



Multidistrict and Interlocal Agreement Guidance

The purpose of this document is to provide information about multidistrict and interlocal cooperatives. It is also to provide guidance for the accounting and reporting of activity related to multidistrict cooperatives on the annual Trustees Financial Summary.

For questions or concerns related to these agreements, please contact us at opischoolfinance@mt.gov. Additional contact information is available in the *Resources* section at the end of this document.

Contents

Overview	1
Requirements and Structure of Agreements	2
Budget and Funding	3
Accounting	5
Resources	6

Overview

Multidistrict Agreement

A multidistrict agreement is a contract between any two or more school districts to create a multidistrict cooperative. The terms and conditions of the agreement mutually agreed to by the districts are subject to the conditions of 20-3-363, MCA.

Interlocal Cooperative Agreement

An interlocal cooperative agreement is an agreement established under the provisions of Title 7, chapter 11, part 1, MCA in which one or more public agencies may contract with any one or more other public agencies to perform any administrative service, activity, or undertaking that any of the public agencies entering into the contract is authorized by law to perform.

The agencies may also participate in the provision or maintenance of any public infrastructure facility, project, or service, including the issuance of bonds for the joint construction of a facility under 20-9-404, MCA, the hiring of a teacher or specialist under 20- 4-201, MCA or a superintendent under 20-4-401, MCA, or the hiring of or contracting with any other professional person licensed under Title 37. The contract must be authorized and approved by the governing body of each party to the contract. The contract must outline fully the purposes, powers, rights, obligations, and responsibilities of the contracting parties.

An interlocal cooperative agreement that creates a multidistrict cooperative under

the provisions of 20-3-363, MCA, is subject to the conditions of Title 20, chapter 9, part 7, MCA for the purposes of the financial administration of the agreement.

What is the difference between an interlocal cooperative agreement and a multidistrict agreement?

An interlocal cooperative agreement involves two or more public agencies, such as cities, counties, school districts or any agency or department of the state of Montana (7-11-103, MCA). A multidistrict agreement involves two or more school districts.

What is a prime agency (a.k.a. prime applicant, fiscal host, coordinating agency)?

The prime agency is a school district or other public agency responsible for the financial administration of a multidistrict cooperative under the terms of a multidistrict agreement or an interlocal cooperative agreement. If the prime agency is a school district, it must track the financial activity of the multidistrict cooperative in the Interlocal Agreement Fund (82) and report Fund 82 annually on its Trustees Financial Summary (TFS) and financial statements.

What is a cooperating agency?

A cooperating agency is an agency that participates in a multidistrict agreement or interlocal cooperative agreement but is not responsible for tracking the financial activity of the multidistrict cooperative in its own accounting records. The cooperating agency transfers money in support of the multidistrict cooperative by issuing a warrant to the prime agency for deposit to the Interlocal Agreement Fund (82).

Requirements and Structure of Agreements

An offsite instructional setting *requires* a multidistrict agreement.

Any district providing educational services at an offsite instructional setting that is located in another district must have a multidistrict agreement that is approved by the district of residence and the district of choice school boards. Additionally, any district providing educational services at an offsite instructional setting which is in another district and in another county should also have the multidistrict agreement approved by the county commissioners of the affected counties.

Multidistrict Cooperatives

A multidistrict cooperative is created by the execution of a multidistrict agreement between two or more school districts under the provisions of 20-3-363, MCA or by an interlocal cooperative agreement between any school district and other public entity under 20-9-701 through 20-9-707, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

There are two types of agreements:

- A multidistrict cooperative created by a *multidistrict agreement* is subject to the conditions of 20-3-363, MCA.
- A multidistrict cooperative created by an *interlocal cooperative agreement* is subject to the conditions of 20-9-701 through 20-9-707, MCA.

Cooperative Funding

Interlocal agreements and multidistrict cooperatives will utilize the Interlocal Agreement Fund (82) per §20-7-457, 20-9-511, 20-7-801, and 20-9-701, MCA to account for related revenues and expenditures. the Interlocal Agreement Fund (82) is a nonbudgeted fund used for the financial administration of the multidistrict cooperative (20-9-511, MCA). Only the prime agency will have an Interlocal Agreement Fund.

A transfer of money from the General Fund or the other budgeted funds to support a multidistrict cooperative *must* be within the final budget for the fund from which the transfer was made.

Written Agreement

School districts are required to have written documentation that specifies the details of the agreement between the parties.

The written agreement should include but is not limited to:

- ✓ Identify the parties entering into the agreement.
- ✓ Identify the term of the agreement (must be acted on by the board annually).
- ✓ Specify if a governing board will be used for decision making.
- ✓ Identify the prime agency (fiscal host) for the cooperative.
- ✓ Specify the funding source(s) and how much each participant will contribute to the cooperative.
- ✓ Identify acceptable cooperative expenditures and/or activities.
- ✓ Set spending authority thresholds and specify when approval by all parties is required.
- ✓ Specify if fund balance will be carried over from year-to-year or if all funds will be spent by the end of the contracted year.
- ✓ If the fund balance carries over from year-to-year, specify how the fund balance will be handled if a new member is joining the cooperative.
- ✓ At the time the agreement terminates, specify how the fund balance will be distributed among the parties.
- ✓ The term of the agreement.

Budget and Funding

Sources Of Funding for A Multidistrict Cooperative Created by A Multidistrict Agreement

All amounts transferred into the interlocal cooperative fund by Districts shall come from:

- (1) the respective District's general fund in an amount not to exceed the direct state aid in support of the respective school District's general fund; or
- (2) any other budgeted fund of a participating District, except that funds cannot be transferred from the retirement fund or debt service fund or;
- (3) any nonbudgeted fund of a participating District, except that funds cannot be transferred from the compensated absence liability fund.

Transfers may not be made with funds restricted by federal law unless transfer is in compliance with any restrictions or conditions imposed by federal law.

The prime agency administers the financial activity of the multidistrict cooperative in the Interlocal Agreement Fund (82). The prime agency may transfer money from its General Fund or other budgeted funds directly to the Interlocal Agreement Fund.

The cooperating agency transfers money from its General Fund or other budgeted funds by issuing a warrant to the prime agency for deposit in the Interlocal Agreement Fund (82).

Sources Of Funding for A Multidistrict Cooperative Created by An Interlocal Cooperative Agreement

If the prime agency and cooperating agencies are school districts, the trustees of the district may pass a resolution to transfer money from any fund maintained by the district to the interlocal cooperative fund. No transfer from the Miscellaneous Programs Fund (15) is allowed without approval from OPI per 20-9-704, MCA.

Any such transfer must be used to finance the expenditures under the interlocal cooperative agreement that are comparable to those that are permitted by law to be made out of the fund from which the transfer was made. If the transfer is made from a budgeted fund, the transfer must be within the final budget for that fund. For example, a transfer from a school district's Transportation Fund (10) to support a multidistrict cooperative formed by an interlocal cooperative agreement must be within the final budget of the transportation fund and be spent on allowable expenditures, such as the conveyance of students to and from school and home. If a school district is designated as the prime agency, it will administer the financial activity of the multidistrict cooperative in an interlocal cooperative fund. For school district accounting purposes, the interlocal cooperative fund is known as the Interlocal Agreement Fund (82). The prime agency may transfer money directly to the Interlocal Agreement Fund (20-9-703, MCA).

If a school district is a cooperating agency, it will transfer money to support the multidistrict cooperative by issuing a warrant to the prime agency for deposit in an interlocal cooperative fund (20-9-704, MCA).

May a school district restore the amount of money transferred from a budgeted fund in support of a multidistrict cooperative in the ensuing year's budget?

In 20-3-363(4), MCA, it states, "The intent of this section is to increase the flexibility and efficiency of school districts without an increase in local taxes. In furtherance of this intent, if transfers of funds are made from any school district fund supported by a non-voted levy, the district may not increase its non-voted levy for the purpose of restoring the amount of funds transferred."

The following budgeted funds are supported by a non-voted levy: Transportation (10), Bus Depreciation (11), Tuition (13), Adult Education (17), and Non-Operating (19). Excess fund balance as a result of more than anticipated revenue or less than anticipated expenditures in these funds may be transferred to support a multidistrict cooperative without regard to the source of the revenue (i.e., whether it is tax or non-tax money).

However, the trustees may not include in the adopted budget for the ensuing year an

amount that would restore transferred funds if doing so would require an increase in the non-voted tax levy for that budget year.

Accounting

Allowable Expenditures in A Multidistrict Agreement

Expenditures from the Interlocal Agreement Fund (82) are limited to those expenditures that are permitted by law and for any service, activity, and undertaking the participating districts have mutually agreed upon in the multidistrict agreement. Expenditures are limited to the amount of cash balance in the fund (20-9- 210, MCA).

Allowable Transfers to The Interlocal Agreement Fund

Allowable transfers to the Interlocal Agreement Fund (82), which is non-budgeted, may include but are not limited to:

Transfers from Budgeted Funds:

- General (01)
- Transportation (10)
- Tuition (13)
- Adult Education (17)

Transfers from Non-Budgeted Funds

- Miscellaneous Programs (15) (Federal & State Grants) with approval from the OPI
- Impact Aid (26)
- Traffic Education (18)

The full details of these can be found in the Chart of Accounts.

Account Codes

Interlocal agreements and multidistrict cooperatives may utilize several account codes that apply to the funds moved between the parties. The full details of these can be found in the Chart of Accounts. Some commonly used account codes are:

- 5700 Resource Transfers from Other School Districts or Cooperatives
- 5710 Special Education Resources Transferred from other school districts or cooperatives.
- 1950 Services Provided Other School Districts or Cooperatives
- 1960 Services Provided Other Governments

Accounting Codes for Transfers to Support a Multidistrict Cooperative

There are specific accounting codes for the prime agency and the cooperating agency.

Prime Agency (prime applicant/coordinating agency/fiscal host)

Transfers between prime agency's own funds

Debit: XXX-999-6100-910 Operating Transfers Out to Other Funds

Credit: XXX-101 Cash

Debit: X82-101 Cash

Credit: X82 -5300 Operating Transfers In from Other Funds

Transfers in from other districts

Debit: X82-101 Cash

Credit: X82-5700 Resources Transferred from Other School Districts

Cooperating Agency (participating district)

Transfers out to prime agency

Debit: XXX-999-6200-920 Resources Transferred to Other School Districts

Credit: XXX-101 Cash

Accounting Codes for Transfers to Support a Multidistrict Cooperative Created by An Interlocal Cooperative Agreement

There are specific accounting codes for school districts that are either the prime agency or the cooperating agency.

Prime Agency (prime applicant/coordinating agency/fiscal host):

Transfers between prime agency's own funds

Debit: XXX-999-6100-910 Operating Transfers Out to Other Funds

Credit: XXX-101 Cash

Debit: X82-101 Cash

Credit: X82 -5300 Operating Transfers In from Other Funds

Transfers in from other school districts

Debit: X82-101 Cash

Credit: X82-5700 Resources Transferred from Other School Districts

Transfers in from other public agencies

Debit: X82-101 Cash

Credit: X82-1960 Services Provided Other Local Governmental Units

Cooperating Agency (participating district): Traf

Transfers out to prime agency that is a school district

Debit: XXX-999-6200-920 Resources Transferred to Other School Districts

Credit: XXX-101 Cash

Transfers out to prime agency that is a public agency

Debit: XXX-XXX-XXXX-XXX Expenditure (i.e., allowable from fund being used)

Credit: XXX-101 Cash

Resources

For assistance, please contact:

- Laci Novark, (406) 444-4401 or laci.novark@mt.gov
- Barb Quinn, (406) 444-3249 or barbara.quinn@mt.gov
- School Finance Division OPISchoolFinance@mt.gov