.75 to 123B.83 and 475.61), every district must maintain three operating funds and three nonoperating funds. UFARS and the state's public indebtedness statute for municipalities prohibit certain types of fund transfers between nonoperating and operating funds.

School districts generally pay for school building projects through the sale of bonds. The bond holders are then repaid with money from the school district's debt redemption fund. If a school district has an excess in its debt redemption fund, current law requires the district to reduce its debt service levy for the following year by the amount of the excess. Under current statutes, once a bond issue has been fully repaid, any excess in the debt redemption fund must be transferred to the school district's general fund, and the full amount of the transfer is offset by a reduction to the school district's general education levy.

### Section

- 1 **Fund transfer; Tri-County schools.** Authorizes independent school district No. 2358, Tri-County Schools, to permanently transfer up to \$120,000 from its debt redemption fund to the operating capital account in its general fund without making a levy reduction.