

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 every district must maintain a number of operating funds (e.g., general fund, food service, community service) and nonoperating funds (e.g., building construction, debt service, trust and agency). UFARS and the state's public indebtedness statute for municipalities prohibit certain types of fund transfers between funds and from certain reserved accounts.

A school district puts the proceeds from the sale of bonds into the building construction fund, and the pays the contractors from that fund as construction projects proceed. When a district finishes paying for the approved construction costs, any balance remaining in the building construction fund is transferred to the debt redemption fund.

Under the accounting rules followed by the legislature, a transfer from the building construction fund or the debt redemption fund will be shown as an increase in a local levy because in the absence of the fund transfer legislation, the amount to be transferred would be used to reduce the following year's debt service levy.

This bill authorizes independent School District No. 742, St. Cloud, to transfer up to \$650,000 from its building construction fund to the reserved for operating capital account in the general fund.

Section

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- 1** **Fund transfer; St. Cloud.** Authorizes independent School District No. 742, St. Cloud, to transfer up to \$650,000 from its building construction fund to the reserved for operating capital account in the general fund without making a levy reduction.