



OFFICE OF PUBLIC INSTRUCTION

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Linda McCulloch
Superintendent

DATE: June 2002

TO: Auditors of Montana School Districts

FROM: Jim Oberembt
Fiscal Officer Supervisor

RE: SCHOOL DISTRICT AUDITS FOR FY 2001-02

The purpose of this memo is to help you in your school district audits by answering some commonly asked questions and listing problems we need your assistance on. **Please call Jim Oberembt at 444-1257, Joan Anderson at 444-1960 or Nancy Hall at 444-9852, if you have questions about this memo or any other area of school district budgeting and accounting.**

Enclosed:

- 1) ANB, Enrollment, Attendance, and Absences (APPENDIX A)
- 2) Pupil Transportation and Bus Depreciation (APPENDIX B)
- 3) Non-Levy Revenues (APPENDIX C)
- 4) Matrix - Payments between Districts and Special Ed Cooperatives (APPENDIX D)
- 5) Cash Advance Request Form (APPENDIX E)
- 6) ARM 10.10.303 - Cost Allocations (APPENDIX F)
- 7) Excess Reserve Changes From FY01 to FY02 Budgets (APPENDIX G)
- 8) Summary: Administrative Rules – Changes Effective FY03 (APPENDIX H)
- 9) List of common audit findings (APPENDIX I)
- 10) Federal/State Grant Control Record (APPENDIX J)
- 11) Order Form for Other OPI Publications

WE REQUEST YOUR SPECIAL ATTENTION IN THESE AREAS DURING YOUR AUDITS FOR FY 2001-02:

1. BE SURE TO SEND A COPY OF THE AUDIT TO OPI.

2. RECORDS RETENTION SCHEDULE

The official records retention schedule for schools ("Schedule No. 7") is available in hard copy or electronic form. If you need a hard copy, call Nica Carte at 444-4401. For an electronic copy, see OPI's home page (<http://www.opi.state.mt.us>), Programs & Services at OPI, School Finance, Forms & Publications, Records Retention Schedule.

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3. REQUEST FOR INFORMATION - STANDARD AUDIT CONTRACT

Please request information on budget changes or potential problems for a district or cooperative you plan to audit by sending written requests to: Joan Anderson, OPI, Box 202501, Helena, MT 59620-2501, or fax to (406) 444-0509. This step is required by the standard audit contract. You can list multiple schools on one request. Please allow two weeks for response.

You can also request a verification of federal and state grant program receipts.

4. EXIT CONFERENCE

OPI recommends the auditor should meet with the trustees, district superintendent, and clerk of the school district to present the audit report upon exit. Often when OPI contacts the board to follow-up on the status of corrective actions, trustees say they were unaware that any problems were identified in the audit. In some cases trustees have stated they were not aware an audit was done. Holding a conference to discuss the matters with the board will strengthen OPI's efforts to help resolve audit findings.

5. ELEMENTARY VS. HIGH SCHOOL EXPENDITURES

Please watch for high school general fund costs being inappropriately charged to elementary general funds, and vice versa. Elementary budgets tend to be more "flush" than high school budgets in some areas, causing the motivation to charge costs to the district that has the most flexible budget. As always, it is acceptable to prorate shared costs, such as administrator's payroll, counselors, maintenance and operations of shared facilities, etc. on a cost allocation basis (see ARM 10.10.301 - APPENDIX F). However, payroll for teachers who work 100% in one school must be charged to that school. Proration of costs based on time is only appropriate when services are shared between elementary and high school.

6. REPORT COVERS

- a) If possible, please list the school district's common name (e.g., Cottonwood School).
- b) If you have multiple offices in the state, please identify on the Report Cover or Transmittal Letter which office did the audit (include telephone number) so we know who to contact with questions.

7. SEPARATE AUDIT COMMENT LETTERS

Please report all comments, including any "management letter," in the audit report as required by the standard audit contract. The district is required by law to respond to all audit findings, including items discussed in a management letter.

8. AUDIT FINDINGS

Please include enough information in an audit finding/recommendation to allow us to understand the comparative scope of the problem. For example, finding one instance of an inappropriate travel reimbursement out of 20 is different than finding that travel reimbursements in general are incorrect or that board policy for travel reimbursement does not comply with state laws. In the audit finding, please cite the law, administrative rule, accounting manual section, etc. being violated.

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9. AUDIT RESPONSE

Please include the district's audit response in the audit report if possible. By law, our office must review and accept the district's responses to audit findings. If the response is included in the audit report, this indicates the board's response is official. When we receive a letter later from a clerk, it may or may not be the official board response and slows the process down in some cases.

When coaching district officials how to respond, encourage them to list specific corrective actions rather than using general statements such as, "We concur with the audit finding." This is increasingly important because we are tracking and requiring more thorough responses about corrective actions for repeated findings.

10. FEDERAL PROGRAMS

a) GRANTS HANDBOOK - 2000 EDITION

OPI publishes the Grants Handbook for recipients of OPI grants. The Grants Handbook is available on the OPI website at <http://www.opi.state.mt.us>

In general, any OPI-administered program that is assigned a project number is a "grant" for purposes of policies included in this manual. School Foods programs and entitlements, such as the Drivers' Education Reimbursement and Federal Impact Aid, are not covered.

b) GRANT CASH MANAGEMENT

OPI sends one payment on the 10th of each month for grant funds. For each state or federal grant, the recipient submits an Annual Cash Advance Request Form to OPI indicating the amount they wish to receive each month. (See APPENDIX E) The recipient may amend the request as often as necessary by sending a revised form. Revisions received by the 25th of one month will affect the payment on the 10th of the following month (e.g., revised forms received by April 25 affect payments made on May 10).

Schools and school-related entities are expected to maintain minimal cash balances in grant accounts in compliance with Federal regulations. To meet that requirement, OPI considers it reasonable for a school district to have no more cash on hand at any time than needed to pay obligations through the following payment date, which is the 10th of the next month. Recipients are expected to review the cash request periodically and revise the schedule as necessary to maintain minimal cash on hand.

Questions to address during audit:

- Do the recipient's procedures include periodic monitoring of cash balances?
- Has the entity revised their cash requests (Cash Advance Request Form) as necessary to avoid excessive cash balances?
- Are month-end cash balances for each project approximately enough to cover an average month's obligations, and no more?
- Is the entity aware that minimal cash balances are required?

c) LATE A-133 AUDITS

If a school district spent more than \$300,000 in federal funds in FY2002, an A133 audit must be completed by March 31, 2003. If this deadline can't be met, the school district or the

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school district's auditor must request an extension from the U.S. Dept of Education. The request should:

1. be on letterhead stationary;
2. include a brief explanation why the March 31st due date can't be met; and
3. ask for an extension of audit completion date.

The request may be mailed, faxed, or emailed to:

Pat Dever
U.S. Dept of Education
FB-6 Room 4W215
400 Maryland Ave SW
Washington, DC 20202-4245
Fax: 202-205-0765
Phone: 202-401-1823
E-mail address: pat_dever@ed.gov

Send a copy of your request for an extension to OPI and the Local Government Services. If a school district has a two-year audit, they must be audited as "high risk" and might incur higher audit costs. Two-year A-133 audit covering FY01 and FY02 is due March 31, 2003.

d) GRANT REPORTS INCORRECTLY FILED

If a federal or state grant report has been filed incorrectly with OPI, please recommend the school district file an amended report.

e) FREQUENT CASH OVERDRAFTS

If a school district has frequent cash overdrafts in one or more grants, please recommend they establish a grant control notebook as discussed in Section 9-0400 of the School Accounting Manual. Schools should also consider software changes that will automatically alert the clerk that a grant is in the cash overdraft position.

f) INDIRECT COST RECOVERIES

Please review the indirect cost rate application for FY02. School districts may take indirects on grants ONLY IF they have an approved rate from OPI. Check to see if the school district has adequate documentation for reclassifying an expenditure as indirect on the indirect cost rate application. Check to see that the school district applied the rate to actual expenditures, less capital outlay incurred after the date of the rate's approval. If the rate has been incorrectly calculated or applied, this could result in the school district having to repay funds. Please contact Jim Oberembt at 444-1257 for more information on indirect costs.

g) MAINTENANCE OF EFFORT

OPI monitors maintenance of effort for Federal Impact Aid, Title I, Title II, Title IV, Title VI, and IDEA programs. OPI relies on auditors to watch for coding errors that can affect maintenance of effort. However, additional verification of maintenance of effort is not necessary for OPI-administered programs.

h) OPI'S MONITORING OF FEDERAL AND STATE GRANTS

OPI's monitoring policy is found in the Grant Handbook, section 600-4. Most recipients of

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OPI-administered grants report expenditures only once in a year-end fiscal report. Cash is requested on an annual cash request form, which may be amended at any time. However, if the entity meets certain “high risk” criteria, they will be required to submit monthly expenditure and cash reports or may possibly be put on a reimbursement basis. We will try to keep you informed when districts you audit are placed into OPI’s “high risk” status.

i) FEDERAL/STATE GRANT CONTROL RECORD (see Appendix J)

OPI’s grant policy now requires subgrantees maintain a centralized grant file in the business office. (Grants Handbook, page 400-11). The recommended format for the grant control record is included in Appendix J.

j) TERMINATION/SEVERANCE PAY–CANNOT BE CHARGED DIRECTLY TO GRANTS

OMB Circular A-87 requires termination and severance pay be paid as general administrative costs and **not as a direct cost** to any grant. Accordingly, termination and severance pay should be paid from the general fund or the indirect cost pool in the Miscellaneous Programs Fund 15. School districts should include all termination and severance pay as indirect costs when applying for an indirect cost rate. The resulting higher rate should increase the amount available in the indirect cost pool to pay the termination and severance pay.

k) GRANT WRITER COSTS – CANNOT BE CHARGED DIRECTLY TO GRANTS UNLESS PREAPPROVED

OMB Circular A-87 requires grant writing costs charged directly to a grant be approved IN ADVANCE by the granting agency. Otherwise, grant writing costs must be included in the indirect cost calculation. This means a grant writer may be paid from the General Fund and then shown as an indirect cost when the indirect cost rate is calculated. As indirect costs are recovered during the grant period, a grant writer may be paid from these recoveries. Grant writers may not receive a percentage fee or flat fee DIRECTLY from a grant (i.e. 5% of the grant award) unless prior approval has been given by the granting agency.

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BUDGET

ITEMS TO CHECK WHEN AUDITING THE BUDGET

OPI extensively edits the budget forms. Items we check are:

- accuracy of calculations;
- budget growth limits in the general fund;
- legal reserve percentages in all funds;
- adequacy of budgeted revenue sources for funding the adopted fund budgets;
- actual mills levied by the county commissioners for the district compared to budgeted mills; and
- accuracy of state funding amounts such as the Guaranteed Tax Base subsidy, direct state aid, and special education payments.

In general the items on the budget we need you to check are:

11. FUND BALANCE AND EXCESS RESERVES IN GENERAL FUND

(See APPENDIX G)

12. ENROLLMENT/ANB AND ATTENDANCE (See APPENDIX A)

13. 180 DAYS AND MINIMUM 1080 HOURS OF INSTRUCTION

Please verify the district conducted the minimum of 180 pupil instruction (calendar) days and minimum hours required by MCA 20-1-301. State funding must be adjusted for days not conducted. This issue helps the state maintain minimum accreditation standards. If the district did not conduct the minimum days and hours of instruction, please disclose this as an audit finding.

14. BUDGETS

a) OVERDRAFTS

State law requires individual districts to spend within adopted budget limits. Audits usually combine the elementary and high school general fund in one column. However, if either the elementary OR high school general fund is overspent, please cite this as a compliance finding. OPI must obtain an explanation of the overdrafts from the entity and determine that internal controls will be put into place to avoid overdrafts in the future.

b) VOTED AMOUNTS

Please confirm the district held an election to approve the following: 1) the amount listed on the Final Budget, General Fund Limits & Reserves page, Part II, Line L "Amount Approved on Ballot by Voters." The law strictly limits general fund budgets and voted amounts; 2) the Technology Fund (28) tax levy. Voters must approve the levy one time and the district may levy up to 20% of the original cost of "technology equipment, including computers and computer network access." (20-9-533, MCA); and 3) Flexibility Fund (29) tax levy, up to 25% of the estimated state flexibility allocation. An election certificate should be available to verify the voted amount.

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15. **NON-LEVY REVENUES** (See APPENDIX C)

See "Items to Check When Auditing Trustees' Financial Summary."

16. **BUDGET AMENDMENTS – (20-9-161 through 167, MCA)** **BUDGET TRANSFERS – (20-0-208)**

Please verify that any budget amendment adopted is allowable under 20-9-161, MCA, and that appropriate adoption procedures were followed. OPI authorizes budget amendments for increased enrollment but others are passed at the discretion of trustees. Check to make sure the district has used the project reporter assigned by OPI to the budget amendment on the Trustees' Financial Summary. To help you, a budget amendment procedures packet and information on budget amendments the district has filed are available from OPI. Call Nancy Hall at 444-9852 or Nica Carte at 444-4401.

If a district transferred budget authority from one fund to another, please verify a hearing was held as required by 20-9-208, MCA. See Item 25 below for cash transfers.

17. **BUS DEPRECIATION FUND** (See APPENDIX B)

18. **RETIREMENT FUND**

a) REASONABLENESS OF BUDGET AMOUNT/OVERBUDGETING

Please verify the retirement fund budget was reasonably set based on budgeted salaries. We have noticed some districts spend only a portion of the budget. This indicates they may be overbudgeting expenditures, which may result in state overpayment of Guaranteed Tax Base subsidies in the countywide retirement fund.

b) RETIREMENT INCENTIVES, PAYOFFS, "BUYING YEARS" FOR EMPLOYEES

There seems to be a widespread misconception about this issue. The retirement fund can only be used to pay REQUIRED employer contributions to TRS and PERS. There is no statutory authority for a district to charge the retirement fund, which is funded by a countywide levy, to pay additional employee contributions. The retirement fund cannot be used to pay for contributions to the PERS or TRS in lieu of an employee's contribution. The fund cannot be used to "buy years" of service for an employee as a benefit.

"Additional employee contributions" to TRS and PERS may be funded either through payroll deductions or charges to the general fund. When paid by the district, additional employee contributions are a taxable benefit.

Please verify that "additional employee contributions" paid to TRS and PERS by a school or cooperative are either deducted from the employees' payroll, paid by the general fund, or paid by another fund used to pay the normal payroll of the employee. Recommend the district repay the retirement fund for any inappropriate expenditures by using the general fund or other appropriate fund.

c) SOCIAL SECURITY

Just a reminder to check the social security option elected by the school district. See the Local Government Services audit compliance supplement for more information.

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ITEMS TO CHECK WHEN AUDITING TRUSTEES' FINANCIAL SUMMARY

19. DEBT SERVICE FUND

- a) As of 6/30/01, districts may close an obsolete debt service fund after all bonds, interest and fees are paid. the balance of the fund may be closed into the building reserve fund (61), technology fund (28), or general fund (01).
- b) Encourage districts to hold operating reserves only if the payments due July 1 and December 1 are budgeted in the ensuing year. Contact Bonnie Maze at 444-3249 or bmaze@state.mt.us, if you have questions.

20. SPECIAL EDUCATION

- a) EXPENDITURE CODING (special education expenditure program 280)
 - i) Coding of expenditures on the Trustees' Financial Summary (TFS) affects many types of state and federal funding. Please pay special attention to special education expenditures coded using program code 280, since overstatement of expenditures in the special education area may result in state overpayment of state special education funding. Understatement of expenditures may result in inappropriate special education reversion (refund to state).
 - ii) Federal regulations require schools to maintain effort in special education programs. This means schools must spend the same amount of state and local funds this year as last year. OPI monitors maintenance of effort.
 - iii) Please write up miscodings, especially when miscoding is widespread.
- b) RESOURCE TRANSFERS FROM COOP TO DISTRICT (See APPENDIX D)
Please verify that any resource transfer between a special education cooperative and a school district is recorded as listed in APPENDIX D.

21. USDA DONATED COMMODITIES (OPI will send in August)

The Local Government Audit Quality Control Committee of MT Society of CPAs recommends:

- a) Commodities USED
 - i) Audit Report – Show commodities used as a revenue and expenditure in the school food fund on school district financial statements. Most districts use the material portion of commodities received during the year. Either report commodities used as federal assistance, or footnote the value of commodities received on the schedule of Federal financial assistance in the audit report.
 - ii) Trustees' Financial Summary – should ignore the commodities used.
- b) Commodities inventories are the property of the Office of Public Instruction until used and are reported in the audit report of that agency.
 - i) Audit Report – School districts' commodities inventories **should not be reported** as district property on the audit report of a school district.
 - ii) Trustees' Financial Summary – Commodities inventories should not be reported on the Trustees' Financial Summary.

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22. TRUSTEES' FINANCIAL SUMMARY CHANGES

a) DEADLINES FOR ACCEPTING CHANGES

OPI will accept TFS changes until December 20. After that date, districts must report changes as prior year adjustments on the next year's report.

b) CHANGES TO BUDGETED FUNDS

After the levies are set, OPI cannot take changes that result in an increase or decrease in fund balance for budgeted funds. We will keep amended pages on file but schools are required to report fund balance changes as a prior period revenue or expenditure adjustment (PPA) in the ensuing fiscal year.

c) PRIOR PERIOD ADJUSTMENTS

Remember that prior year expenditure adjustments are recorded as 6100 PPA Revenue if the adjustment would reduce prior year expenditures and Object 892 PPA Expenditures if prior year expenditures would increase. Object 892 expenditures are charged to the current year budget, since they were not charged the previous year.

23. NON-LEVY REVENUES (See APPENDIX C)

a) OPI is able to ensure the general fund non-levy revenues reported on the Trustees' Financial Summary for one year are used in budgeting for the next year if required by law. However, we need auditors to check the validity of coding used for non-levy revenues reported for the general fund on the Trustees' Financial Summary. Please write up instances of improper coding of non-levy revenues in the general fund if discovered. Non-levy account numbers begin after revenue source 1116. Please refer to the School Accounting Manual and Budgeting Instructions for more specific definitions and information concerning non-levy revenues.

b) There is high motivation for coding non-levy revenues using a code that is not restricted in the next year's budgeting process, such as "5300 Sale of or Compensation for Fixed Assets," "1110 District- Tax Levies," "6100 Prior Year Revenue Adjustments", etc. Coding non-levy revenues using unrecognized revenue codes, such as 1220, is also a potential problem.

c) Non-levy revenues coded incorrectly on the Trustees' Financial Summary may cause levies to be set incorrectly and the state could over or under pay the district for Guaranteed Tax Base subsidies.

d) In budgeting for the general fund some general fund non-levy revenue sources must be estimated while most are still budgeted using actual prior year receipts (see Appendix C for list).

24. MATERIAL PRIOR PERIOD REVENUE ADJUSTMENTS, CANCELED WARRANTS, AND CANCELED PURCHASE ORDERS

a) Please review the supporting documentation for year-end expenditures. Review prior period revenue adjustments, especially if the amount is material, to ensure this method was not used to "save" fund balance for the next year.

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b) By encumbering purchase orders, accruing expenditures, or writing year-end warrants for expenditures, districts use up the budget at year-end. When these items are canceled in the next year, the fund balance is restored by recording prior year revenue adjustments. There is motivation for districts to record accruals, warrants, and purchase orders they know will later be canceled; fund balance in excess of allowable operating reserves is thus "saved" from being reappropriated to fund the budget. The lowered reappropriation may have caused increased levies, resulting in an overpayment of Guaranteed Tax Base (GTB), which is subject to be refunded to OPI.

25. TRANSFERS BETWEEN FUNDS (See Item 16 also)

a) Section 20-9-208, MCA, allows limited transfers between funds. See Section 5-0500 in the School Accounting Manual for transfers specifically allowed by laws. In addition to transfers specifically mentioned in laws, the following transfers may be made by trustees:

- i) No general fund transfers in or out are allowed, **except** as specifically allowed by law (i.e., compensated absences fund).
- ii) Budgeted fund to budgeted fund
 - ✓ to improve efficiency of spending or to save dollars
 - ✓ cannot transfer voted levy dollars (Building Reserve, Debt Service, Technology Fund or Flexibility Fund)
 - ✓ transfer non-voted levy dollars "within or directly related to the purposes for which the funds were raised."
 - ✓ must hold a hearing before making the transfer
 - ✓ may transfer properly noticed budget in an amount equal to the cash transferred or just transfer cash
- iii) Non-budgeted fund to non-budgeted fund
 - ✓ for efficiency of spending
 - ✓ cannot transfer state or federal funds that are restricted, including:
 - state and Federal grants
 - Impact Aid
 - state special education allowable costs funds
 - retirement funds
- iv) Bus Depreciation to any fund after buses have been sold, at the discretion of the trustees. (20-10-147, MCA) The transfer must be approved by a vote of the people.

b) We have received reports some school districts "clean out" year-end budget authority in the transportation and retirement funds. These schools send a letter to the county treasurer at year end asking that a lump sum transfer be made from these funds to the Impact Aid Fund or other funds to reimburse expenditures made from Impact Aid or other funds to correct "coding errors." This is acceptable if the expenditures made from the Impact Aid or other funds are truly for transportation or retirement. If they are not, the transfer is illegal and must be reversed.

c) Effective FY2001, if the trustees of a district determine that its tuition fund is inactive and will no longer be used, the trustees shall close the fund by transferring any cash and account balances to the district's miscellaneous programs fund if the tuition fund does not

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have a cash or fund balance deficit. (SB 218, 20-9-201, MCA) Also effective FY2001, the trustees shall close inactive funds to any appropriate fund providing there is not a cash or fund balance deficit.

d) Illegal transfers between funds should be reversed by the school district and the county treasurer. Please report any illegal transfer that has not been corrected from a prior audit.

26. TRANSPORTATION FUND (See APPENDIX B)

a) PAYROLL CHARGES

Many schools charge a portion of the superintendent's and clerk's salary and benefits to the Transportation Fund. Please audit whether the portion of an administrator's payroll costs charged to transportation are reasonable. The portion of the person's time spent on transportation issues should approximate the portion of the person's salary charged to the transportation fund, in keeping with ARM 10.10.303 (APPENDIX F).

We have indications the percentages of administrator's salaries charged to the transportation fund are as high as 20%, even when very little or no time is spent on transportation issues. Motivation is very high to move costs inappropriately to funds to escape the general fund "caps." (This is also true in the School Foods Fund.)

b) VEHICLE PURCHASES

Please verify that the transportation fund purchased only yellow school buses that are used on school bus routes. Activities and athletics buses and non-bus vehicles must be purchased by the general fund or extracurricular activities fund. Replacement buses for activities and athletics can be purchased using the bus depreciation fund. Transportation fund cannot be used to purchase drivers' education cars or vehicles intended to be used for employee travel. The drivers' ed fund or general fund may purchase a drivers' ed car.

c) ACTIVITIES, ATHLETICS, AND EMPLOYEE TRAVEL

Costs of providing activities and athletic trips travel costs for employees must not be charged to the transportation fund. Again, shrinking budgets in general funds cause motivation to move these costs to other funds. Although we have tried to educate clerks, some clerks say the trustees require these charges above their objections. We request your increased audit scrutiny.

27. MONTHLY RECONCILEMENTS/ BUDGET REPORTS

a) We have found that most districts who encounter serious financial problems do not reconcile to the county treasurer's balances monthly or do not prepare expenditure and revenue budget reports to monitor spending and receipts. Please determine whether monthly reconcilements and budget reports are done. If not done, or if not done timely, please note noncompliance with administrative rules and strongly recommend the reconcilements as necessary for good budget and accounting control.

b) Monthly reconcilements are required by A.R.M. 10.10.501 (3). Budget reports are required by A.R.M 10.10.505.

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28. COMPENSATED ABSENCES LIABILITY FUND (CALF) TRANSFER

a) Please refer to Section 5-1350 and 6-0200 of the School Accounting Manual for instructions on how to calculate the maximum balance and transfer that may be made from the general fund. The compensated absences fund limit at the end of FY 2001-02 is 30% of the liability as of 6/30/02 for administrative and non-certified staff. The liability for compensated absences for certified staff remains unfunded.

b) The FY02 operating transfer from the General Fund to the Compensated Absence Liability Fund (CALF) must be made within the FY02 general fund budget.

c) The transfer out should be coded using expenditure code X01-999-61XX-910. The transfer in to the CALF is coded X21-5300.

d) The fund can be used for payments to the retirement systems, FICA, and workers' comp for termination benefits paid for **non-certified/administrative personnel**. The CALF cannot be used to pay the employee severance pay, retirement bonuses, or any amount paid in lieu of employee contributions.

e) Excess balances in the CALF must be transferred back to the general fund. The transfer should be made during closing. (ARM 10.10.312) An excess balance in the CALF at year-end means the general fund was shorted by the excess amount in budgeting for the next year. The possible effects include: 1) overlevy on taxpayers; and 2) state overpayment of Guaranteed Tax Base subsidies if BASE mills were overlevied. If the general fund operating reserve was not full (i.e., 10%), however, the excess could have been retained as reserves, causing no effect on mills or Guaranteed Tax Base subsidies.

f) Special education cooperatives MAY NOT establish a CALF at this time. Section 20-9-512, MCA, provides transfers are only authorized from a school district's general fund. Cooperatives use a nonbudgeted interlocal agreement fund. This law would have to be amended for cooperatives to establish a CALF.

29. STUDENT EXTRACURRICULAR FUND (84)

The Student Activity Fund Accounting Manual is the authoritative source for accounting for student activity funds. You can request this manual from Lynda Brannon, Executive Director, Montana Association of School Business Officials (MASBO), One South Montana Avenue, Helena, MT 59601, (406) 442-5599 or download from the MASBO website at www.masbo.com. Please verify the schools you audit have this manual. Audit findings relating to the student activity fund should refer to this manual when a district is not in compliance.

30. INTERNAL SERVICE FUNDS (73-79)

a) Internal service funds for certain services are allowed when approved by OPI. See administrative rule 10.10.314 enclosed. Since cost recovery, not profit, is the goal of these funds, the balances of the funds should not exceed the amount reasonably needed to maintain the operation. **OMB A-87** indicates accumulation of fund balance may be viewed by federal programs as the result of excessive charges to those federal programs. An accumulation in excess of 60 days of financial need may be an over-accumulation.

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b) **There's no such thing as an "internal service asset depreciation" fund!!** OPI does not consider an internal service fund established solely for accumulating money to replace equipment, an appropriate use of an internal service fund. In an internal service fund, all costs of providing a service, including asset depreciation, should be charged back to all user funds. For example, revenues without expenses in a fund indicate the fund is not appropriately allocating actual costs of providing a service (i.e., there should at least be depreciation expense). [ARM 10.10.314] Charging only the general fund for use of a copier is not appropriate, since an internal service operation should allocate costs among users, including federal projects.

The asset depreciation fund approach was proposed in the '93 and '95 legislative sessions and was rejected by legislators. It is obviously not legislative intent to allow the practice. Please DO NOT encourage the use of funds for this purpose, and do write up instances of inappropriate internal service fund usage.

c) Self-insurance funds for health coverage should be established ONLY if there is an actuarially based self-insurance program. (2-18-702(5), MCA) An informal system is not allowable by law. Also, OMB Circular A-87, Attachment B, Number 25, requires that self-insurance contributions charged to Federal programs are allowable if the program is funded on a sound actuarial basis, "analyzed and updated at least biennially." Excessive balances or funds which are not currently used to support self-insurance programs should be returned to the originating funds or closed to the general fund as provided by Section 20-9-201, MCA.

d) **All self-insurance funds are required to be held with the county treasurer on behalf of the school (ARM 10.10.306).** Unless a county attorney has given written approval, outside checking accounts for self-insurance are not authorized by law. Regardless of where funds are kept, the balances and annual activity of the coverage must be reported on the trustees' financial summary using fund 78 (health) or 79 (liability).

Thanks for your assistance!!

cc: Local Government Services Audit Division

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APPENDIX A ENROLLMENT / ANB AND ATTENDANCE

The method used to calculate Average Number Belonging (ANB) is the same as in the previous year. Enrollment reported to OPI in two semi-annual reports is used to calculate ANB that is used for state funding. ANB provisions are found in sections 20-9-311/314, MCA and Administrative Rules Title 10, Chapter 20, sub-chapter 1. Please return the enclosed order form if you need an enrollment count instruction sheet.

1. GENERAL INFORMATION

- a) ANB funded in FY 2002-03 is calculated using an average of the enrollments on the first Monday in October, 2001, and February 1, 2002.
- b) When students are enrolled from out-of-district, they are counted for ANB and funded at the district where they attend.
- c) Students attending a special education cooperative are counted as enrolled in their regular district, which receives the ANB funding for them. Cooperatives do not report enrollments.
- d) Preschool enrollment is collected for statistical reports to the U.S. Department of Education. Preschool is not counted in ANB and is not funded by the state.
- e) Kindergarten pupils are reported as one enrolled student on the enrollment reports. When calculating ANB, OPI counts each kindergarten pupil as one-half ANB, as long as the pupil meets the hour requirement in (g) below.
- f) A pupil should not be counted as enrolled if the pupil has been absent (with or without excuse) more than 10 consecutive days unless the pupil resumes attendance by the day the enrollment count was made. Districts must drop kids from enrollment immediately when the student withdraws from school or is enrolled in another district. If the school has not received any indication the absent student has likely withdrawn, the district can consider an absent student enrolled on the count date if the student was in attendance for any length of time during the 10 school days before the count date.
- g) If a student is enrolled less than full-time, the district must include the student on the enrollment reports as enrolled AND as "part-time."
 - For Enrollment counted in October and February, part time and full time are judged on hours per year, as follows:

<u>Grade</u>	<u>Not "Enrolled" for ANB</u>	<u>Part-time Enrolled</u>	<u>Full-time Enrolled</u>
Kindergarten	<180 hrs/yr	N/A	180+ hrs/yr
1-12	<180 hrs/yr	180-359 hrs/yr	360+ hrs/yr

School District Audits for FY2001-02

- All students are included in the enrollment count (include those "not enrolled" for ANB, part-time and full-time enrolled). OPI adjusts ANB as necessary to account for students attending an education program which is less than 180 hrs/yr or between 180-359 hrs/yr.
- h) 19 year-olds students MUST BE INCLUDED in the enrollment and attendance counts. OPI adjusts out 19 year-olds from ANB because state law continues to disallow state funding for 19 year-olds. 19 year-olds should not be reported as part-time even if following a part-time schedule.
- i) Districts are required to keep attendance (present and absent) records. Districts report attendance to OPI only on the 2 official enrollment count dates.

2. AUDITING ANB/ENROLLMENT

Please verify the accuracy of the October and February enrollment counts and accompanying information reported to OPI. For example, for your audit of FY 2001-02, please verify the enrollment reports for October 2001 and February 2002. The ANB calculation is done by OPI and does not require additional verification by auditors. The attendance report is considered part of the enrollment report and is necessary to audit. Attendance (present and absent) data drives the state's funding from several Federal programs. If you discover problems with enrollment or attendance reporting, please have the district file amended enrollment reports as soon as possible. You are welcome to contact OPI for a copy of reports. The district should contact Tal Redpath at 444-3024 or tredpath@state.mt.us.

If the enrollment is overstated or understated, please disclose this as an audit finding so the district is required to respond.

An example of the format we prefer to appear in the audit report is enclosed. Please "write up" any differences you find. Most differences result in an overpayment or underpayment that must be corrected by OPI. Because of potential impacts on state funding, budgeting and GTB, we consider any enrollment difference to be material.

If a difference is found in the October count, the district must send OPI an amended fall enrollment report showing the correction to the appropriate grade, gender, and ethnicity, as well as the days present and absent.

If a difference is found in the February count, the district must send an amended spring enrollment report showing the correction to the appropriate grade in the school affected as well as the days present and absent.

School District Audits for FY2001-02

Supplemental Schedule
 School District Number 2
 Yellowstone County
 Billings, Montana

SCHEDULE OF ENROLLMENT
 For the Year Ended June 30, 2002

Example – using
 the attached reports
 from OPI files.

<u>Fall Enrollment – October, 2001</u>	<u>Per Enrollment</u>	<u>Audit Per</u>	<u>Difference</u>
<u>Elementary School District</u>	<u>Reports</u>	<u>District Records</u>	
PreK-6:			
(a) Pre-Kindergarten	88	88	0
(b) Kindergarten (enrolled 180+ hours per year)	1,062	1,062	0
(c) Kindergarten (enrolled <180 hours per year)	6	6	0
(d) Grades 1-6 (enrolled 360+ hours per year)	6,608	6,607	-1
(e) Grades 1-6 (enrolled 180-359 hours per year)	0	1	+1
(f) Grades 1-6 (enrolled <180 hours per year)	2	2	0
7-8:			
(g) Grades 7-8 (enrolled 360+ hours per year)	2,432	2,430	-2
(h) Grades 7-8 (enrolled 180-359 hours per year)	3	3	0
(i) Grades 7-8 (enrolled <180 hours per year)	<u>2</u>	<u>2</u>	<u>0</u>
(j) Total Elementary (add lines a thru i)	10,203	10,201	-2
High School District 9-12:			
(k) Grades 9-12 (enrolled 360+ hours per year)	5,562	5,557	-5
(l) Grades 9-12 (enrolled 180-359 hours per year)	34	36	+2
(m) Grades 9-12 (enrolled <180 hours per year)	<u>2</u>	<u>2</u>	<u>0</u>
(n) Total High School (add lines k thru m)	5,598	5,595	-3
(o) 19 Year-olds included on line k	22	23	+1
 <u>Spring Enrollment – February, 2002</u>			
<u>Elementary School District</u>			
PreK-6:			
(p) Pre-Kindergarten	102	102	0
(q) Kindergarten (enrolled 180+ hours per year)	1,074	1,074	0
(r) Kindergarten (enrolled <180 hours per year)	5	5	0
(s) Grades 1-6 (enrolled 360+ hours per year)	6,631	6,625	-6
(t) Grades 1-6 (enrolled 180-359 hours per year)	1	1	0
(u) Grades 1-6 (enrolled <180 hours per year)	2	2	0
7-8:			
(v) Grades 7-8 (enrolled 360+ hours per year)	2,409	2,399	-10
(w) Grades 7-8 (enrolled 180-359 hours per year)	4	5	+1
(x) Grades 7-8 (enrolled <180 hours per year)	<u>4</u>	<u>6</u>	<u>+2</u>
(y) Total Elementary (add lines p thru x)	10,232	10,219	-13
High School District 9-12:			
(z) Grades 9-12 (enrolled 360+ hours per year)	5,389	5,389	0
(aa) Grades 9-12 (enrolled 180-359 hours per year)	42	43	+1
(bb) Grades 9-12 (enrolled <180 hours per year)	<u>2</u>	<u>2</u>	<u>0</u>
(cc) Total High School (add lines z thru bb)	5,433	5,434	+1
(dd) 19 Year-olds included on line z	16	17	+1
(ee) Early Graduates	15	14	-1

School District Audits for FY2001-02

Supplemental Schedule
 School District Number 2
 Yellowstone County
 Billings, Montana

Example – using
 the attached reports
 from OPI files.

SCHEDULE OF ATTENDANCE AND ABSENCE
 For the Year Ended June 30, 2002

	<u>Per Attendance Area of Enrollment Report</u>	<u>Audit Per District Records</u>	<u>Difference</u>
<u>Fall Attendance – October, 2001</u>			
Elementary School District			
PreK-8:			
Pre-Kindergarten – number in attendance	82.00	82.00	0.00
Pre-Kindergarten – number absent	6.00	6.00	0.00
Kindergarten – number in attendance	1,019.00	1,015.00	-4.00
Kindergarten – number absent	49.00	53.00	+4.00
Grades 1-8 – number in attendance	8,686.00	8,684.00	-2.00
Grades 1-8 – number absent	<u>361.00</u>	<u>361.00</u>	<u>0.00</u>
Total	10,203.00	10,201.00	-2.00
High School District			
9-12:			
Grades 9-12 – number in attendance	5,241.00	5,242.00	+1.00
Grades 9-12 – number absent	<u>357.00</u>	<u>353.00</u>	<u>-4.00</u>
Total	5,598.00	5,595.00	-3.00
<u>Spring Attendance - February, 2002</u>			
Elementary School District			
PreK-8:			
Pre-Kindergarten – number in attendance	95.00	85.00	-10.00
Pre-Kindergarten – number absent	7.00	17.00	+10.00
Kindergarten – number in attendance	1,009.00	1,009.00	0.00
Kindergarten – number absent	70.00	70.00	0.00
Grades 1-8 – number in attendance	8,584.50	8,567.50	-17.00
Grades 1-8 – number absent	<u>466.50</u>	<u>470.50</u>	<u>+4.00</u>
Total	10,232.00	10,219.00	-13.00
High School District			
9-12:			
Grades 9-12 – number in attendance	4,845.00	4,845.00	0.00
Grades 9-12 – number absent	<u>588.00</u>	<u>589.00</u>	<u>+1.00</u>
Total	5,433.00	5,434.00	+1.00



Spring Enrollment Summary By District
February 1, 2002 Enrollment

County: 56 Yellowstone
District: 0965 Billings Elem

School Year: 2001-02
Budget Unit: E1 M1

TOTAL ENROLLMENT BY GRADE - DISTRICT

Grade	Fall	Spring
Pre-Kindergarten E1	88	102
Kindergarten E1	1068	1079
1st Grade E1	1065	1062
2nd Grade E1	1072	1070
3rd Grade E1	1032	1042
4th Grade E1	1132	1152
5th Grade E1	1122	1120
6th Grade E1	<u>1187</u>	<u>1188</u>
E1 Total	<u>7766</u>	<u>7815</u>
7th Grade M1	1204	1206
8th Grade M1	<u>1233</u>	<u>1211</u>
M1 Total	<u>2437</u>	<u>2417</u>
District	<u>10203</u>	<u>10232</u>

ATTENDANCE - DISTRICT

Grades	FALL			SPRING			Average Daily Attendance*
	Present	Absent	Total	Present	Absent	Total	
Pre-Kindergarten	82.00	6.00	<u>88.00</u>	95.00	7.00	<u>102.00</u>	46.25
Kindergarten	1,019.00	49.00	<u>1,068.00</u>	1,009.00	70.00	<u>1,079.00</u>	505.00
Transition 1st - 8 Grades	8,686.00	361.00	<u>9,047.00</u>	8,584.50	466.50	<u>9,051.00</u>	8,635.20
Total	<u>9,787.00</u>	<u>416.00</u>	<u>10,203.00</u>	<u>9,688.50</u>	<u>543.50</u>	<u>10,232.00</u>	<u>9,186.50</u>

* For the definition of Average Daily Attendance (ADA), see A.R.M. 10.15.101(3). For ADA purposes, the total number of Pre-K and Kindergarten students 'present' on the Fall and Spring count dates are divided by four to determine average daily attendance.



Spring Enrollment Summary By District
February 1, 2002 Enrollment

County: 56 Yellowstone
District: 0965 Billings Elem

School Year: 2001-02
Budget Unit: E1 M1

	Fall		Spring	
	Not Enrolled For ANB	Parttime Enrolled 180-359	Not Enrolled For ANB	Parttime Enrolled 180-359
Kindergarten E1	6	N/A	5	N/A
Transition 1st - 6 Grades E1	2	0	2	1
7-8 Grade M1	2	3	4	4

FY2002-03 PRELIMINARY ANB & DSA

Budget Unit	Preliminary ANB	Basic Entitlement	Per ANB Entitlement	Direct State Aid
E1	7432	\$14,433.00	\$27,644,378.40	\$12,363,488.70
M1	2517	\$53,454.75	\$12,255,243.50	\$5,501,988.12
Total	9949	\$67,887.75	\$39,899,621.90	\$17,865,476.82



Spring Enrollment Summary By District
February 1, 2002 Enrollment

County: 56 Yellowstone
District: 0966 Billings H S

School Year: 2001-02
Budget Unit: H1

SCHOOLS IN THIS DISTRICT

- 1250 Billings Sr High School
- 1251 Billings West High School
- 1628 Skyview High School

TOTAL ENROLLMENT BY GRADE - DISTRICT

Grade	Fall	Spring
9th Grade H1	1516	1491
10th Grade H1	1506	1457
11th Grade H1	1348	1300
12th Grade H1	<u>1228</u>	<u>1185</u>
H1 Total	<u>5598</u>	<u>5433</u>
District	<u>5598</u>	<u>5433</u>

Students who turned 19 on or before September 10, 2001 are included in total enrollment by grade.

ATTENDANCE - DISTRICT

Grades	FALL			SPRING			Average Daily Attendance*
	Present	Absent	Total	Present	Absent	Total	
9-12 Grades	5,241.00	357.00	<u>5,598.00</u>	4,845.00	588.00	<u>5,433.00</u>	5,043.00
Total	<u>5,241.00</u>	<u>357.00</u>	<u>5,598.00</u>	<u>4,845.00</u>	<u>588.00</u>	<u>5,433.00</u>	<u>5,043.00</u>

* For the definition of Average Daily Attendance (ADA), see A.R.M. 10.15.101(3). For ADA purposes, the total number of Pre-K and Kindergarten students 'present' on the Fall and Spring count dates are divided by four to determine average daily attendance.

PARTTIME STUDENTS - DISTRICT

	Fall		Spring	
	Not Enrolled For ANB <180 hrs/yr	Parttime Enrolled 180-359 hrs/yr	Not Enrolled For ANB <180 hrs/yr	Parttime Enrolled 180-359 hrs/yr
9-12 Grade H1	2	34	2	42

Students who turned 19 on or before September 10, 2001 are not included in part-time enrollment.

Spring Enrollment Summary By District
February 1, 2002 Enrollment

County: 56 Yellowstone
District: 096 Billings H S

School Year: 2001-02
Budget Unit: H1

OTHER ENROLLMENT - DISTRICT

Enrollment		Fall	Spring
19 Year Olds	H1	2216	
Early Graduates	H1	N/A	15
Graduates	H1	1098	N/A

FY2002-03 PRELIMINARY ANB & DSA

Budget	Preliminary	Basic Entitlement	Per ANB Entitlement	Direct State Aid
H1	5697	\$213,819.00	\$27,536,733.50	\$12,404,496.97
Total	5697	\$213,819.00	\$27,536,733.50	\$12,404,496.97



OFFICE OF PUBLIC INSTRUCTION

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 www.metnet.state.mt.us
 (406) 444-3680
 888-231-9393

Linda McCulloch
 Superintendent

- Topics covered here include:
- ⇒ Enrollment Count Dates / Attendance
 - ⇒ Part-time Enrollment
 - ⇒ Kindergarten and Pre-Kindergarten (Pre-School)
 - ⇒ 19-Year-old Students

This is the only copy sent to your district. Please share this information with the clerk, superintendent, trustees, and all staff involved in official enrollment counts/admissions.

September 28, 2001

TO: School District Officials

FROM: Tal Redpath, OPI Fiscal Officer / Enrollment Specialist

RE: ENROLLMENT & ANB ISSUES

This is an annual reminder of important enrollment and ANB issues. You may use it for reference when conducting student counts on this year's official count dates of October 1, 2001 and February 1, 2002.

Part-time Students

Part-time information is collected by OPI for the purpose of adjusting a district's ANB for students that do not attend full-time. The board of trustees of each district may set policy allowing less than full-time enrollment at the elementary or high school level. State law allows, but does not require, a school board to admit students less than full-time.

The key in determining part-time status is to look at the annualized hours of a pupil's program. The following chart summarizes reporting requirements for all students:

Grade and Annual Hours (of one pupil)	Report the pupil to OPI as Enrolled?	Also Report the pupil to OPI as a Part-time Student?	Does the District Receive ANB for the pupil?
Pre-Kindergarten (any hours)	Yes	No	No
Kindergarten (0-179 Hours)	Yes	Yes	No
Kindergarten (180+ Hours)	Yes	No	Yes (half)
Grades 1-12 (0-179 Hours)	Yes	Yes	No
Grades 1-12 (180-359 Hours)	Yes	Yes	Yes (half)
Grades 1-12 (360+ Hours)	Yes	No	Yes (full)

Part-time – Is it hours or periods?

Look at hours, NOT PERIODS, to determine part-time or full-time enrollment status. If a student attends only one 12th-grade class per day and that period is 45 minutes, then the student is an enrolled 12th grader, but also report him/her under the “Part-Time” Section as enrolled “less than 180 hrs/yr.”

A 12th-grader attending two 50-minute periods with a 4-minute passing time still does not achieve full-time status, but would provide the district with one-half ANB. This student would be reported as an enrolled 12th-grader, but also as a “part-time” student under the category “180-359 hrs/yr.” Districts should set part-time enrollment policies with hours of *pupil instruction time* in mind.

Part-time Student Example

The tricky part of reporting part-time students is determining how to report a student whose schedule changes during the year. Consider this example:

Assume that Bobby Q. Public is enrolled as a 5th grader in your district and he attends school pursuant to the following schedule:

	<u>1st Semester</u>	<u>2nd Semester</u>	<u>Total</u>
Days	90	90	180
Hours per Day	3 hrs/day	1 hr/day	
Total Semester Hours	270	90	360
Total Annual Hours / current program	<u>540</u>	<u>180</u>	

How is Bobby’s enrollment reported to OPI? The answer: First semester (Fall count) Bobby is reported as full-time enrolled because the annualized hours for his program on that count date would be 540, and second semester (Spring count) Bobby is reported as part-time enrolled because the annualized hours would be 180 for this program.

Even though the example shows that Bobby’s semester hours of instruction would total 360, he is part-time for the second semester. Look to the annualized hours of instruction for the program the student is following on the current count date independent from the hours accumulated under a program he/she followed on another count date.

Attendance

In general, absence of an enrolled student on the count date does not affect the enrolled status of the student. The exception would be if the count date were the 11th or more consecutive absence; in those cases, you may not include the student in your count to OPI. This applies to excused and unexcused absences [see 20-9-311(6), MCA and A.R.M. 10.20.102].

Attendance (cont'd)

Flexible scheduling that causes a class not to meet on the count date does not affect enrollment or ANB. Remember, the student's *enrollment status* on the count date affects ANB, *not attendance*. If a Pre-K or Kindergarten program or a flex-scheduled high school class does not conduct class on the count date, report presence/absence as of the next pupil-instruction day.

Kindergarten and Pre-Kindergarten (Pre-School)

To be eligible for ANB, a Kindergarten student that was not 5-years-old on or before September 10 of the current school year requires admittance through special permission of the board of trustees.

A full-day Kindergarten program qualifies for one-half ANB for each pupil, same as any other half-day Kindergarten program that provides the minimum days and hours required by law. Similarly, an individual student that attends two sessions of Kindergarten (either 2 part-day sessions or both classes of an alternating day program) qualifies for one-half ANB as allowed by 20-9-311, MCA.

A Kindergarten pupil who is old enough for 1st-grade and is moved mid-year to a 1st-grade or pre-1st (transition-1st) program may qualify for full-ANB under the following circumstances. The student would have to meet the 1st-grade age requirement (6 years old on or before September 10 of the school year) and have completed Kindergarten in the first semester. If the pre-1st program is designed to provide at least 360 hours of pupil instruction per year, the student would count toward one full-ANB for the second semester.

A Kindergarten-age pupil (5 on or before Sept. 10) that is receiving services in the Pre-K (Pre-School) program may be counted as a Kindergarten pupil if an Individualized Education Program (IEP) requires the 5-year old to receive instruction and services in a pre-school setting (supervised by the Kindergarten program).

19-year-old students (and older)

A district should include students that reached 19-years-old on or before September 10 (of the current school year) in the regular grade line in which the student is enrolled, and also in attendance and "Other Enrollment" sections of the blank OPI enrollment forms. This applies to 19-year-old Special-Ed students as well. Districts do not receive ANB for 19-year-olds. Do not report any 19-year-olds as part-time, even if they are following a part-time schedule.

Alternative Programs

If an accredited school provides an alternative program (example, the Project for Alternative Learning provided by the Helena High School District) its students will generate ANB for the district. Similar to other programs of the accredited school, the alternative program must be taught by certified teachers and students must be receiving school district credits.

Adult Basic Ed (ABE)

Even though an enrolled high school student and an adult basic education student may be attending the same classes or program, the enrolled high student cannot be included in ABE counts. Further, the enrolled high school student cannot be served using Federal ABE funds. Separate record keeping of program costs relating to the ABE students and regularly enrolled high school students is very important.

“10-Day Rule”

A district may include an absent pupil in its enrollment count if the OPI count date is less than the 11th consecutive absence, unless the student has been enrolled in another public school district or will not resume attendance according to verbal or written notification received by the district.

There is no 10-day “grace period” that allows a district to keep a student in an enrolled status if the district has knowledge that the student will not resume attendance.

OPI wants to clarify this year that the 10-day rule should be applied only for the purposes of the OPI enrollment count dates (i.e., to determine which students are includable or not includable in the enrollment for calculating ANB). OPI is not aware of any law, rule, or regulation that requires a district to routinely un-enroll or “drop” a student when the student reaches its 11th consecutive absence. Again, apply the 10-day rule only for the purposes of determining which students the district can include in the count.

cc: County Superintendents
Eric Feaver, MEA-MFT
Loran Frazier, SAM
Lance Melton, MSBA
Lynda Brannon, MASBO
Auditors

APPENDIX B - PUPIL TRANSPORTATION

1. HIGH SCHOOL RIDERSHIP

a) Transportation laws passed in 1995 require a high school ridership count for the first five school days beginning on or after November 14 each year. Eligible high school students who ride on ONE MORNING on ONE OF THOSE DAYS may be included as eligible riders for purposes of the district's eligibility for state and county reimbursement for the bus.

b) The eligible transportee counts on buses (form TR-2 or the district's equivalent list) cannot be easily verified. **OPI does not expect auditors to attend and verify that count.** Please inspect the documentation of high school counts to verify the process provides a reasonable basis for the counts reported to OPI on bus route forms TR-1.

2. ELIGIBILITY FOR FUNDING

The following areas affect eligibility to state transportation funding. Please check:

- a) Miles claimed by parents on TR-4 individual contracts are being verified by the school;
- b) Days of attendance claimed by the district on the TR-5 claim for each holder of a TR-4 individual contract match attendance records;
- c) Payees listed on the TR-5 claims are really receiving payments (i.e., are not fictitious contract holders); and
- d) Bus drivers' certificates (TR-35) are accurately completed (i.e., the driver really has an up-to-date drivers' license, first aid certificate, and physical when the certificate is approved by the school personnel).

3. COUNTY REIMBURSEMENT

OPI distributes state transportation reimbursements to districts through counties. The school district share of the reimbursement should be reported separately as a state revenue source. Normally, state and county transportation reimbursements are equal amounts.

The state sends semi-annual payment advice sheets to districts recapping the state and county shares of the reimbursement payment. Counties should have paid the district NO MORE THAN the amount shown on that advice. Some counties incorrectly pay the budgeted county reimbursement rather than the lower amount claimed, resulting in county overpayments. Please verify the district received the correct county reimbursement and the amount was recorded correctly as county transportation revenue. Any overdistribution by the county should be for underpayments from a prior fiscal year.

4. BUS DEPRECIATION FUND

The Bus Depreciation Fund can be used for: a) purchase, conversion, remodeling and replacement of yellow school buses; and b) **remodeling** and **replacement** of activity/athletics **buses**. Please verify:

- a) The bus depreciation fund levy does not exceed 20% of the cost of the bus and up to 150% over time;
- b) The costs of the buses are accurately shown on the budget form;

- c) The fund is used for replacement of existing buses. The fund can purchase additional yellow school buses effective 7/1/99 due to legislative change. Additional activities buses cannot be purchased using the fund; the general fund or extracurricular fund must be used to purchase activity buses; and
- d) The fund is used only for buses and bus remodeling. Policy allows the installation of video cameras as "remodeling" in this fund. Cars, suburbans, minivans, etc. do not meet the definition of "buses" and cannot be purchased using this fund.

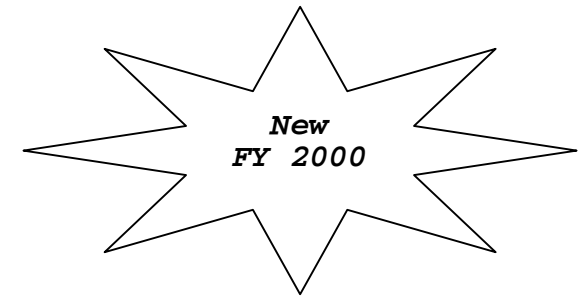
Districts will usually be required to repay the bus depreciation fund for findings of unallowable expenditures, such as car and truck purchases.

**APPENDIX C - NON-LEVY REVENUES
FOR FY01 AND FY02**

Budgeting Non-Levy Revenues for the General Fund

Use this worksheet to estimate General Fund Non-Levy (i.e., non-tax) resources for the FY2001-02 budget (20-9-141,MCA)

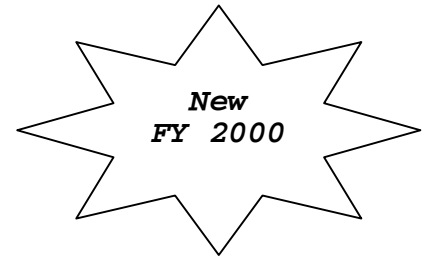
Revenue Code	Description	Comments	FY2001-02 Budgeted Rev Amt
The following revenue types MUST BE anticipated on the budget form USING ACTUAL PRIOR YEAR receipts:			
1130	Tax Title/Property Sales		
1510	Investment Earnings		
1800	Community Service Activities		
1900	Other Revenue – District (AKA "Miscellaneous")		
1910	Rentals – Building & Equipment		
1920	Contributions/Donations	Not usually a gen. fund item	
1940	Textbook Sale/Rental		
1945	Resale of Supplies & Materials		
1950	Services to Other Schools		
1960	Services to Other Govts		
1970	Services to Other Funds		
1981	Summer School Revenues		
3302	State PILT, FWP		
The following types SHOULD BE ESTIMATED using the best information available:			
1123	Coal Gross Proceeds	Dept of Rev sends eligible districts an estimate in May	
1310	Tuition from Individuals	For attendance in the budget yr	
1320	Tuition from In-State Schools	For attendance in the prior yr	
1330	Tuition from Out-of-St Schls	For attendance in the prior yr	
3440	Property Tax Reimbursement (HB20 and SB417) (2 types existing before SB184)	By law, will be 10% lower each year. Dept of Rev will send a total estimate by district, which must be divided into fund-by-fund estimates. (i.e., best estimate is 70% X actual FY 1998-99 receipts)	
3444	School Block Grant (HB124)	New for FY 02. Replaces 1121, 3301, 3420, 3430, and 3442. OPI will distribute 70% in November, 30% in May.	
3460	MT Oil and Gas Prod Tax		
9100	Other Revenue	Use for any revenue type for which a code is not provided on budget but you want to anticipate.	
9710	Residual Equity Transfer	Use if you expect to close a fund to gen. fund, have receipts from closed or annexed school, etc.	
4800	Federal PILT	Rare	
The following types MAY BE estimated -- NOT RECOMMENDED due to ability to hold receipts as Excess Reserves:			
1117	District-Prior Year Taxes	Allowed as excess reserves	
1118	District-Dept of Rev Tax Audit Receipts	Allowed as excess reserves	
1190	Penalties and Interest on Taxes	Allowed as excess reserves	
The following types will be REPLACED by the School Block Grant (HB 124) – NEW Revenue Code 3444:			
1121	Light Vehicle Tax	Replaced by School Block Grant (HB 124). Block grant replaces 93.4% of actual FY 01receipts.	
3301	State PILT, State lands	Replaced by School Block Grants (HB 124). Block grant replaces actual FY 01receipts.	
3420	State Corporate License tax	Replaced by School Block Grants (HB 124). Block grant replaces actual FY 01receipts.	
3430	State Aeronautics Fee	Replaced by School Block Grants (HB 124). Block grant replaces actual FY 01receipts.	
3442	SB 184 Tax Reimbursement	Replaced by School Block Grants (HB 124). Block grant replaces actual FY 01receipts.	
TOTAL			



Common Transactions

**APPENDIX D – MATRIX – PAYMENTS BETWEEN DISTRICTS AND SPECIAL ED COOPERATIVES
PAYMENTS BETWEEN DISTRICTS AND SPECIAL ED INTERLOCAL AGREEMENTS**

Type of Activity	Host Records:	District Records:	Legal Considerations
District Payments to Host			
District sends general fund support to Host	X82-5710	X01-280-62XX-920	The host should establish an Interlocal Agrmt Fund 82.
District sends Federal grant to Host (rare—subgrant)	X15-5700	X15-XXX-62XX-930-XXX ↑ Use Grant Program Number here	<ul style="list-style-type: none"> Districts which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws. IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.
District refunds unused IDEA grant	Reduce X15-XXX-62XX-930-XXX	Reduce X15-5700	<ul style="list-style-type: none"> Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws. IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.
Host Payments to District:			
Host refunds non-federal support the district paid above (i.e., reduction in a high cost program)	Reduce X82-5710	Reduce X01-280-62XX-920	<ul style="list-style-type: none"> Alert: Won't be counted for maintenance of effort, unless district spends on special ed.
Host subgrants IDEA grant to district	X15-XXX-62XX-930-XXX ↑ Use Grant Program Number here.	X15-5700	<ul style="list-style-type: none"> Districts which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws. IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.



Common Transactions

PAYMENTS from SPECIAL ED COOP to NON-MEMBER SCHOOL DISTRICT /INTERLOCAL AGRMTS

Type of Activity	Cooperative Records:	Host Records:	Legal Considerations
Host Payments to Coop			
Host sends non-federal support to Coop (rare – return unused funds).	Reduce 382-280-21XX-3XX	Reduce X82- 1950	
Host returns unused Federal grants. (Rare – this will result in Coop having two IDEA grant projects – one from the State and one from the Host)	Reduce X15-XXX-62XX-930-XXX ↑ Use Grant Program Number here	Reduce X15-5700-XXX	<ul style="list-style-type: none"> • Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws. • IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.
Host refunds unused IDEA grant	Reduce 315-XXX-62XX-930-XXX	Reduce 315-5700-XXX	<ul style="list-style-type: none"> • Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws. • IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.
Coop Payments to Host:			
Coop sends non-federal funds to Host	382-280-21XX-3XX	X82-1950	<ul style="list-style-type: none"> • Alert: This payment will be counted for maintenance of effort in the Coop and Host.
Coop subgrants IDEA grant to Host	315-XXX-62XX-930-XXX ↑ Use Grant Program Number here.	X15-5700-XXX	<ul style="list-style-type: none"> • Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws. • IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.

REMITTANCE ADVICE FOR PAYMENTS BETWEEN DISTRICTS, INTERLOCAL AGREEMENTS, & SPECIAL ED COOPERATIVES

From _____ Phone # _____ Date _____

Special Ed Federal Payments: Coops/Interlocal Agreement IDEA Applications to School Districts

_____	Federal Funds - IDEA Part B (must be spent by 6/30 or returned) Record using Rev Source X15-5700 ___ / Exp Program X15-277-XXXX-XXX-___ Project Number _____	\$ _____
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_____	Federal Funds - IDEA Preschool (must be spent by 6/30 or returned) Record using Rev Source X15-5700 ___ / Exp Program X15-279-XXX-XXX-___ Project Number _____	\$ _____
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Special Education Non Federal Payments from Coops to School Districts

_____	Local and State Funds from Fund 382 /ARM 10.16.2216 Record using Rev Source X15-5710 ___ / Exp Program X15-280-XXX-XXX-___ <i>Districts must return unspent funds to the special education cooperative by 6/30.</i>	\$ _____
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Payments from School Districts to Special Education Cooperatives

_____	Related Services Block Grant Match /Additional Contributions Local and State Funds (Fund 01,14, 26) Record using Rev Source 382-5710 ___ / Exp Program 382-280-XXX-XXX-___ Federal IDEA or Preschool (Rare – use section above) <input type="checkbox"/> Refund	\$ _____
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Payments from School Districts to Other School Districts / Interlocal Agreements

_____	Special Education Add On Tuition Record using Rev Source X15-1320 ___ / Exp Program X15-280-XXX-XXX-___ <i>Unused funds must be transferred to the general fund by 6/30 using a residual equity transfer.</i>	\$ _____
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_____	Non-Federal Funds Record using Revenue Source X82-5710 ___ Record using Expenditure Program X82-280-XXX-XXX-___ <i>Project Reporter Numbers may be used in Fund 82.</i>	\$ _____
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_____	Other: Describe _____ _____ _____	\$ _____
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TOTAL PAYMENT: _____ \$ _____

NOTE: Receiving entities do not have to maintain effort for federal funds but are required to maintain effort for local and state funds. Receiving entities need to assign their own three-digit project reporter.

APPENDIX E - CASH ADVANCE REQUEST FORM

	Linda McCulloch, Superintendent Office of Public Instruction Accounting Division PO Box 202501 Helena, Montana 59620-2501	<h3 style="margin: 0;">Cash Advance Request for State and Federal Grant Programs</h3>
<p>DIRECTIONS—Only a Prime Applicant should complete this form. Use a separate form for each project.</p> <ol style="list-style-type: none"> 1. Complete and sign, then send the original of this form to the Office of Public Instruction, Accounting Department. Retain a copy for district files. 2. The amount requested for a particular month must be the minimum amount needed in that month for actual immediate cash required to carry out the purpose of the approved project. 3. The Office of Public Instruction may, at its discretion, request written documentation and/or an explanation for the amount requested for any or all months, and may request a report of cash-on-hand at anytime during the project period. 4. The total amount of the cash advances requested for this project may be less, but not more, than the approved project budget. 5. This form must be received at the Office of Public Instruction by the 25th of the month PRECEDING the first month a cash advance is needed. The amount requested for a particular month will be sent on the 10th day of that month (e.g., the amount of cash requested below for August will be sent on August 10th if this form is received at the Office of Public Instruction by July 25th). 6. Amended cash advance request forms should be submitted for this project if at anytime during the year a significant cash shortfall or excessive cash-on-hand exists. 		
Prime Applicant _____	County: _____	<input type="checkbox"/> Elem Legal Entity: _____ <input type="checkbox"/> H.S. Legal Entity: _____ <input type="checkbox"/> K-12 Legal Entity: _____ <input type="checkbox"/> Other Legal Entity: _____
Fill in the project name and number (from the budget page) for which this CASH ADVANCE REQUEST is being requested.		
State/Federal Program Name _____	Project Number _____	
PN: _____		
Check below to indicate if this is an initial or an amended cash request for this project period ____ - _____.		
<input type="checkbox"/> Initial request <input type="checkbox"/> Amended request		
Amount of cash advance requested for disbursements to be made in:		
July \$ _____ August \$ _____ September \$ _____ October \$ _____ November \$ _____ December \$ _____ January \$ _____ February \$ _____	March \$ _____ April \$ _____ May \$ _____ June \$ _____ July \$ _____ August \$ _____ September \$ _____	
TOTAL \$ _____		
I certify that the amount of the monthly cash advances requested above is a reasonable estimate of the minimum amount needed in each month to carry out the purpose of this project.		
Authorized Representative	Signature: _____ Date: _____	
Clerk/Business Official	Signature: _____ Phone: _____ Date: _____	
FOR OPI USE ONLY	<input type="checkbox"/> Approved <input type="checkbox"/> Denied <input type="checkbox"/> Recorded Signature: _____ Date: _____ OPI Program Accountant	

APPENDIX F - ARM 10.10.303

10.10.303 COST ALLOCATIONS BETWEEN DISTRICTS (1) In the event certain shared costs, such as administrative costs, curriculum coordinator salaries, school psychologist salaries, etc., cannot reasonably be identified directly to either the elementary district or the high school district or between funds within a district, the school district administration shall prepare a cost allocation plan for approval by the board of trustees prior to adoption of the final budget. The cost allocation plan should reasonably distribute such costs between districts and funds within a district, consistently from year to year. Shared costs shall be budgeted and accounted for in accordance with the cost allocation plan approved by the board of trustees.

- (2) The following allocation bases shall be used to allocate shared costs:
 - (a) ANB or enrollment per district;
 - (b) Full time equivalent (FTE) staff per district;
 - (c) FTE teaching staff per district;
 - (d) Floor space occupied or space occupied over time per district;
 - (e) Miles driven, student miles driven, driver hours per district;
 - (f) Students served per district;
 - (g) Taxable valuation per district; or
 - (h) Time spent providing services.
- (3) As provided by 20-6-506, MCA, the cost of operating the junior high school must be prorated between the elementary district and the high school district on the basis of the ratio that the number of pupils of their district is to the total enrollment of the junior high school.
- (4) As provided by 20-4-401, MCA, whenever a joint board of trustees employs a person as the district superintendent under (2) and (3), the districts shall prorate the compensation provided by the contract of employment on the basis of the number of teachers employed by each district. (History: Sec. 20-9-102, 20-9-201, MCA; IMP, Sec. 20-9-102, 20-9-103, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1998 MAR p. 1719, Eff. 6/26/98.)

APPENDIX G – EXCESS RESERVE CHANGES FROM FY01 TO FY02 BUDGETS

FUND BALANCE

Please verify the amount of unreserved fund balance reappropriated used in budgeting each fund is supported by the accounting records. See **MATERIAL PRIOR PERIOD REVENUE ADJUSTMENTS, CANCELED WARRANTS, AND CANCELED PURCHASE ORDERS** discussed above in "Items to Check When Auditing the Trustees' Financial Summary."

EXCESS GENERAL FUND RESERVES

1) Documentation

Districts that designate excess reserves in the general fund budget must retain documentation to support the amounts. The reserves are limited in section 20-9-104(5), MCA, to the unused portion of certain types of receipts. If a school district designated excess reserves, OPI requires the district to submit a Schedule of Changes in Excess Reserves (see page 36 of the Budget Instructions) with the budget. If a MAEFAIRS user, this information is included on the General Fund Reserves tab.

2) Auditing Excess Reserves

Please verify the additions to excess reserves reported on the FY2001-02 budget are valid current year receipts of prior year protested/delinquent taxes or tax audits.

3) Other Information

- a) Operating reserve must be the greater of 10% of adopted budget or \$10,000 before any excess can be held.
- b) Districts must keep adequate records to prove receipts of protested/delinquent taxes were due before June 30 of the prior year. Current year taxes received late do not qualify as excess reserves. Inadequate documentation should cause the validity of excess reserves to be questioned.
- c) Interest earned on the holding of excess reserves is not a valid addition to excess reserves.

4) Invalid Excess Reserves

When invalid excess reserves are noted in audits, OPI recalculates the funding effects and may require overpayments to be repaid to the state.

"Used" means: a) used for budget amendments; b) used to fill the operating reserve back to 10%; or c) used to fund the budget through reappropriation.

Excess reserves are important in budgeting because they represent a funding source which, if not reserved, would be available to reappropriate and lower tax levies. Since the state pays Guaranteed Tax Base (GTB) subsidies on general fund mills to districts that qualify, overlevied mills may have caused an overpayment of GTB.

Notify Bonnie Maze at OPI (444-3249 or bmaze@state.mt.us) when an unsupported excess reserve is identified in a district that qualified for GTB subsidies.

APPENDIX G

LIST OF DISTRICTS WITH EXCESS RESERVES ON FY 2001-2002 BUDGET

Auditor – Are additions supported by current year receipts of:

- 1) protested or delinquent taxes billed in a prior year;
- 2) tax audit money

Additions
show as
positive.

Reductions
show as
negative.

Excess Reserve Changes Between 2001 and 2002

<u>District</u>	2001 Total Excess Reserves	2001 Budget Reserves	2002 Excess Used to Bypass Base	2002 Total Excess Reserves	
Absarokee Elementary	1,814.00	0.00	0.00	0.00	-1,814.00
Absarokee High School	2,021.00	0.00	0.00	0.00	-2,021.00
Alder Elementary	0.00	0.00	0.00	167.54	167.54
Amsterdam Elementary	0.00	0.00	0.00	945.33	945.33
Augusta Elementary	40,640.37	0.00	3,922.60	40,640.37	3,922.60
Augusta High School	36,728.62	0.00	3,367.11	36,728.62	3,367.11
Avon Elementary	0.00	0.00	0.00	1,509.37	1,509.37
Baker K-12 Schools	0.00	0.00	0.00	9,303.67	9,303.67
Basin Elementary	57,811.46	0.00	0.00	57,071.53	-739.93
Beaverhead County High School	30,082.33	0.00	0.00	35,224.71	5,142.38
Belfry K-12 Schools	26,187.04	0.00	0.00	54,370.79	28,183.75
Belgrade Elementary	0.00	0.00	0.00	10,000.00	10,000.00
Belgrade High School	0.00	0.00	0.00	7,000.00	7,000.00
Big Sandy Elementary	0.00	0.00	0.00	1,465.43	1,465.43
Big Sandy High School	0.00	0.00	0.00	7,697.13	7,697.13
Big Timber Elementary	9,900.84	0.00	0.00	10,724.94	824.10
Bigfork Elementary	0.00	0.00	0.00	5,971.73	5,971.73
Bigfork High School	0.00	0.00	0.00	4,781.49	4,781.49
Blue Sky K-12 Schools	64,226.17	0.00	0.00	82,188.99	17,962.82
Bonner Elementary	0.00	0.00	0.00	83,218.57	83,218.57
Boulder Elementary	47,809.69	0.00	0.00	48,664.76	855.07
Boyd Elementary	1,727.50	0.00	1,727.50	1,444.89	1,444.89
Bridger K-12 Schools	0.00	0.00	0.00	41,897.35	41,897.35
Broadus Elementary	14,439.29	0.00	0.00	21,147.04	6,707.75
Broadview Elementary	68,700.00	0.00	0.00	69,015.59	315.59
Broadview High School	59,200.00	0.00	0.00	59,477.09	277.09
Butte Elementary	0.00	0.00	0.00	192,980.87	192,980.87
Butte High School	0.00	0.00	0.00	112,426.64	112,426.64
Carter County High School	27,058.16	0.00	0.00	27,938.16	880.00
Cascade Elementary	0.00	16,125.82	0.00	0.00	16,125.82
Cascade High School	0.00	12,373.03	0.00	0.00	12,373.03
Chinook Elementary	0.00	0.00	0.00	922.27	922.27
Chinook High School	159,623.53	0.00	0.00	160,306.55	683.02
Choteau Elementary	22,000.00	0.00	22,000.00	21,000.00	21,000.00
Choteau High School	21,000.00	0.00	21,000.00	20,000.00	20,000.00
Circle Elementary	72,356.82	0.00	0.00	103,614.12	31,257.30
Circle High School	32,684.25	0.00	0.00	61,598.33	28,914.08
Clancy Elementary	28,496.00	0.00	0.00	17,366.11	-11,129.89
Clinton Elementary	25,228.35	0.00	0.00	28,125.37	2,897.02
Columbia Falls Elementary	203,312.46	0.00	0.00	171,570.90	-31,741.56
Columbia Falls High School	32,173.99	0.00	0.00	38,140.49	5,966.50
Conrad Elementary	18,359.61	0.00	18,359.61	49,036.70	49,036.70
Conrad High School	10,855.56	0.00	10,855.56	27,941.68	27,941.68
Cottonwood Elementary	26,487.16	0.00	0.00	0.00	-26,487.16
Culbertson Elementary	55,529.39	0.00	0.00	56,941.95	1,412.56
Culbertson High School	35,578.42	0.00	0.00	36,605.72	1,027.30

District	2001	2001	2002	2002	
	Total Excess Reserves	Budget Reserves	Excess Used to Bypass Base	Total Excess Reserves	
Darby K-12 Schools	79,020.24	0.00	0.00	84,250.18	5,229.94
Dawson High School	1,921.41	0.00	0.00	37,058.92	35,137.51
DeSmet Elementary	0.00	0.00	0.00	25,699.19	25,699.19
Dillon Elementary	18,484.34	0.00	0.00	0.00	-18,484.34
Dodson Elementary	0.00	0.00	0.00	7,307.98	7,307.98
Dodson High School	0.00	0.00	0.00	5,450.77	5,450.77
Drummond Elementary	33,888.07	0.00	0.00	33,888.07	0.00
Drummond High School	47,272.09	0.00	28,129.02	19,143.07	0.00
Dutton K-12 Schools	43,262.34	0.00	0.00	43,971.09	708.75
Ekalaka Elementary	0.00	0.00	0.00	8,525.25	8,525.25
Ennis K-12 Schools	86,296.63	0.00	0.00	96,021.93	9,725.30
Eureka Elementary	57,743.62	0.00	0.00	107,547.63	49,804.01
Fairfield Elementary	0.00	0.00	0.00	16,000.00	16,000.00
Fairfield High School	0.00	0.00	0.00	7,081.38	7,081.38
Fergus High School	33,980.08	0.00	33,980.08	4,336.98	4,336.98
Florence-Carlton K-12	42,247.06	0.00	0.00	7,209.30	-35,037.76
Forsyth Elementary	107,908.00	0.00	0.00	130,130.00	22,222.00
Forsyth High School	76,925.00	0.00	0.00	95,444.00	18,519.00
Fort Benton Elementary	0.00	0.00	0.00	4,640.61	4,640.61
Fort Benton High School	0.00	0.00	0.00	2,956.55	2,956.55
Frenchtown K-12 Schools	98,774.87	0.00	0.00	126,073.53	27,298.66
Fromberg Elementary	0.00	0.00	0.00	911.37	911.37
Geyser Elementary	31,095.66	0.00	0.00	31,343.47	247.81
Geyser High School	22,447.66	0.00	0.00	22,833.00	385.34
Glasgow K-12 Schools	20,116.08	0.00	0.00	24,703.19	4,587.11
Glendive Elementary	2,151.17	0.00	0.00	57,665.00	55,513.83
Grant Elementary	605.17	0.00	0.00	0.00	-605.17
Great Falls Elementary	0.00	340,027.00	0.00	100,457.16	440,484.16
Great Falls High School	0.00	241,433.00	0.00	45,069.44	286,502.44
Greycliff Elementary	15,843.94	0.00	0.00	18,260.64	2,416.70
Hall Elementary	17,282.00	0.00	0.00	0.00	-17,282.00
Hardin High School	0.00	0.00	0.00	2,387.72	2,387.72
Harlowton High School	0.00	0.00	0.00	1,137.83	1,137.83
Harrison K-12 Schools	5,353.00	0.00	0.00	0.00	-5,353.00
Hellgate Elementary	60,826.57	0.00	0.00	0.00	-60,826.57
Hobson K-12 Schools	101,525.65	0.00	0.00	101,097.38	-428.27
Jackson Elementary	1,611.85	0.00	0.00	540.50	-1,071.35
Jefferson High School	277,258.87	0.00	0.00	278,214.81	955.94
Lavina K-12 Schools	12,849.26	0.00	0.00	13,614.63	765.37
Lewistown Elementary	0.00	0.00	0.00	9,051.63	9,051.63
Libby K-12 Schools	0.00	0.00	0.00	37,878.82	37,878.82
Lima K-12 Schools	15,359.48	0.00	0.00	11,915.97	-3,443.51
Lincoln County High School	18,498.78	0.00	0.00	15,063.99	-3,434.79
Lustre Elementary	4,469.00	0.00	4,469.00	0.00	0.00
Luther Elementary	0.00	0.00	0.00	7,000.00	7,000.00
Malta K-12 Schools	0.00	0.00	0.00	106,830.94	106,830.94
Manhattan Elementary	0.00	0.00	0.00	1,893.10	1,893.10
Manhattan High School	0.00	0.00	0.00	1,582.48	1,582.48
McLeod Elementary	6,994.20	0.00	0.00	10,861.86	3,867.66
Melrose Elementary	0.00	0.00	0.00	14,369.74	14,369.74
Melstone Elementary	0.00	0.00	0.00	7,184.08	7,184.08
Melstone High School	0.00	0.00	0.00	4,403.31	4,403.31
Melville Elementary	9,302.69	0.00	0.00	9,823.28	520.59
Missoula Elementary	298,554.31	0.00	0.00	340,588.44	42,034.13
Montana City Elementary	186,100.60	0.00	0.00	192,746.76	6,646.16
Olney-Bissell Elementary	8,157.77	0.00	0.00	9,943.31	1,785.54
Opheim K-12 Schools	11,470.75	0.00	11,470.75	0.00	0.00
Park City Elementary	7,318.00	0.00	0.00	489.07	-6,828.93
Park City High School	2,561.00	0.00	0.00	0.00	-2,561.00
Philipsburg K-12 Schools	0.00	0.00	0.00	9,912.53	9,912.53
Plevna K-12 Schools	0.00	0.00	0.00	5,788.29	5,788.29
Potomac Elementary	24,745.24	0.00	0.00	16,414.64	-8,330.60
Powder River Co Dist High School	20,068.65	0.00	0.00	28,993.31	8,924.66
Powell County High School	178,951.50	0.00	0.00	184,637.74	5,686.24

District	2001	2001	2002	2002	
	Total Excess Reserves	Budget Reserves	Excess Used to Bypass Base	Total Excess Reserves	
Power Elementary	69,144.90	0.00	0.00	72,347.99	3,203.09
Power High School	23,967.95	0.00	0.00	23,828.94	-139.01
Ramsay Elementary	3,692.78	0.00	3,692.78	8,596.96	8,596.96
Rau Elementary	3,913.60	0.00	0.00	6,532.46	2,618.86
Red Lodge Elementary	31,667.85	0.00	1,867.46	28,383.43	-1,416.96
Red Lodge High School	15,615.63	0.00	13,540.00	13,410.41	11,334.78
Reedpoint Elementary	0.00	0.00	0.00	312.88	312.88
Reedpoint High School	0.00	0.00	0.00	146.51	146.51
Reichle Elementary	0.00	0.00	0.00	574.90	574.90
Roberts K-12 Schools	19,862.78	0.00	0.00	14,155.57	-5,707.21
Rosebud Elementary	21,681.00	0.00	0.00	23,425.33	1,744.33
Rosebud High School	18,549.00	0.00	0.00	19,902.06	1,353.06
Saco Elementary	0.00	0.00	0.00	38,815.41	38,815.41
Saco High School	24,349.05	0.00	0.00	58,307.85	33,958.80
Seeley Lake Elementary	2,472.08	0.00	0.00	10,661.00	8,188.92
Sheridan Elementary	13,615.65	0.00	0.00	10,491.95	-3,123.70
St Regis K-12 Schools	1,720.82	0.00	0.00	18,381.44	16,660.62
Stanford K-12 Schools	17,278.99	0.00	0.00	17,829.50	550.51
Sunburst K-12 Schools	0.00	0.00	0.00	84,000.00	84,000.00
Sunset Elementary	0.00	0.00	0.00	835.61	835.61
Superior K-12 Schools	8,523.50	0.00	0.00	23,238.50	14,715.00
Swan Valley Elementary	6,949.99	0.00	0.00	10,162.45	3,212.46
Sweet Grass County High School	24,581.24	0.00	0.00	39,648.39	15,067.15
Townsend K-12 Schools	0.00	0.00	0.00	3,636.30	3,636.30
Trego Elementary	4,397.18	0.00	0.00	2,366.45	-2,030.73
Troy Elementary	35,238.04	0.00	35,238.04	2,746.55	2,746.55
Troy High School	25,453.74	0.00	25,453.74	1,675.45	1,675.45
Turner Elementary	0.00	0.00	0.00	2,220.19	2,220.19
Twin Bridges K-12	110,726.00	0.00	0.00	121,211.60	10,485.60
Valier Elementary	0.00	0.00	0.00	1,000.00	1,000.00
Valier High School	0.00	0.00	0.00	200.00	200.00
Victor K-12 Schools	31,086.61	0.00	0.00	0.00	-31,086.61
Vida Elementary	3,723.61	0.00	2,277.40	6,000.00	4,553.79
Warrick Elementary	0.00	0.00	0.00	10.67	10.67
Whitehall Elementary	26,456.86	0.00	0.00	26,456.86	0.00
Whitewater K-12 Schools	207,199.97	0.00	0.00	203,905.90	-3,294.07
Wibaux K-12 Schools	31,241.85	0.00	0.00	31,241.85	0.00
Winifred K-12 Schools	38,626.26	0.00	28,000.00	31,400.30	20,774.04
Wisdom Elementary	3,193.63	0.00	0.00	1,496.46	-1,697.17
Wise River Elementary	20,000.00	11,332.40	0.00	9,317.76	650.16
Woodman Elementary	6,976.47	0.00	0.00	2,650.78	-4,325.69
Total	4,173,181.64	621,291.25	269,350.65	5,377,045.31	2,094,505.57

APPENDIX H

SUMMARY – ADMINISTRATIVE RULES EFFECTIVE FY01

ARMs changes will be mailed by July 2002.

APPENDIX I

LIST OF COMMON AUDIT FINDINGS FY2001

Finding Description	Occurrences	Finding Description	Occurrences
No comments	71	*Employees treated as subcontractors	2
Cash overdraft-Non Federal	4	Missing/incomplete payroll records	3
*Cash overdraft - Federal	1	Errors in withholding calculations	1
*Reconciliation to County Treasurer	9	Contracts incomplete/nonspecific	1
Petty cash accounting	6	*W2s incomplete/incorrect	1
*Accounts outside County Treasurer's Office	1	*Payroll not based on actual hours worked	3
Year-end accruals	7	Employees paid before service performed	1
Taxes receivable over/understated	6	Travel claim documentation	1
Accounts Receivable Acctg/Report to Board	4	Credit card charges internal control	1
Prepaid expense accounting	4	Vacation and sick leave per MCA	3
General Fixed Assets	43	Employee medical insurance plan	1
Unrecorded liability	7	Self-insurance accounting	1
Compensated Absences accounting	8	*Budget overexpended	12
Warrants - Outstanding > 1 year	2	Budgets no posted correctly	1
Warrants - Cancellation	1	Budget balances not on accounting system	2
Accounts Payable-Expenditures recorded PY & CY	2	Budget adoption per MCA	1
*Clearing Account not reconciling to cash	3	Budget reports not accurate	1
Warrants-O/S detail < > Clearing account	1	Budget amended incorrectly/OPI not notified	1
Year-end accruals/prior year recording	5	Incorrect mill levies	2
Deferred Revenue accounting	6	Transportation Budget/Contingency-Other	1
Gen Long-term Debt Acct Grp over/understate	9	Cash/Grant management (See 710,711)	15
*Deficit fund balance	2	Eligibility	3
Year-end accruals financials < > Trustees	2	Report(s) did not agree with records	3
Compensated Absences Fund < > 30%	1	Report(s) on a cash basis	1
*Debt Service Fund - No debt remains	1	Report(s) missing documentation	7
*Budgeted Reserves - Excess Reserves	1	Title III (Tech Lit) - All findings	1
Funds not reported	1	Title I - All findings	5
Lease Rental Fund > \$10,000	1	School Lunch - All findings	9
Revenue coding error	3	IDEA Part B - All findings	4
*Enrollment/ANB Over/understated	15	Preschool IDEA - All findings	4
*Interest allocation	6	Impact Aid (PL 874) - All findings	3
Receipting procedures	3	Bilingual - All findings	2
Budget to actual - Monitoring revenue	5	Headstart - All findings	2
Revenue not posted correctly	4	Title II - All findings	1
Excess grant revenue accounting	2	School-to-Work - All findings	2
County Treasurer Late Reporting	1	Expenditures not within budget	1
Attendance-Present/Absent over/understated	12	Expenditures charged wrong grant year	1
Expenditure coding error	8	Policy to use indirects/Excess accumulation	1
Over/underpayment of claims	1	Commodities booked incorrectly	4
Documentation supporting expenditure	8	Refunds shown as expenditures not rev abatement	1
Invoices not marked paid	1	Fixed Assets Common Rule	1
Encumbrance accounting	3	Questioned costs	5
Warrant sequence/Independent verification	1	Technology Challenge Grant (TALES) - All findings	3
Cost allocation between districts	2	Title VI Improving Ed/Innovative Ed	1
Purchase Orders (POs)	5	21st Century Grant - All findings	1
No Board approval on claims/in minutes	2	Inadequate segregation of duties	41
Warrants issued prior to receipt of goods	2	Trustees submitted report -- Timely/Error	5
Bids per MCA	4	Journal Voucher entries	1
*Purchasing policy	1	Accounting back-up/disaster recovery	2
Expenditures paid wrong fund	5	Computer/manual system not adequate	2
Dup warrants/listing in minutes not available	1	Filing system	1
Payrolls reconciled	7	Endowment Fund accounting	2
Payroll over/underpayment	1	Accounting system	2
Time cards/overtime not approved	2	Miscellaneous fund reconciliation	1
Payroll and related internal control	7	Internal control - Office efficiency	5
Personnel files missing/incomplete/wrong	2	Computer system training	2

Finding Description	Occurrences
Computer security-Password/Logons/Policies	1
Minutes book documentation/not signed	2
Policy Manual/Board policies	3
Use of school facility - Charges	1
Records retention	2
Improper procedure-Sale of Fixed Assets	1
Illegal internal service fund	1
Closed meeting questioned	1
Transportation fund used for student activities	1
District expense paid/loaned from Activity Fund	2
Expenditure without proper approval/documentation	19
Expenditure coding	1
Petty Cash accounting	3
Procedures to handle fund/acquire MASBO	3
Athletic event workers	1
Financials not reviewed by Board	3
New fund - no Board approval	4

Finding Description	Occurrences
Negative balance - Activity account overdrawn	5
Transfers not proper	1
Beginning Balance < >Prior End Balance	1
Deposits not deposited intact/timely	7
Receipt procedures/ticket collections	14
Inactive fund	1
Interest income not allocated per AGO	1
Club required to maintain proper account	3
Cash < > General Ledger	2
Not reported on Trustee's Financial Summary	4
Governmental Body control circumvented	3
Extracurricular accounting	20
District Expenses paid from Activity Fund	3
Segregation of duties	4
Bank reconciliations	3
Uninsured cash - Exceeds FDIC	1
Disposition of Senior Class funds	3

APPENDIX J

Federal/State Grant Control Record

OPI policy requires a central grant file to be maintained for each state and Federal grant. Use this sheet as a cover page for a file for each grant or contracted project. Each grant file should contain this page and Section A-F below.

Grant Name:	Fiscal Year:
Level: (circle one) Elementary High School	
Budget #:	Project Reporter Code:
Revenue Source Code:	Expenditure Program Code:
Authorized Representative:	
Program Director:	
Award / Project #:	County Treasurer #:
Grant Amount:	Grant Period (dates) From: To:
School Fiscal Year:	CFDA #:
Type of Grant (circle one) Federal State Local	
Direct Grant or Flow Thru Grant:	
Carryover Allowed? (circle one) Yes No	Is a Match Required? (circle one) Yes No
Grant Specialist:	Grant Accountant:
Phone:	Phone:
Fax:	Fax:
Address:	Address:

Section A Grant Award

	Date
Proposal/Application	
Grant Award Notice	

Section B Budget

	Date	Date	Date
Budget Submitted			
Revision Submitted			

Section C

	Date	Amount Requested	Annual or Periodical
Cash Request Submitted			
(2 nd request or amendment)			
(3 rd request or amendment)			
(4 th request or amendment)			

Section D Cash Control / Match Records

Section E Correspondence

Section F Final Evaluation / Close Out Reports

	Date	Amount
Fiscal Report		
Programmatic Report		
Refund Sent?		

Office of Public Instruction Order Form for OPI Publications

June 2002

The forms listed below can be found on the OPI Web Page at www.opi.state.mt.us in the School Finance area under "Programs & Services at OPI." Please check any publication you would like a copy of and return this request to the address below.

- _____ Instructions for FY01 Trustees' Financial Summary
- _____ Instructions for FY02 Trustees' Financial Summary
- _____ Administrative Rule 10.10.314 for Internal Service Funds
- _____ Administrative Rule 10.16.2216 for Special Education Transfers
- _____ List of items edited by MAEFAIRS software for Trustees' Report
- _____ Indirect Cost Rate Instructions for FY01
- _____ Indirect Cost Rate Instructions for FY02
- _____ Indirect Cost Rate Instructions for FY03

- _____ Instructions for FY02 Budget (paper forms)
- _____ Instructions for FY03 Budget (paper forms)

- _____ General Fund Overview and Excel Worksheets for FY01
- _____ General Fund Overview and Excel Worksheets for FY02
- _____ Excess Reserves Worksheet (certification form) FY03

- _____ Transportation Budget Worksheet (Excel)
- _____ Budget Amendment packet (September 2001)

- _____ School District Records Schedule (Records Retention Schedule No. 7)

Return to:
JIM OBEREMBT, FISCAL OFFICER SUPERVISOR
SCHOOL ACCOUNTING
OFFICE OF PUBLIC INSTRUCTION
PO BOX 202501
HELENA, MT 59620-2501