



# Multidistrict Cooperatives FAQs

The purpose of this document is to answer frequently asked questions about multidistrict cooperatives and provide guidance for the accounting treatment and reporting of activity related to multidistrict cooperatives on the annual Trustees Financial Summary.

## GENERAL INFORMATION

### 1. What is a multidistrict cooperative?

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.

### 2. What is an interlocal cooperative fund?

The interlocal cooperative fund is a nonbudgeted fund used for the financial administration of the multidistrict cooperative (20-9-511, MCA). For school district accounting purposes, the interlocal cooperative fund is known as the Interlocal Agreement Fund (82). Only the prime agency will have an Interlocal Agreement Fund.

### 3. 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), financial statements and audit.

### 4. 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).

### 5. Are school districts required to have a written agreement?

Yes, an agreement that specifies the details of the agreement between the parties is required.

### 6. What information is required in the agreement?

The 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 for the multidistrict cooperative.
- ✓ Identify the prime agency (fiscal host) for the multidistrict cooperative.
- ✓ Specify the funding source(s) and how much each participant will contribute to the cooperative.
- ✓ Identify acceptable multidistrict 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 multidistrict cooperative.
- ✓ At the time the agreement terminates, specify how the fund balance will be distributed among the parties.
- ✓ The length of the agreement. Agreements may be up to 3 years in duration.

## **MULTIDISTRICT AGREEMENTS:**

### **1. What is a 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.

### **2. What is the source of funding for a multidistrict cooperative created by a multidistrict agreement?**

Any and 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).

### **3. Must a school district have budget authority to make the transfer?**

Yes, 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.

### **4. 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 nonvoted levy, the district may not increase its

nonvoted levy for the purpose of restoring the amount of funds transferred.” The following budgeted funds are supported by a nonvoted 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.

**5. What accounting codes should be used 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

**6. What are 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).

**INTERLOCAL COOPERATIVE AGREEMENTS**

**1. What is an 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.

## 2. 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.

## 3. What is the source 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).

## 4. What accounting codes should be used 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):*

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

**For assistance, please contact:**

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