



Bonds, Levies, and General Budgeting

Definitions and Procedures

Fund Accounting – A system for recording an entities finances that uses self-balancing accounts which are segregated for particular purposes.

State of Washington Statutorily Authorized Funds – The State of Washington limits school districts to the use of five basic funds. They are:

1. General Fund – This is the chief operating fund of a school district. General Fund is to account for all financial resources except those required to be accounted for in another fund. This fund cannot be used for those purposes for which another fund exists.
2. Associated Student Body Fund – This is where expenditures for optional, noncredit extracurricular activities; funded by student fees and fundraising activities are accounted.
3. Capital Projects Fund – This fund is used to acquire, remodel, or construct major capital facilities.
4. Transportation Vehicle Fund – This fund is used to account for the purchasing of yellow school buses.
5. Debt Service Fund – This fund is used to accumulate the resources and the payment of general long-term debt principal and interest.

Self-Balancing Fund – A fund is an accounting term that is used to describe the compilation of the accounts that represent the revenues, expenditures, assets, and liabilities associated with carrying out specific activities in accordance with their pre-defined objectives. Self-Balancing describes the fact that the Assets must equal the Liabilities plus Fund Balance for each fund.

Assessed Value – The total value of real property (land and buildings) in the entire school district as determined by the county assessor. The higher the assessed valuation, the lower the tax rate needed to collect a specific levy dollar amount.

Bond Issue (Bond Levy) - A special tax upon property voted by the people to provide a specific dollar amount used to pay principal and interest payments on bonds. Because the principal and interest associated with the bonds is usually too large to repay in one year, a bond issue is usually based on a “pay back” period of 10 years or more

- 1) A school district board of directors passes an election resolution (often upon a citizens’ committee recommendation) which must be sent to the county auditor at least 45 days prior to the election.
December 11th for February 9th; February 26th for April 26th
- 2) After a bond issue is approved by the voters, the school district arranges for the sale of the bonds to investors. The school district then receives the money from the bond sale and places it in the school district’s Capital Projects Fund. These funds are called Bond proceeds.
- 3) The Bond proceeds are then used to pay contractors, suppliers, architects, etc., to complete the building projects.
- 4) Each year, for the length of the bond “payback period”, e.g. 15 years, the county treasurer assesses a tax on property to collect a specific dollar amount which the school district places in the Debt Service Fund. These funds pay the principal and interest to the bond holders



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Maintenance & Operations (Excess General Fund) Levy – A special tax on property voted by the people to provide a specific dollar amount for maintenance and operating funds for a school district. These funds are in addition to funds provided by the state and federal governments. A maintenance and operations levy can raise funds for no more than four years. Thus, levies expire every four years (or less) and a vote of the people is necessary to provide ongoing funds.

NOTE: Voters approve a specific levy dollar amount, not a tax rate. While the assessed valuation of a school district might increase during the four-year levy period, the levy amount does not increase, unless defined in the original levy filing. School districts do not receive more money when assessed valuation increases. Rather, the tax rate is reduced in order to collect the same levy amount.

- 1) A school district board of directors passes an election resolution (often upon a citizens' committee recommendation) which must be sent to the county auditor at least 45 days prior to the election (see Bond Issue #1 for dates).
- 2) Tax monies received from Maintenance & Operations levies are placed in the school district's General Fund and used for annual maintenance and operating expenses.

Capital Projects/Technology Levy – A special tax on property voted by the people to provide a specific dollar amount for school district capital project needs. These funds are tracked in the Capital Projects Fund and can be used for the acquisition of land or existing facilities, construction of buildings, purchase of equipment, conducting energy audits, and making capital improvements that are cost effective as determined by energy audits. In addition, under certain conditions, improvements to buildings and/or grounds, remodeling of buildings, and the replacement of roofs, carpets, service systems, and technology are also considered allowable expenditures.

- 1) The Capital Projects Fund is generally financed from the proceeds from the sale of voted and/or non-voted bonds, state matching revenues, lease or sale of surplus real property, interest earnings, and special levies. In all instances where moneys are raised by voter-approved bond issues, the proposition must include a description of the projects for which the money is being raised.
- 2) While most school districts refer to a levy proposed to fund technology purchases as a Technology Levy, it is technically considered a capital project and as such is accounted for in the Capital Projects Fund.
- 3) A Capital Projects Fund levy is subject to simple majority for passage as an excess levy and can be run for up to six years.

Tax Rate (Levy Rate/Bond Rate) – The amount of tax collected per unit of assessed property value, usually stated in dollars collected per one thousand dollars of assessed value.

Levy Lid/Levy Authority – The maximum amount a School District may receive from their community for the Maintenance and Operations Levy.