

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), every district must maintain at least 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.

When a school district undertakes a major renovation or builds a new building, the district sells bonds and places the bond proceeds in the building construction fund. The district then pays for the construction costs through this fund. Under current accounting requirements, when the project is completed and the contractors have been paid, any remaining balance is transferred from the building construction fund to the debt service fund and is used to reduce the annual property tax levy for debt service needs.

This bill authorizes Independent School District No. 88, New Ulm, to transfer up to \$848,000 from its building construction fund to its reserved for capital account in the general fund without making a levy reduction.

- 1 Fund transfer; New Ulm school district.** Authorizes the New Ulm school district to transfer up to \$848,000 from its building construction fund to the reserved for capital account in the district's general fund.