

**Opinion No. 533****School Districts—School Building, Sale  
of—Proceeds of Sale, Disposal of.**

HELD: Where a school building which was sold was erected with general school funds, the proceeds of sale should be returned to that fund; but where erected from proceeds of sale of bonds, the proceeds of the building should be placed in the sinking fund to pay or redeem the bonds.

May 11, 1934

Replying to yours of the 3rd we find no specific provisions of the statutes contrary to the conclusions you express in your opinion to the clerk of the Board of Education of Red Lodge on

the question as to what disposition shall be made of the proceeds derived from the sale of one of the public school buildings.

The matter brings to mind, however, the general rule that revenues raised for a particular purpose must, in good faith, be used for that purpose. (56 C. J. 752.) Taking this rule as a guide, we think, if the building sold was erected out of the general school funds then the proceeds of sale should be returned to that fund, but if the building was erected out of the proceeds of the sale of bonds, which was the case in this instance, the proceeds of the sale of the building should be placed in the sinking fund to pay or redeem the bonds. You say that the bonds issued to build the particular school building sold have been paid, but there are other building bonds of the district outstanding. We are inclined to think the \$1000.00 should be credited to the bond sinking fund, but are of the opinion that the board of trustees may, in its discretion, and in the absence of specific statutory provisions, devote the \$1000.00 to any school purpose authorized by law. The financial condition of the district, however, should be taken into account. If the outstanding indebtedness of the district is of such amount as to jeopardize the stability of such indebtedness, then we think good faith dictates that money derived from the sale of part of the districts assets should be credited to the sinking fund.