

**Missouri Department of Elementary and Secondary Education
School Finance**

Interfund Transfers

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Section 165.011, RSMo, and administrative interpretations provide for several interfund transfers that a school district may make. The title of each transfer reflects the ASBR terminology used in Part I-A, Transfer Funds Detail. Below is a listing of the allowable interfund transfers:

	Transfer Type	Transfer From	Transfer To
002	Teachers Fund	General (Incidental) Fund	Special Revenue (Teachers) Fund
003	Debt Service Balance	Debt Service Fund	Capital Projects Fund
004	Transportation Calc Cost	General (Incidental) Fund	Capital Projects Fund
005	Area Career Center	General (Incidental) Fund	Capital Projects Fund
006	Grant Match	General (Incidental) Fund	Capital Projects Fund
007	DNR Energy Conservation Loans	General (Incidental) Fund	Capital Projects Fund
008	Food Services	General (Incidental) Fund	Capital Projects Fund
009	Student Activities	General (Incidental) Fund	Capital Projects Fund
010	\$162,326 or 7% x SAT x WADA	General (Incidental) Fund	Capital Projects Fund
011	Capital Projects Fund Interest	Capital Projects Fund	General (Incidental) Fund
012	Unspent Bond Proceeds	Capital Projects Fund	Debt Service Fund
014	Capital Projects Unrestricted Funds	Capital Projects Fund	General (Incidental) Fund
015	FY06 Designated Levy or 5% x SAT x WADA	General (Incidental) Fund	Debt Service
016	FY06 Designated Levy or 5% x SAT x WADA	General (Incidental) Fund	Capital Projects Fund
017	Lease Purchase Prior to 01/01/1997	General (Incidental) Fund	Capital Projects Fund
018	Guaranteed Energy Performance Contract	General (Incidental) Fund	Capital Projects Fund
019	Excess Incidental Fund Balance	General (Incidental) Fund	Special Revenue (Teachers) Fund

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Sample General Ledger Entry

The General Journal entries for the transfers are outlined below:

<u>Date</u>	<u>“Transfer From” Fund</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
6/30/xx	Fund Balance	3110	\$5,000	
	Cash in Banks	1111		\$5,000

<u>Date</u>	<u>“Transfer To” Fund</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
6/30/xx	Cash in Banks	1111	\$5,000	
	Fund Balance	3110		\$5,000

An explanation of each of the transfers listed on the previous page is given below:

Teachers Fund Transfer (002) - A district may transfer revenue, on a regular basis (monthly, quarterly, etc.), from the General (Incidental) Fund to the Special Revenue (Teachers) Fund to cover checks being written against the fund. Section 165.021.4, RSMo, states, “No check shall be drawn ... unless there is sufficient money in the treasury and in the proper fund for the payment of the indebtedness.” District must transfer an amount sufficient to cover all expenditures that are not covered by another source of revenue. Section 165.011, RSMo.

Debt Service Balance Transfer (003) - A district may transfer to the Capital Projects Fund any balance remaining in the Debt Service Fund after the total outstanding bonded indebtedness has been paid. If the district elects not to make this transfer, the balance would be left in the Debt Service Fund for subsequent debt service requirements. Section 165.011, RSMo.

Transportation Calculated Cost Transfer (004) - A district in compliance with Section 163.031.6, RSMo may transfer from the General (Incidental) Fund to the Capital Projects Fund an amount based on prior year allowable transportation capital outlay expenditures, including school bus and facility depreciation. This amount is calculated by the Department of Elementary and Secondary Education and is indicated monthly on the Calculation of State Transportation Aid Report. The transferred amount may be used for any capital outlay expense, or it may be used to build a balance in the Capital Projects Fund. Section 165.011, RSMo.

Area Career Center Transfer (005) - A district in compliance with Section 163.031.6, RSMo may transfer from the General (Incidental) Fund to the Capital Projects Fund amounts necessary to satisfy expenditures in the Capital Projects Fund for state approved area vocational schools located within that school district. Section 165.011, RSMo.

Grant Match Transfer (006) - A district may transfer from the General (Incidental) Fund to the Capital Projects Fund amounts equal to the local match percentage requirement for that portion of any grant revenue expended for capital outlay (equipment).

The amount of allowable transfer for local match is based on the “grantor” specified local match percentage requirement and may be an amount substantially less than the actual amount the district adds to a project in “local dollars”. There are, in effect, **two local match amounts**:

- The first type of local match relates to the “grantor” specified percentage that is used to calculate the allowable transfer to the Capital Projects Fund (based on 10%, 20%, 30%...or as much as 100% for some grants).

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- The second type of local match is the total additional dollars required from local sources to fully fund a particular capital outlay project. These additional amounts, while being local dollars, are NOT considered local match for the purpose of the Grant Match Transfer.

All grants that have a capital outlay component may be entered on the Grant Match Detail data entry screen (ASBR, Part I, Grant Match Detail). However, amounts indicated on the ASBR, Transfer Funds Detail, Line 006, Grant Match Transfer may not exceed the maximum calculated transfer as indicated on Part I, Grant Match Detail.

DNR Energy Conservation Loans Transfer (007) - A district in compliance with Section 163.031.6, RSMo may transfer from the General (Incidental) Fund to the Capital Projects Fund amounts necessary to pay principal, interest and fees on Department of Natural Resources (DNR) loans per Section 640.653, RSMo. Payments must be generated from energy savings in the General (Incidental) Fund.

Food Services Transfer (008) - A district may transfer from the General (Incidental) Fund, food service account, to the Capital Projects Fund amounts necessary to pay for kitchen/food service related equipment. This transfer may only be made from balances **remaining** in the food service account. While equipment expenditures do not require coordination with School Food Services, expenditures for renovations do require coordination with School Food Services.

Student Activities Transfer (009) - A district may transfer from the General (Incidental) Fund, student activity account, to the Capital Projects Fund amounts necessary to pay for designated equipment/capital outlay.

\$162,326 or 7% x SAT x WADA Transfer (010) – Per Section 165.011, RSMo, a district in compliance with Section 163.031.6, RSMo may transfer from the General (Incidental) Fund to the Capital Projects Fund amounts necessary for capital outlay expenditures. If the transfer is in excess of adjusted expenditures, the board must pass a resolution identifying the specific projects and the estimated expenditure date (or dates).

The maximum \$162,326 or 7% x SAT x WADA transfer amounts are calculated annually by School Finance based upon the first preceding year weighted average daily attendance and the current year state adequacy target and are not finalized until June 30 of that year. The maximum transfer amount is calculated by determining the greater of:

- \$162,326 or
- 7% of the current year's state adequacy target multiplied by the district's first preceding year weighted average daily attendance.

Capital Projects Fund Interest Transfer (011) - A district may transfer from the Capital Projects Fund to the General (Incidental) Fund the interest earned from undesignated balances in the Capital Projects Fund, after it has made all placements of interest otherwise provided by law. Interest earned is initially placed in the fund(s) that provided the principal. If the district chooses, some or all of the interest earned in the Capital Projects Fund on undesignated balances may be transferred to the General (Incidental) Fund. However, interest earned on bond proceeds (or some other restricted balance) **cannot** be transferred to the General (Incidental) Fund. Section 165.011, RSMo.

Unspent Bond Proceeds Transfer (012) – A district is **required** to transfer from the Capital Projects Fund to the Debt Service Fund remaining bond proceeds after completion of the project for which the bonds were issued. Section 165.011, RSMo.

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Capital Projects Unrestricted Funds Transfer (014) – A district may transfer unrestricted funds from the Capital Projects fund to the General (Incidental) fund if on the prior June thirtieth of any fiscal year the sum of unrestricted balances in a school district's General (Incidental) fund and Special Revenue (Teacher) fund is less than twenty percent of the sum of the school district's expenditures.

There is no limit to the amount of unrestricted monies that can be transferred pursuant to this law. Districts must make the actual transfer prior to the end of the fiscal year. Districts should consider the future needs of the Capital Projects Fund prior to determining the amount of such transfer. There is no provision in state law to reverse the transfer if a district later determines the money is needed in the Capital Projects Fund. Section 165.011, RSMo.

FY06 Designated Levy or 5% x SAT x WADA Transfer (015 & 016) – Per Section 165.011, RSMo, a district in compliance with Section 163.031.6, RSMo, that does not make the \$162,326 or 7% x SAT x WADA transfer, nor make payments or expenditures related to obligations made under Section 177.088, RSMo, may transfer from the General (Incidental) fund to the Debt Service Fund or the Capital Projects Fund the greater of:

- The state aid received in the 2005-06 school year as a result of no more than eighteen cents of the sum of the debt service and capital projects levy used in the foundation formula and placed in the respective Debt Service or Capital Projects Fund, whichever fund had the designated tax levy; or
- Five percent of the state adequacy target multiplied by the district's first preceding year weighted average daily attendance.

Lease Purchase Prior to 01/01/1997 Transfer (017) - Per Section 165.011, RSMo, a district in compliance with Section 163.031.6, RSMo may transfer amounts from the General (Incidental) Fund to the Capital Projects Fund necessary to cover current year obligations for lease-purchase obligations entered into prior to January 1, 1997.

Guaranteed Energy Performance Savings Contract Transfer (018) - A district may transfer from the General (Incidental) Fund to the Capital Projects Fund amounts necessary to pay principal, interest and fees on Guaranteed Energy Savings Performance Contracts per Sections 165.011 and 8.231, RSMo. Payments must be generated from energy savings in the General (Incidental) Fund. Section 165.011, RSMo.

Excess Incidental Fund Balance Transfer (019) - Any district that uses a General (Incidental) Fund transfer to pay for more than twenty-five percent of the annual certificated compensation obligation of the district and has a General (Incidental) Fund balance on June 30 in excess of fifty percent of the combined General (Incidental) and Special Revenue (Teachers) Fund expenditures for the fiscal year just ended shall be required to transfer the excess balance (above 50%) from the General (Incidental) Fund to the Special Revenue (Teachers) Fund. Section 165.011, RSMo.

Over-Transfer of Funds

When planning transfers, it is essential that the district make an accurate estimate of the new fiscal year's expenditures from the Capital Projects Fund. If total expenditures versus revenues are not realistic, the district may have difficulty paying for those budgeted expenditures.

If the district exceeds its transfer ability "the Department of Elementary and Secondary Education shall deduct from a school district's state aid calculated pursuant to Section 163.031, RSMo, an amount equal to the amount of any transfer of funds from the Incidental Fund to the Capital Projects Fund or Debt Service Fund performed during the previous year in violation of this section; except that the state aid shall be deducted over no more than five school years following the school year of an unlawful transfer based on a plan from the district approved by the Commissioner of Elementary and Secondary Education", Section 165.011.6, RSMo.