



OFFICE OF PUBLIC INSTRUCTION

PO BOX 202501  
HELENA MT 59620-2501  
[www.opi.mt.gov](http://www.opi.mt.gov)  
(406) 444-3680  
888-231-9393

Linda McCulloch  
Superintendent

**DATE:** June 2006  
**TO:** Auditors of Montana School Districts  
**FROM:** Jim Oberembt  
Fiscal Officer

*Auditors: Want to be on OPI's monthly e-mail list to receive School Finance memos? Please email a message to [ptaylor2@mt.gov](mailto:ptaylor2@mt.gov). (If you received this memo by email, you're on our list already!)*

**RE: SCHOOL DISTRICT AUDITS FOR FY 2005-06**

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 Denise Ulberg at 444-1960, Jim Oberembt at 444-1257 or Mike Waterman at 444-4524, if you have questions about this memo or any other area of school district budgeting and accounting.**

Enclosed:

APPENDIX A Enrollment / ANB and Attendance  
APPENDIX B Pupil Transportation  
APPENDIX C Non-Levy Revenues  
APPENDIX D Matrix - Payments between Districts and Special Ed Cooperatives  
APPENDIX E Cash Advance Request Form  
APPENDIX F ARM 10.10.303 - Cost Allocations  
APPENDIX G Excess Reserve Changes From FY05 to FY06 Budgets  
APPENDIX H Summary: Administrative Rules – To be released at a later date  
APPENDIX I List of common audit findings  
APPENDIX J Federal/State Grant Control Record  
APPENDIX K Budget and Cash Transfers  
APPENDIX L Attorney General Opinion Regarding Transfers from the Bus Depreciation Fund  
APPENDIX M OPI Publications <http://www.opi.mt.gov/schoolfinance/forms.html>  
APPENDIX N ARM 10.10.314 Internal Service, Enterprise and Agency Funds

**WE REQUEST YOUR SPECIAL ATTENTION IN THESE AREAS DURING YOUR AUDITS FOR FY 2005-06:**

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

## School District Audits for FY2005-06

### 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 Paul Taylor at 444-3024. For an electronic copy, go to [http://sos.mt.gov/RMB/forms/local/Local\\_Schedule7.pdf](http://sos.mt.gov/RMB/forms/local/Local_Schedule7.pdf) and choose schedule 7.

### 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: Paul Taylor, 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 from OPI or retrieve from the following website: <http://www.opi.mt.gov/payments/index.html>

### 4. EXIT CONFERENCE

OPI recommends that the auditor meet with the trustees, district superintendent, and clerk of the school district to present the audit report upon completion. 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 even stated they were not aware an audit was done. By holding a conference to discuss findings with the board, you can help the district resolve any issues you have discovered and, at the same time, strengthen your relationship with the district.

### 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 10.10.303 - 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 your organization has 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 findings disclosed in a "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.

## School District Audits for FY2005-06

### 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.

### 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 findings and requiring more thorough responses about corrective actions for repeat findings.

### 10. FEDERAL PROGRAMS

#### a) GRANTS HANDBOOK - 2005 EDITION

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

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 10<sup>th</sup> 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 their cash request periodically and revise the schedule as necessary to maintain minimal cash on hand.

## School District Audits for FY2005-06

### 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 \$500,000 in federal funds in FY2006, an A-133 audit must be completed by March 31, 2007. If this deadline can't be met, the school or its auditor must request an extension from the U.S. Dept of Education. The request should:

1. Be on letterhead stationary or include the information normally found on letterhead including mailing address, phone and fax numbers, and e-mail address,
2. Include the district name, name and title of person making request, EIN, and fiscal year of audit for which extension is required,
3. Provide a brief explanation why the March 31st due date can't be met, and
4. Ask for an extension of audit completion date and state an anticipated completion date.

Although the Department of Education prefers email, they will accept mailed, faxed, or emailed requests. Send your extension request to:

Post Audit Group  
Office of the Chief Financial Officer  
U.S. Dept of Education  
Washington, DC 20202-4245  
Fax: 202-401-1198  
Phone: 202-377-3819  
E-mail address: [clarks.miller@ed.gov](mailto:clarks.miller@ed.gov)

Also, please 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. A two-year A-133 audit covering FY05 and FY06 is due March 31, 2007.

### 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

## School District Audits for FY2005-06

that a grant is in the cash overdraft position.

Additionally, OPI offers an Excel spreadsheet to help clerks manage and reconcile grant cash. You can find this form on OPI's website at the following link:

<http://www.opi.mt.gov/PDF/SchoolFinance/Acct/GrantProjRecapWkst.xls>.

### f) INDIRECT COST RECOVERIES

Please review the indirect cost rate application for FY06. 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.

Approved rates are posted on the OPI website at the following link:

<http://www.opi.mt.gov/SchoolFinance/Acct.html>. 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 III, 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 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. Contact Denise Ulberg 406-444-1960 for a list of districts currently on "high risk" status with OPI.

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

OPI's grant policy now requires subgrantees to 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.

## School District Audits for FY2005-06

### 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 (e.g. 5% of the grant award) unless prior approval has been given by the granting agency.

### l) Medicaid Programs

The CSCT program and other Medicaid funds are not treated as federal funds by Montana. They are co-mingled with state dollars and then disbursed to Medicaid providers. There is no Catalog of Federal Domestic Assistance (CFDA) number for these funds. Below is an excerpt from Circular A-133 Single Audit Act about Medicaid funds:

“...(h) Medicare. Medicare payments to a non-Federal entity for providing patient care services to Medicare eligible individuals are not considered Federal awards expended under this part.

(i) Medicaid. Medicaid payments to a subrecipient for providing patient care services to Medicaid eligible individuals are not considered Federal awards expended under this part unless a State requires the funds to be treated as Federal awards expended because reimbursement is on a cost-reimbursement basis. “

Here is a link to the entire circular: <http://www.whitehouse.gov/omb/circulars/a133/a133.html>

All CSCT programs in Montana School Districts will be audited for FY06 by the SURS unit of the DPHHS so auditors do not need to duplicate this work. The link to the Medicaid School Based Health Services/CSCT and Montana Administrative Claiming Programs is at: <http://www.dphhs.mt.gov/medicaid/providerpages/providertype/45.shtml>

If you have any questions on Medicaid, School Based Health Services/CSCT, or the Montana Administrative Claiming Program, please contact: Duane Preshinger, 406-444-4145 [dpreshinger@mt.gov](mailto:dpreshinger@mt.gov).

## 11. 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

## School District Audits for FY2005-06

- accuracy of anticipated state funding amounts such as the Guaranteed Tax Base subsidy, direct state aid, and special education payments.

### PLEASE CHECK THE FOLLOWING ITEMS ON THE BUDGET:

a) FUND BALANCE AND EXCESS RESERVES IN GENERAL FUND  
(See APPENDIX G)

b) ENROLLMENT/ANB (See APPENDIX A)

c) MINIMUM AGGREGATE HOURS OF INSTRUCTION

Please verify the district conducted the minimum aggregate hours required by MCA 20-1-301. State funding must be reduced by two times the hourly rate for aggregate hours missed. This issue helps the state maintain compliance with minimum accreditation standards. If the district did not conduct the minimum hours of instruction, please disclose this as an audit finding.

d) BUDGET 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 adopted 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.

e) 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; and 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)

f) NON-LEVY REVENUES (See APPENDIX C)

See "Items to Check When Auditing Trustees' Financial Summary." (12c on page 10 of this memo).

g) BUDGET AMENDMENTS – (20-9-161 through 167, MCA)  
BUDGET TRANSFERS – (20-9-208) -

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 Nica Carte at 406-444-4401.

## School District Audits for FY2005-06

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 12g on page 11 of this memo for cash transfers.

h) BUS DEPRECIATION FUND (See APPENDIX B)

i) RETIREMENT FUND

### Reminder For FY06

In accordance with Section 20-9-501, MCA, FY05 was the first year school districts could no longer charge benefits paid on federal salaries from the Retirement Fund. Please report any finding where benefits were paid from the retirement fund which should have been charged to federal grants. This does not include salaries paid the school lunch fund, Medicaid funds, or Impact Aid. For further information, contact Mike Waterman at 444-4524 or Jim Oberembt at 406-444-1257.

### 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.

### 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.

### Social Security

Just a reminder to check the social security option elected by the school district. See SD-5, page 19 in the Local Government Services audit compliance supplement for more information. <http://doa.mt.gov/doaforms.asp?Path=/doaforms/LocalGovernmentForms/AuditReviewProgram/4ComplianceSupplement/SchoolDistricts&base=/doaforms>



## School District Audits for FY2005-06

### 12. ITEMS TO CHECK WHEN AUDITING TRUSTEES' FINANCIAL SUMMARY (TFS)

#### a) DEBT SERVICE FUND

Please encourage districts to budget the principal and interest shown on the bond payment schedule for each fiscal year.

Please encourage districts to hold operating reserves only if the payments due from July 1 through November 30th are not accrued in the prior year and are budgeted in the ensuing year. Contact Bonnie Maze at 444-3249 or [bmaze@mt.gov](mailto:bmaze@mt.gov), if you have questions.

As of 6/30/01, 20-9-443, MCA, provides that districts may close an obsolete debt service fund after all bonds, interest, fees and SIDs are paid. The balance of the fund may be closed into the building reserve fund (61), technology fund (28), or general fund (01) and used for the same purpose as the original bond issue. The transferred money must be used for constructing, equipping or enlarging school buildings or purchasing land and accounted for using a separate project reporter code. (MCA 20-9-443 and A.R.M. 10.10.319 (3))

#### b) SPECIAL EDUCATION

##### Expenditure Coding

Coding of expenditures on the TFS affects many types of state and federal funding. Please pay special attention to special education expenditures coded using program code 280. 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).

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.

Please write up miscodings, especially when miscoding is widespread. An amended TFS may be submitted to OPI through to December 20<sup>th</sup>. Contact: Jim Oberembt at 406-444-1257 or email [joberembt@mt.gov](mailto:joberembt@mt.gov).

##### 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.

#### c) USDA DONATED COMMODITIES (OPI will post on our website each August)

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

##### Commodities USED

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

## School District Audits for FY2005-06

report.

Trustees' Financial Summary – should ignore the commodities used.

Commodities Inventories are the property of the Office of Public Instruction until used and are reported in the audit report of that agency.

Audit Report – School districts' commodities inventories **should not be reported** as district property on the audit report of a school district.

Trustees' Financial Summary – Commodities inventories should not be reported on the TFS.

### d) TRUSTEES' FINANCIAL SUMMARY CHANGES TO PREVIOUSLY REPORTED DATA Deadlines For Accepting Changes

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

### Changes To Budgeted Funds

After the levies are set (usually the 4<sup>th</sup> Monday in August, billed in October), OPI cannot record TFS changes that result in an increase or decrease in fund balance for a budgeted fund. We will keep amended pages on file but schools are required to report fund balance changes as prior period revenue or expenditure adjustments (PPA) in the ensuing fiscal year.

### 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.

### e) NON-LEVY REVENUES (See APPENDIX C)

Certain general fund non-levy revenues must be budgeted using the actual amount received in the previous year (20-9-141 MCA). OPI's MAEFAIRS system prefills the amounts reported on the TFS directly into the budget for the ensuing year as a (required) non-levy revenue estimate. Other non-levy revenue sources must be estimated by the district. See Appendix C for more information.

### **Auditors are urged to check the validity of the coding used for non-levy revenues reported in the general fund.**

Non-levy revenues coded incorrectly on the TFS may cause levies to be set incorrectly and the state could over- or under-pay the district for Guaranteed Tax Base subsidies. There is a 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, and 6100 Material Prior Period Revenue Adjustments. Coding non-levy revenues using unrecognized revenue codes, such as 1220, is also a potential problem. Non-levy revenues begin after source code 1118. Please refer to the School Accounting Manual for more specific information.

If you discover an instance of improper or incorrect coding of non-levy revenue in the general fund (01), please write it up as an audit finding.

## School District Audits for FY2005-06

### f) MATERIAL PRIOR PERIOD REVENUE ADJUSTMENTS, CANCELED WARRANTS, AND CANCELED PURCHASE ORDERS

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.

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. If the lowered reappropriation caused increased levies and the district subsequently received an overpayment of GTB, the school must refund the overpayment to OPI.

### g) TRANSFERS BETWEEN FUNDS (See also Item 11g)

Section 20-9-208, MCA, allows limited transfers between funds. See Section 5-0500 in the School Accounting Manual for transfers specifically allowed by law. In addition to transfers specifically mentioned in laws, the following transfers may be made by trustees (A.R.M. 10.10.320):

1. No general fund transfers in or out are allowed, **except** as specifically allowed by law (e.g. compensated absences fund)
2. 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 budget authority in an amount equal to the cash transferred or just transfer cash
  - ✓ cannot transfer money from the retirement fund
3. 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
4. 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. See Appendix L for a copy of the Attorney General Opinion regarding this matter.

See Appendix K, "Budget and Cash Transfers," for more information.

## School District Audits for FY2005-06

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.

Section 20-9-201, MCA, provides 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 have a cash or fund balance deficit. Immaterial tax receivables in the tuition fund may be ignored but material receivables should be reported in the Miscellaneous Programs Fund. The statute also provides the trustees shall close inactive funds to any appropriate fund providing there is not a cash or fund balance deficit. (A.R.M. 10.10.319)

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. Contact Denise Ulberg at 444-1960

### h) TRANSPORTATION FUND (See APPENDIX B)

#### 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 the Transportation Fund 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. See 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." (The School Foods Fund may also be used for this purpose.)

#### Vehicle Purchases in the Transportation Fund

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. The 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.

#### 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. We request your increased audit scrutiny.

## School District Audits for FY2005-06

### i) MONTHLY RECONCILEMENTS/ BUDGET REPORTS

We have found that most districts that 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.

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

### j) COMPENSATED ABSENCES LIABILITY FUND (21) (CALF) TRANSFER

The compensated absences fund limit at the end of the year is 30% of the liability as of 6/30 for administrative and non-certified staff. The liability for compensated absences for certified staff remains unfunded. 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 FY06 operating transfer from the General Fund to the CALF must be made within the FY06 general fund budget. The transfer out should be coded using expenditure code X01-999-61XX-910. The transfer into the CALF is coded using revenue sources code X21-5300.

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.

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) over levy on taxpayers; and 2) state overpayment of Guaranteed Tax Base subsidies if BASE mills were over levied. 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.

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 non-budgeted interlocal agreement fund. This law would have to be amended for cooperatives to establish a CALF.

### k) 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), 208 North Montana Ave Suite 102, Helena, MT 59601, (406) 442-5599 or download from the MASBO website at <http://www.masbo.com/Student%20Activity.PDF>. Please verify the schools you audit have this

## School District Audits for FY2005-06

manual. Audit findings relating to the student activity fund should refer to this manual when a district is not in compliance.

### l) INTERNAL SERVICE FUNDS (73-79)

Internal service funds for certain services are allowed when approved by OPI. See Appendix N, ARM 10.10.314. 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.

**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 to be 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. There is obviously no 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.

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.

m) **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 TFS using fund 78 (health) or 79 (liability).

## **THANKS FOR YOUR ASSISTANCE!!**

cc: Local Government Services Audit Division

## School District Audits for FY2005-06

### APPENDIX A ENROLLMENT / ANB

Enrollment reported to OPI 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. The method used to calculate Average Number Belonging (ANB) is the same as in the previous year except for the FY05 legislative change regarding how ANB is calculated for part-time students.

In previous years, OPI required attendance to be audited in conjunction with the enrollment count audit. Due to implementation of a statewide student database system planned for FY07 and FY08, OPI will not require attendance to be audited for these years. If the new system produces reliable information with good internal controls, this step may be permanently deleted from enrollment audits.

#### 1. GENERAL INFORMATION

- a) ANB used to fund FY 2005-06 budgets is calculated using an average of the enrollments reported on the first Monday in October 2004, and February 2, 2005. Enrollment counts reported on these dates should have been audited and reported in the FY05 audit report. For the FY2006 audit, please verify the accuracy of the October 2005 and February 2006 enrollment counts which are used to calculate the FY2006-07 budgets.
- b) When students are enrolled from out-of-district, they are counted for ANB and funded at the district where they attend.
- c) Students receiving services from a special education cooperative are enrolled and counted in their school district, which receives the ANB funding for them. Cooperatives do not report enrollment for ANB.
- 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 a student 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 count an absent student enrolled on the count date if the student was in attendance for any length of time during the 10 school days prior to the count date.

**School District Audits for FY2005-06**

- 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 2005 and February 2006, part time and full time are judged on hours per year, as follows:

<u>Grade</u>	<u>Hours</u>	<u>ANB</u>
Kindergarten	<180 hrs/yr	None
Kindergarten	>181 hrs/yr	½
1 through 12	<180 hrs/yr	None
1 through 12	181-359 hrs/yr	1/4
1 through 12	360-539 hrs/yr	1/2
1 through 12	530-719 hrs/yr	3/4
1 through 12	>720 hrs/yr	1

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 181 hrs/yr or between 181-719 hrs/yr.

- h) Nineteen year-old students **MUST BE INCLUDED** in the enrollment, but should not be reported as part-time even if following a part-time schedule. OPI adjusts out 19 year-olds from ANB because state law continues to disallow state funding for 19 year-olds.

**2. AUDITING ANB/ENROLLMENT**

For your audit of FY 2005-06, please verify the enrollment reports for October 2005 and February 2006. The ANB calculation is done by OPI and does not require additional verification by auditors. If you discover problems with enrollment reporting, please have the district file amended enrollment reports as soon as possible. You are welcome to contact OPI for a copy of reports. Contact Nica Carte at 444-4401 or email [ncarte@mt.gov](mailto:ncarte@mt.gov).

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 shown on the following page. 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 and/or February count, the district must send OPI an amended enrollment report showing the correction to the appropriate grade.



**School District Audits for FY2005-06**

Supplemental Schedule

School District Number 2  
County  
Montana

SCHEDULE OF ENROLLMENT  
For the Year Ended June 30, 2006

**Example** – using  
the attached reports  
from OPI files.

**Fall Enrollment**

**Elementary District**

- (a) Pre-Kindergarten
- (b) Kindergarten
- (c) Grades 1-6
- (d) Grades 7-8
- (e) Total Elementary (add lines a thru d)

**Fall Per Enrollment**

**Reports**

- 111
- 1,076
- 6,524
- 2,367
- 10,078

**Audit Per**

**District Records**

- 111
- 1,076
- 6,524
- 2,365
- 10,076

**Difference**

- 0
- 0
- 0
- 2
- 2

**Part-time students:**

**Per Enrollment Reports**

**Audit Per District Records**

**Difference**

Grade	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
Kinder	4	N/A	N/A	N/A	4	N/A	N/A	N/A	0
1-6	1	0	0	0	1	0	0	0	0
7-8	1	1	0	2	1	1	0	2	0

**Fall Enrollment**

**High School District**

- (f) Grades 9-12
- (g) 19 Year-olds included on line (f)
- (h) Job Corps students included on line (f)

**Fall Per Enrollment**

**Reports**

- 5,626
- 27
- 0

**Audit Per**

**District Records**

- 5,621
- 28
- 0

**Difference**

- 5
- +1
- 0

**Part-time students:**

**Per Enrollment Reports**

**Audit Per District Records**

**Difference**

Grade	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	5	20	26	20	5	20	26	20	0

**Spring Enrollment**

**Elementary District**

- (i) Pre-Kindergarten
- (j) Kindergarten
- (k) Grades 1-6
- (l) Grades 7-8 (enrolled 360+ hours per year)
- (m) Total Elementary (add lines i thru l)

**Spring Per Enrollment**

**Reports**

- 176
- 1,062
- 6,470
- 2,365
- 10,073

**Audit Per**

**District Records**

- 102
- 1,074
- 6,464
- 2,365
- 10,067

**Difference**

- 0
- 0
- 6
- 0
- 6

**Part-time students:**

**Per Enrollment Reports**

**Audit Per District Records**

**Difference**

Grade	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
Kinder	3	N/A	N/A	N/A	4	N/A	N/A	N/A	0
1-6	0	0	0	0	1	0	0	0	-1
7-8	1	1	0	2	1	1	0	2	0

**Spring Per Enrollment**

**Reports**

**High School District**

- (n) Grades 9-12
- (o) 19 Year-olds included on line n
- (p) Early Graduates (not included in n)
- (q) Job Corps students included on line n

- 5,465
- 21
- 16
- 0

**Audit Per**

**District Records**

- 5,465
- 22
- 16
- 0

**Difference**

- 0
- +1
- 0
- 0

**Part-time students:**

**Per Enrollment Reports**

**Audit Per District Records**

**Difference**

Grade	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	6	18	27	17	6	18	27	17	0

## School District Audits for FY2005-06

### Part-time Students

Part-time enrollment data 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 – 180 Hours)	Yes	Yes	No
Kindergarten (181+ Hours)	Yes	No	Yes (half)
Grades 1-12 (0 – 180 Hours)	Yes	Yes	No
Grades 1-12 (181 – 359 Hours)	Yes	Yes	Yes (1/4)
Grades 1-12 (360-539 hours)	Yes	Yes	Yes (half)
Grades 1-12 (539-719 hours)	Yes	Yes	Yes (3/4)
Grades 1-12 (720+ Hours)	Yes	No	Yes (full)
19-year-olds (any grade / any hours)	Yes	Never	No

#### 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 12<sup>th</sup>-grade class per day and that period is 45 minutes, then the student is an enrolled 12<sup>th</sup> grader, but also report him/her under the "Part-Time" Section as enrolled "less than 181 hrs/yr." The district would **not** receive any portion of ANB for this student.

A 12<sup>th</sup>-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-quarter ANB. This student would be reported as an enrolled 12<sup>th</sup>-grader, but also as a "part-time" student under the category "181-359 hrs/yr." Districts should set part-time enrollment policies with hours of *pupil instruction time* in mind.

## School District Audits for FY2005-06

### 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 the following example:

Assume that Bobby Q. Public is enrolled as a 10<sup>th</sup> grader in your district and he attends school pursuant to the following schedule:

	<u>1<sup>st</sup> Semester</u>	<u>2<sup>nd</sup> Semester</u>	<u>Total</u>
Days	90	90	180
Time per Day	212 min./day	50 min./day	
Total Semester Hours	318	75	393
Total Annual Hours / current program	<u>636</u>	<u>150</u>	

How is Bobby's enrollment reported to OPI? The answer: First semester (Fall count) Bobby is reported as 3/4-time enrolled because the annualized hours for his program on that count date would be 636, and second semester (Spring count) Bobby is reported as not enrolled for ANB because the annualized hours would be 150 for this program.

Even though the example shows that Bobby's semester hours of instruction would total 393, he is part-time for the second semester and should be recorded in the "<180 hours" part-time category for the MAEFAIRS Spring count. Use the annualized hours of instruction for the program the student is following on the current count date to determine part-time status. Do not consider the hours accumulated under a program he/she followed on another count date.

In general, absence of an enrolled student on the count date does not affect the enrolled status of the student. An exception is made if the count date is the 11<sup>th</sup> 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]. 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 does not conduct class on the count date, or if a flex-scheduled high school student is not enrolled in any programs or classes that meet on the official count date, then these students are reported on the next day of pupil instruction.

### Kindergarten and Pre-Kindergarten (Pre-School)

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

## **School District Audits for FY2005-06**

A full-day Kindergarten program qualifies for only one-half ANB for each pupil, same as a 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) should be reported as only one Kindergarten student – not two students – because each pupil may earn only one-half ANB for the district, as allowed by 20-9-311, MCA.

A Kindergarten-age pupil (5-years-old 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.

### **19-year-old students (and older)**

A district should count as enrolled any student that reaches 19-years-old on or before September 10 of the current school year. A 19-year-old student should be counted along with all other enrolled students for the grade to which the student is assigned. Additionally, count the 19-year-old in the “Other Enrollment” section of the MAEFAIRS enrollment forms. This applies to 19-year-old Special-Ed students as well. Districts do not receive ANB for 19-year-olds. 19-year-olds should not be reported as part-time, even if they are following a part-time schedule.

### **Alternative High School Programs or GED Preparatory Programs**

In order to be included in the enrollment count for ANB purposes, pupils in a district’s alternative high school program or GED-Prep program must be receiving organized instruction from certified staff and the program must be part of an accredited school of the district. Further, pupils must meet the definition of “enrolled student” in A.R.M. 10.15.101(24):

"Enrolled student" means a high school student assigned to receive organized instruction in an education program described in ARM 10.55.904 that is offered by a public school and can be applied towards the graduation requirements of ARM 10.55.905, or an elementary student assigned to receive organized instruction in an education program described in ARM 10.55.901 through 10.55.903, or an elementary or high school student in a course of instruction agreed to in an individualized education program.

Note that the definition requires that the education program can be applied towards graduation requirements, so a pupil in an alternative or GED-Prep program must be receiving credit towards graduation in order to be counted as enrolled for ANB purposes.

### **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 school 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.

## School District Audits for FY2005-06

### **“10-Day Rule”**

A district may count an enrolled student who is absent on the official count date, but only if the count-date-absence is less than the 11<sup>th</sup> consecutive absence (excused or unexcused) and the student is still enrolled in the district.

The commonly-called “10-day-rule” should not be used as a grace period to keep a student in enrolled status if the student has left the district. For example, do not use the “10-day-rule” to count a student when – within 10 days of the count date – the student:

- (a) has enrolled in another district,
- (b) has discontinued attendance pursuant to verbal or written notice given to the district,
- (c) is otherwise unable to continue in attendance due to death, detention, etc.
- (d) has had his/her records transferred to another school.

The “10-day-rule” should be applied only for the purposes of the official enrollment count dates (i.e., to determine which students can be counted 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 11<sup>th</sup> consecutive absence. Again, apply the “10-day-rule” only for the purposes of determining which students can be included in the count.

### **Montana Job Corps Students**

Under certain circumstances, a district may include Job Corps students in its ANB enrollment count. The district must enter into an interlocal cooperative agreement with a Montana Job Corps Program accredited by the Northwest Association of Accredited Schools, and all of the following requirements must be met:

#### *Requirements for ANB-eligibility of Job Corps Students:*

- The student must be enrolled in a public school in the student’s district of residence.
- Credits taken at the Job Corps Program require approval by the resident school district.
- Credits meet the resident district’s requirements for graduation at a school in the district.
- Credits must be taught by an instructor who has a current and appropriate Montana high school certification.
- Credits must be reported by the Job Corps Program to the student’s resident school district.

For more information on Job Corps and ANB, see Section 20-9-707, MCA.

## School District Audits for FY2005-06

### **Additional Enrollment Topics:**

OPI's "***Enrollment Instructions***" is available at the following link:

<http://www.opi.mt.gov/pdf/SchoolFinance/forms/EnrollHelp.pdf>

Questions about the MAEFAIRS enrollment reporting system can be directed to Nica Carte at 444-4401 ([ncarte@mt.gov](mailto:ncarte@mt.gov)).

## APPENDIX B - PUPIL TRANSPORTATION

### 1. HIGH SCHOOL RIDERSHIP

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. NOTE: The high school ridership count has been discontinued for FY04.

### 2. ELIGIBILITY FOR FUNDING

The following areas affect eligibility for 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 reimbursement claim for each TR-4 individual contract matches attendance records;
- c) Payees listed on the TR-5 reimbursement 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. STATE AND COUNTY REIMBURSEMENTS

OPI distributes state transportation reimbursements to districts through counties. OPI sends a semi-annual payment advice to districts that recaps the state and county shares of the reimbursement payment. Normally, state and county transportation reimbursements are equal amounts. Counties should have paid the district NO MORE THAN the amount shown on the payment advice. Some counties incorrectly pay the budgeted county reimbursement rather than the lower amount that was actually claimed, resulting in county overpayments.

Please verify the district received the correct county reimbursement and the amount was recorded correctly as county transportation revenue using revenue source code 2220. The state's share of the reimbursement should be reported separately as a state revenue source using revenue code 3210.

### 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
- c) The fund is used only for buses and bus remodeling. Policy allows the installation of video cameras as "remodeling" in this fund.
- d) 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 FY06**  
**Budgeting Non-Levy Revenues for the General Fund**

Use this worksheet to estimate General Fund Non-Levy (i.e., non-tax) resources for the FY2005-06 budget (20-9-141,MCA)

Rev Code	Description	Comments	FY2005-06 Budgeted Revenue Amount ELEM HS or K-12	
<b>"ACTUAL" -- The following revenues MUST BE anticipated on the budget form USING ACTUAL PRIOR YR receipts:</b>				
1130	Tax Title/Property Sales			
1510	Interest Earnings			
1800	Community Srvc. Activities			
1900	Other Revenue – District	(AKA "Miscellaneous")		
1910	Rentals – Building and Equip			
1920	Contributions/Donations	Not usually a gen. fund item		
1940	Textbook Sale/Rental			
1945	Resale of Supplies/Materials			
1950	Srvcs to Other Schools/Coops			
1960	Services to Other Govts			
1970	Services to Other Funds			
1981	Summer School Revenues			
3302	State PILT, FWP			
<b>Total "Actual"</b>				
<b>"ANTICIPATED" -- The following types SHOULD BE ESTIMATED using the best information available:</b>				
1123	Coal Gross Proceeds	Dept of Rev sends elig. dists an estimate in May		
3440	Property Tax Reimbursement (HB20 and SB417) (2 types existing before SB184)	By law, will be <u>10% lower than the 1998-99 amount each year</u> . Dept of Rev will send a total by district, which must be divided into fund-by-fund estimates (i.e., best estimate is 30% X actual FY 1998-99 total receipts of all funds).		
3444	School Block Grant HB 124	Must estimate using FY 2004-05 actual receipts		
3445	Combined Fund School Block Grant SB 424	The total combined school block grant must be allocated, at the trustees' discretion, among budgeted funds. The amount available for FY 2005-06 is the amount received in FY 2004-05 increased by 0.76%. OPI recommends allocating 0.00 to the General Fund, since allocating this source to the Gen Fund could reduce GTB.		
3460	MT Oil and Gas 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 Transfers-In	Use if you expect to close a fund to gen. fund, have receipts from closed or annexed school, etc.		
4800	Federal PILT	Rare		
<b>Total "Anticipated"</b>				
<b>"OTHER" -- The following types MAY BE estimated -- NOT RECOMMENDED due to ability to hold receipts as Excess Reserves:</b>				
1117	District-Prior Year Taxes	Allowed as excess reserves		
1118	Dist.-Dept of Rev Tax Audit	Allowed as excess reserves		
1190	Penalties and Int on Taxes	Allowed as excess reserves		
<b>Total "Other"</b>				
<b>Tuition Revenue Used to Fund the OverBASE Budget:</b>				
1310	Tuition from Individuals (If used to fund OverBASE budget)	For attendance in the budget yr		
1320	Tuition from In-State Schools (If used to fund OverBASE budget)	Usually, for attendance in the prior year. Includes tuition rec'd from another in-state district or the state/county.		
1330	Tuition from Out-of-State Schools (If used to fund OverBASE budget)	Usually, for attendance in the prior year. Includes tuition rec'd from an out-of-state district or another state.		
<b>Total "Tuition to Fund OverBASE"</b>				
			<b>TOTAL</b> (Enter on page 26 or 27, line 5)	

# 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
<b>District Payments to Host</b>			
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"> <li>Districts which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws.</li> <li>IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.</li> </ul>
District refunds unused IDEA grant	Reduce X15-XXX-62XX-930-XXX	Reduce X15-5700	<ul style="list-style-type: none"> <li>Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws.</li> <li>IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.</li> </ul>
<b>Host Payments to District:</b>			
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"> <li>Alert: Won't be counted for maintenance of effort, unless district spends on special ed.</li> </ul>
Host subgrants IDEA grant to district	X15-XXX-62XX-930-XXX ↑ Use Grant Program Number here.	X15-5700	<ul style="list-style-type: none"> <li>Districts which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws.</li> <li>IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.</li> </ul>

G:\sped\spedmatrix\_Interlocal.doc

Office of Public Instruction

06/06/01

# Common Transactions

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

Type of Activity	Cooperative Records:	Host Records:	Legal Considerations
<b>Host Payments to Coop</b>			
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"> <li>• Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws.</li> <li>• IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.</li> </ul>
Host refunds unused IDEA grant	Reduce 315-XXX-62XX-930-XXX	Reduce 315-5700-XXX	<ul style="list-style-type: none"> <li>• Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws.</li> <li>• IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.</li> </ul>
<b>Coop Payments to Host:</b>			
Coop sends non-federal funds to Host	382-280-21XX-3XX	X82-1950	<ul style="list-style-type: none"> <li>• Alert: This payment will be counted for maintenance of effort in the Coop and Host.</li> </ul>
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"> <li>• Coops which pass-through Federal moneys assume responsibilities of subgrantors under Fed laws.</li> <li>• IDEA and Reduced Class Size are the only Federal grants administered by OPI that allows districts to pass-through dollars.</li> </ul>

G:\sped\spedmatrix\_Interlocal.doc

Office of Public Instruction

06/06/01

## 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 _____	\$ _____
-------	--	----------

_____	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 _____	\$ _____
-------	--	----------

### 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>	\$ _____
-------	---	----------

### 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	\$ _____
-------	--	----------

### 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>	\$ _____
-------	---	----------


_____	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>	\$ _____
-------	--	----------

_____	Other: Describe _____ _____ _____	\$ _____
-------	---	----------

**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><b>DIRECTIONS</b>—Only a Prime Applicant should complete this form. Use a separate form for each project.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>4. The total amount of the cash advances requested for this project may be less, but not more, than the approved project budget.</li> <li>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).</li> <li>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.</li> </ol>		
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 FY05 TO FY06 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 MAEFAIRS user, this information is included on the General Fund Reserves tab. Paper submission of budget/trustees must be accompanied by a schedule of changes in excess reserves.

#### 2) Auditing Excess Reserves

Please verify the additions to excess reserves reported on the FY2006-07 budget are valid current year receipts of prior year FY06 and prior year excess 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, over levied mills may have caused an overpayment of GTB.

Notify Bonnie Maze at OPI (444-3249 or [bmaze@mt.gov](mailto:bmaze@mt.gov)) 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 2005-2006 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 2005 And 2006**

District	2005 Total Excess	2005 Budget Amendments	2006 Excess Used to	2006 Total Excess	
0003 Grant Elem	3,361.43	0.00	0.00	4,121.23	759.80
0014 Jackson Elem	0.00	0.00	0.00	1,094.63	1,094.63
0015 Reichle Elem	0.00	0.00	0.00	1,184.74	1,184.74
0056 Red Lodge Elem	16,289.07	0.00	0.00	37,142.20	20,853.13
0057 Red Lodge H S	16,866.49	0.00	0.00	25,269.96	8,403.47
0059 Bridger K-12 Schools	93,838.08	46,250.00	0.00	118,682.20	71,094.12
0076 Belfry K-12 Schools	111,936.28	107,708.00	0.00	17,510.89	13,282.61
0087 Ekalaka Elem	22,330.15	0.00	0.00	26,056.57	3,726.42
0113 Belt H S	0.00	0.00	0.00	3,926.90	3,926.90
0127 Vaughn Elem	3,109.09	0.00	0.00	7,944.54	4,835.45
0133 Fort Benton Elem	15,043.70	0.00	0.00	31,163.91	16,120.21
0134 Fort Benton H S	4,910.51	0.00	0.00	16,673.55	11,763.04
0172 Miles City Elem	0.00	0.00	0.00	2,798.43	2,798.43
0192 Custer County H S	13,456.13	0.00	0.00	39,285.56	25,829.43
0236 Anaconda Elem	0.00	0.00	0.00	78,519.30	78,519.30
0237 Anaconda H S	0.00	0.00	0.00	13,812.17	13,812.17
0282 Denton H S	0.00	0.00	0.00	1,679.02	1,679.02
0291 Winifred K-12 Schools	20,976.01	0.00	19,000.00	28,947.63	26,971.62
0402 Cut Bank Elem	0.00	0.00	0.00	100,188.78	100,188.78
0403 Cut Bank H S	0.00	0.00	0.00	57,773.13	57,773.13
0464 Stanford K-12 Schools	26,297.11	0.00	0.00	37,621.69	11,324.58
0469 Hobson K-12 Schools	137,284.98	0.00	0.00	154,376.02	17,091.04
0540 Twin Bridges K-12 Schools	130,385.08	0.00	0.00	149,526.70	19,141.62
0547 Circle Elem	162,599.41	0.00	37,054.23	150,000.00	24,454.82
0548 Circle H S	103,965.54	0.00	0.00	121,698.40	17,732.86
0566 Vida Elem	4,362.66	0.00	0.00	6,882.97	2,520.31
0569 White Sulphur Spgs Elem	141.91	0.00	141.91	11,256.82	11,256.82
0570 White Sulphur Spgs H S	17,038.92	0.00	17,038.92	5,498.65	5,498.65
0589 Potomac Elem	25,706.69	0.00	0.00	33,355.15	7,648.46
0590 Bonner Elem	26,730.62	0.00	0.00	30,853.18	4,122.56
0593 Target Range Elem	14,773.59	0.00	0.00	33,318.28	18,544.69
0594 Sunset Elem	1,201.28	0.00	0.00	2,969.40	1,768.12
0595 Clinton Elem	35,110.16	0.00	0.00	44,811.40	9,701.24
0599 Frenchtown K-12 Schools	219,588.82	0.00	0.00	266,940.28	47,351.46
0647 Dodson Elem	0.00	0.00	0.00	3,043.16	3,043.16
0648 Dodson H S	0.00	0.00	0.00	2,656.40	2,656.40
0657 Saco H S	66,015.97	0.00	0.00	67,240.58	1,224.61
0659 Malta K-12 Schools	85,668.59	0.00	70,000.00	82,782.44	67,113.85
0663 Whitewater K-12 Schools	0.00	0.00	0.00	31,640.18	31,640.18
0674 Conrad Elem	76,646.53	0.00	13,000.00	101,328.14	37,681.61
0675 Conrad H S	48,651.00	0.00	19,000.00	55,288.02	25,637.02
0705 Broadus Elem	456.58	0.00	0.00	3,366.33	2,909.75
0706 Powder River Co Dist H S	0.00	0.00	0.00	4,861.14	4,861.14
0745 Sidney Elem	25,023.01	0.00	0.00	32,171.82	7,148.81
0746 Sidney H S	17,412.89	0.00	0.00	22,192.11	4,779.22
0754 Rau Elem	1,619.50	0.00	0.00	2,353.87	734.37
0777 Culbertson Elem	59,131.87	0.00	0.00	59,408.20	276.33
0778 Culbertson H S	37,104.60	0.00	0.00	37,363.89	259.29



## Excess Reserve Changes Between 2005 And 2006

District	2005 Total Excess	2005 Budget Amendments	2006 Excess Used to	2006 Total Excess	
0790 Forsyth Elem	172,998.00	0.00	0.00	187,888.20	14,890.20
0791 Forsyth H S	126,148.00	0.00	0.00	139,660.00	13,512.00
0794 Rosebud Elem	15,958.96	0.00	0.00	19,443.48	3,484.52
0795 Rosebud H S	24,647.27	0.00	425.38	27,575.33	3,353.44
0828 Plentywood K-12 Schools	56,712.18	48,346.25	0.00	43,422.33	35,056.40
0842 Ramsay Elem	39,898.40	0.00	0.00	51,796.33	11,897.93
0850 Reed Point Elem	692.32	0.00	0.00	1,190.67	498.35
0851 Reed Point H S	994.19	0.00	0.00	1,641.55	647.36
0868 Melville Elem	6,991.76	0.00	0.00	7,368.94	377.18
0872 Greycliff Elem	27,480.71	0.00	0.00	28,171.29	690.58
0875 McLeod Elem	13,082.37	0.00	0.00	13,161.85	79.48
0883 Choteau Elem	42,000.00	0.00	42,000.00	38,200.00	38,200.00
0884 Choteau H S	31,000.00	0.00	31,000.00	25,800.00	25,800.00
0894 Power Elem	66,593.90	0.00	0.00	67,452.67	858.77
0895 Power H S	26,210.47	0.00	0.00	26,710.47	500.00
0935 Opheim K-12 Schools	15,207.24	0.00	15,207.24	15,143.05	15,143.05
1191 Gardiner H S	0.00	0.00	0.00	8,794.09	8,794.09
1203 Saco Elem	46,521.06	0.00	0.00	47,779.64	1,258.58
<b>Totals</b>	<b>2,358,171.08</b>	<b>202,304.25</b>	<b>263,867.68</b>	<b>2,919,780.45</b>	<b>1,027,781.30</b>

## APPENDIX I

### LIST OF COMMON AUDIT FINDINGS FY2005

<u>Finding Description</u>	<u>Count</u>	Documentation supporting expenditure	12
1099s not issued (payroll)	1		
21st Century Grant - All findings	1		
Accounting back-up/disaster recovery	1	<u>Finding Description</u>	<u>Count</u>
Accounting system	3	Drug Free School - All findings	1
Accounts outside County Treasurer's Office	2	Dual signature should be required	2
Accounts Payable-Expenditures recorded PY & CY	1	Eligibility	3
Accounts Payable-Short-term accounting	1	Employees paid before service performed	1
Application of Depreciation Suggested	1	Employees treated as subcontractors	1
Athletic event workers	1	Encumbrance accounting	4
Attendance-Present/Absent over/understated	7	Enrollment/ANB Over/understated	14
Audit guidelines not followed	4	Errors in withholding calculations	5
Bank account reconciliation/records	1	Expenditure coding	1
Bank reconciliations	2	Expenditure coding error	8
Bids per MCA	1	Expenditure without proper approval/documentation	15
Board meeting attendance	1	Expenditures paid wrong fund	2
Budget amended incorrectly/OPI not notified	1	Extracurricular accounting	5
Budget balances not on accounting system	1	Facsimile signature machine or stamp	1
Budget overexpended	20	FDIC coverage exceeded (\$100,000)	1
Budget to actual - Monitoring revenue	4	Fund used to cash employee personal checks	1
Bus depreciation tax levy	1	Funds not reported	2
Bus purchase not per MCA	1	Gen Long-term Debt Acct	1
Cash depositing-Not timely/intact	1	General Fixed Assets-Accounting for trade-ins	1
Cash overdraft-Non Federal	6	General Fixed Assets-Cap Policy not followed	3
Cash/Grant management (See 710,711)	9	General Fixed Assets-Inadequate Cap Policy	1
Clearing Account not reconciling to cash	1	General Fixed Assets-Inadequate/not documented	10
Closed meeting questioned	1	General Fixed Assets-Not recorded	5
Club required to maintain proper account	1	Governmental Body control circumvented	1
Comp time records	1	Grants with prior period balance not reported	1
Compensated Absences accounting	7	Housing benefits not taxed as wages	1
Computer security-Password/Logons/Policies	2	IDEA Part B - All findings	5
Computer/manual system not adequate	3	Impact Aid (PL 874) - All findings	7
Contracted Services	1	Inadequate segregation of duties	57
Contracts incomplete/nonspecific	1	Interest income not allocated per AGO	1
Cost allocation between districts	6	Internal control - Office efficiency	4
Credit card charges internal control	1	Inventory accounting - supplies/lunch	2
Deferred Revenue accounting	6	Investments - All findings	1
Deficit fund balance	5	Journal Voucher entries	11
Deposits not deposited intact/timely	5	Lease agreements not per MCA	1
District expense paid/loaned from Activity Fund	2	Lease Rental Fund > \$10,000	1
District Expenses paid from Activity Fund	2	Lunch/Summer reconciliation	1

MD&A inadequate, errors, or missing	3
Mileage rate not = rate in 2-18-503	2
<u>Finding Description</u>	<u>Count</u>
Minutes book documentation/not signed	1
Miscellaneous fund reconciliation	1
Missing/incomplete payroll records	3
Negative balance - Activity account overdrawn	2
No Board approval on claims/in minutes	1
No comments	82
Not reported on Trustee's Financial Summary	2
Over budgeting-budget materially > actual	8
Payroll and related internal control	5
Payroll benefits in excess of contract	1
Payroll not based on actual hours worked	2
Payroll/claims not reported/recorded	1
Payrolls reconciled	6
PERS per MCA	1
Personnel files missing/incomplete/wrong	1
Petty Cash accounting	1
Prepaid expense accounting	1
Preschool IDEA - All findings	2
Procedures to handle fund/acquire MASBO	1
Questioned costs	5
Receipt procedures/ticket collections	12
Reconciliation to County Treasurer	12
Refunds due to OPI/Grantor	1
Report(s) missing documentation	1
Revenue coding error	4

Revenue not posted correctly	2
Safeguarding procedures not followed	1
<u>Finding Description</u>	<u>Count</u>
Sale of bond proceeds accounting	1
School Lunch - All findings	2
Segregation of duties	8
State Transportation-Eligible riders over/understated	1
Summer Food - All findings	1
Taxes receivable over/understated	4
TFS not in balance with accounting records	1
Time cards/overtime not approved	4
Title I - All findings	9
Title II - All findings	2
Travel claim documentation	1
Travel policy	1
TRS coverage - Substitutes not paid	1
Trustees submitted report -- Timely/Error	7
Uninsured cash - Exceeds FDIC	1
Unrecorded liability	7
Vacation and sick leave per MCA	4
Vacation sick leave documentation	1
Voided warrants not marred	1
W-4s payroll	2
Warrant sequence/Independent verification	1
Warrants - Outstanding > 1 year	1
Warrants issued prior to receipt of goods	5
Warrants-O/S detail < >Clearing account	1
Year-end accounting procedures not GAAP	9
Year-end accruals	4
Year-end accruals/prior year recording	2

## 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
<b>Cash Request Submitted</b>			
(2 <sup>nd</sup> request or amendment)			
(3 <sup>rd</sup> request or amendment)			
(4 <sup>th</sup> 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?		

## **APPENDIX K**

### **Budget and Cash Transfers**

In addition to MCAs, ARM 10.10.320 provides guidance on Budget and Cash Transfers:

#### **A.R.M. 10.10.320: CASH AND BUDGET TRANSFERS BETWEEN SCHOOL DISTRICT FUNDS**

- (1) Trustees may transfer cash between funds only if the transfer is specifically allowed by law or administrative rule.
- (2) Trustees shall hold a properly noticed hearing to accept public comment on a transfer before the transfer can occur, except the following cash transfers:
  - (a) transfers from the general fund to the compensated absences fund under 20-9-512, MCA, or transfer of an excess balance in the compensated absences fund to the general fund;
  - (b) transfers of unused employer contributions for self insurance group coverage allowed by 2-18-703, MCA;
  - (c) transfers from the general fund to the litigation reserve fund and, upon settlement of the litigation, a transfer returning the balance to the general fund under 20-9-515, MCA;
  - (d) transfers between the federal impact aid fund and the debt service fund under 20-9-437 and 20-9-443, MCA;
  - (e) transfers from any fund, except the miscellaneous programs fund, to support an interlocal agreement fund under 20-9-703, MCA;
  - (f) closure of district funds to establish a non-operating fund under 20-9-505, MCA; and
  - (g) transfers of any portion of the balance of a bus depreciation fund approved by the voters as provided in (4).
- (3) The trustees shall not transfer cash from the district retirement fund, which is funded by a countywide levy, to any other fund.
- (4) Pursuant to 20-10-147, MCA, when all the buses of a school district have been sold or otherwise disposed of, trustees may transfer any portion of the bus depreciation reserve fund balance to any other fund of the district contingent on voter approval.
- (5) Trustees shall not transfer any portion of the balance in the debt service fund to another fund, except to close the fund after fully paying all obligations as provided in 20-9-443, MCA.
- (6) Except for the general fund, retirement fund, debt service fund, and bus depreciation fund, trustees may transfer any portion of the cash balance in a budgeted fund to another budgeted fund for any purpose allowed by law, provided the money being transferred is comprised of revenue from sources other than tax receipts. Trustees may transfer tax revenues from one budgeted fund to another budgeted fund, provided the money is subsequently expended for purposes the same as, or directly related to, the purposes for which the taxes were levied. When tax receipts are transferred, the trustees' resolution shall state the purpose for which the taxes were levied and the purposes for which the funds will be used.
- (7) Trustees shall not transfer cash received through state and federal grants and contracts.
- (8) Trustees may transfer any portion of the cash balance in a nonbudgeted fund of the district. The trustees' resolution shall state specifically how the transfer will be used to improve efficiency of spending within the district.

A.R.M. 10.10.320: CASH AND BUDGET TRANSFERS BETWEEN SCHOOL DISTRICT FUNDS cont'd

- (9) Except when specifically provided by law, trustees may not transfer money between a budgeted fund and a nonbudgeted fund.
- (10) When the trustees transfer cash from one budgeted fund to another budgeted fund, the trustees may also transfer budget authority up to the amount of the cash transfer, from the paying fund to the receiving fund.
- (11) Within 30 days of approving the transfer, the trustees shall notify the state superintendent, county superintendent, and county treasurer in writing of the amount of budget authority and the amount of cash transferred, the purposes for which the amount transferred will be used, and the funds affected.

**APPENDIX L**  
**ATTORNEY GENERAL OPINION REGARDING TRANSFERS FROM**  
**THE BUS DEPRECIATION FUND**

VOLUME NO. 51 OPINION NO. 6

SCHOOL DISTRICTS - Procedures for transferring bus depreciation reserve funds;  
STATUTORY CONSTRUCTION - Construing specific legislative intent in relation  
to general intent;

MONTANA CODE ANNOTATED - Sections 1-2-102, 20-9-142, -201(1)(a), (3)(a), -  
208, (2), (a), (1), 20-10-147, (2), (4).

HELD: Before school district trustees may transfer any portion or all of the district's  
bus depreciation reserve fund to any other fund maintained by the  
district, the trustees must have sold all of the district's buses and  
submitted the proposed transfer to the electors of the district.

July 15, 2005

Ms. Linda McCulloch  
Superintendent  
Office of Public Instruction  
P.O. Box 202501  
Helena, MT 59620-2501

Dear Superintendent McCulloch:

You have requested my opinion regarding the interpretation and resolution of any  
conflict with respect to the following statutes: Mont. Code Ann. §§ 20-9-201(3)(a),  
20-9-208(2)(a) and 20-10-147(4). You have stated your question as follows:

May school district trustees transfer a portion or all of the cash balance  
from the district's bus depreciation reserve fund to another budgeted  
fund of the district under the provisions of Mont. Code Ann. § 20-9-  
208(2) or close the fund to any other fund of the district under Mont.  
Code Ann. § 20-9-201(3) regardless of whether the district has sold all  
its buses and submitted the proposition to voters under the conditions of  
Mont. Code Ann. § 20-10-147(4)?

The three laws in question all deal with the transfer of balances between funds by the  
trustees of a school district.

Mont. Code Ann. § 20-9-201(3)(a) states:

Except . . . as otherwise provided by law, whenever the trustees of a district determine that a fund is inactive and will no longer be used, the trustees shall close the fund by transferring all cash and other account balances to any fund considered appropriate by the trustees if the fund does not have a cash or fund balance deficit.

Mont. Code Ann. § 20-9-208(2)(a)(i) addresses the issue somewhat differently. It provides:

(2) Unless otherwise restricted by a specific provision in this title, transfers may be made between different funds . . . under one of the following circumstances:

(a) (i) . . . transfers may be made from one budgeted fund to another budgeted fund or between the final budget and a budget amendment for a budgeted fund whenever the trustees determine, in their discretion , that the transfer of funds is necessary to improve the efficiency of spending within the district or when an action of the trustees results in savings in one budgeted fund that can be put to more efficient use in another budgeted fund. Transfers may not be made with funds approved by the voters or with funds raised by a nonvoted levy unless the transfer is within or directly related to the purposes for which the funds were raised. Before a transfer can occur, the trustees shall hold a properly noticed hearing to accept public comment on the transfer.

The bus depreciation reserve fund is defined by statute as a “budgeted fund” and is a non-voted levy. Mont. Code Ann. §§ 20-9-201(1)(a), 20-10-147(2), 20-9-142.

In the third statute the legislature specifically addressed transfers from the bus depreciation reserve fund. Montana Code Annotated § 20-10-147(4) permits the transfer of some or all of the bus depreciation reserve fund to any other fund maintained by the district if the trustees first sell all of the district’s buses and then submit the proposed transfer to the voters:

Whenever the trustees of a district maintaining a bus depreciation reserve fund sell all of the district’s buses and consider it to be in the best interest of the district to transfer any portion or all of the bus depreciation reserve fund balance to any other fund maintained by the district, the trustees shall submit the proposition to the electors of the district.

An apparent conflict exists among the requirements and procedures set forth in these



three statutes. Montana Code Annotated § 20-9-201(3)(a) suggests that the trustees may close any fund and transfer the balance to any other fund if the trustees determine that the fund is inactive and will no longer be used. Montana Code Annotated § 20-9-208(2) states that the trustees may make transfers from one budgeted fund to another of non-levy funds only if the transfer is related to the purpose for which the funds were raised. And Mont. Code Ann. § 20-10-147 allows the transfer of bus depreciation reserve funds to any other fund of the district, but only after the trustees have first sold the buses and then submitted the proposed transfer to the voters for approval.

The conflict among these statutory sections is resolved through the application of a long-recognized principle of statutory construction that is codified in statute and explicated in our case law. This principle holds that “In the construction of a statute, the intention of the legislature is to be pursued if possible. When a general and particular provision are inconsistent, the latter is paramount to the former, so a particular intent will control a general one that is inconsistent with it.” Mont. Code Ann. § 1-2-102. Recently our Supreme Court commented on this precept as follows:

It is a well-settled rule of statutory construction that the specific prevails over the general. A particular statutory intent controls over a general one that is inconsistent with it. Mont. Code Ann. § 1-2-102. Further, when two statutes deal with a subject, one in general and comprehensive terms, and the other in minute and more definite terms, the more definite statute will prevail to the extent of any opposition between them.

State v Smith, 2005 MT 191, ¶ 17, 322 Mont. 206, 95 P.3d 137.

All three statutes in question address transfers from one fund to another by the trustees. But Mont. Code Ann. §§ 20-9-201(3)(a) and -208(2)(a) set forth general requirements for transfers between funds. Neither specifically addresses transfers from the bus depreciation reserve fund. Also significant is the qualification set forth by both statutes. The procedures of § 20-9-201(3)(a) are to be followed “[e]xcept . . . as otherwise provided by law.” Similarly, § 20-9-208 provides for procedures to be followed “[u]nless otherwise restricted by a specific provision in this title . . . .” These limitations clearly demonstrate an intent by the legislature to subject the general procedures defined by these two statutes to more specific requirements imposed elsewhere.

These more specific requirements are found in Mont. Code Ann. § 20-10-147. In this statute the legislature articulated the unique steps to be taken in fund transfers from a bus depreciation reserve fund. Accordingly, the provisions of Mont. Code Ann. § 20-10-147 must be applied when a transfer is made from a bus depreciation reserve fund and any conflict which arises between the language of Mont. Code Ann. §§ 20-9-

201(3)(a) and -208(2)(a) on the one hand and Mont. Code Ann. § 20-10-147 on the other must be resolved in favor of the more specific requirements of the latter.

It has been suggested that this analysis fails to accurately interpret Mont. Code Ann. § 20-10-147. The following proposition is advanced: that § 20-10-147 controls transfers from the bus depreciation reserve fund only when two conditions are met--the sale of all the buses of the district and the conclusion by the trustees that a transfer of funds is in the best interests of the district. When these two conditions are met, then the trustees may submit the proposition to the electors for approval. Until the two conditions are met, transfers may be made from the fund pursuant to Mont. Code Ann. §§ 20-9-201(3)(a) and/or 20-9-208(2)(a). School districts can therefore transfer some or all of the reserve fund to another budgeted fund without voter approval as long as the district has not sold all of its buses. This interpretation is, in my opinion, unworkable under the existing statutory structure and unsubstantiated by the legislative history of the statute.

Mont. Code Ann. § 20-9-208(2)(a) does allow for transfers from one fund to another but prohibits the transfer of “funds raised by a nonvoted levy unless the transfer is within or directly related to the purposes for which the funds were raised.” The bus depreciation fund is raised by a nonvoted levy. Mont. Code Ann. § 20-10-147. It is difficult to conceive of a fund to which bus reserve balances could be transferred that would be “within or directly related to the purpose for which the funds were raised,” namely the purchase and maintenance of buses.

An additional difficulty with the suggested interpretation is found in the legislative history. Prior to 1997, § 147 allowed transfer from the fund after voter approval if the trustees felt that it was in the best interests of the district. There was no requirement that the buses be sold. In 1997 Senator Toews introduced Senate Bill 244, “An Act allowing the transfer of a bus depreciation reserve fund balance *only when a school district sells all of its buses. . . .*” (Emphasis added.) Senator Toews testified before the Senate Education and Cultural Resources Committee on February 5, 1997 and stated that “Senate Bill 244 ensured the honesty of the trustees in managing the bus depreciation reserve fund; in order to use the reserve fund money, all the buses must be sold.” Committee member Senator Gage observed that “Senate Bill 244 said as long as the district had a bus, taking money from the reserve fund (even with a vote of the people) would not be an option.” Minutes of Senate Education and Cultural Resources Committee, February 5, 1997, at 4-6. The title of an act and proceedings from its legislative history are strong evidence of legislative intent. *Peretti v. State*, 238 Mont. 239, 245, 777 P.2d 329, 333 (1989) (title is presumed to reflect legislature’s intent in adopting statute).

The interpretation advanced above would make it easier for the trustees to make transfers from the fund if the two conditions set forth in Mont. Code Ann. § 20-10-

147 were not met. Yet it is clear that the purpose of Senate Bill 244 was to make it more difficult for the trustees to make transfers from the fund, not less difficult. Senate Bill 244 achieved this objective by requiring the sale of all of the district's buses before proposing a transfer from the bus depreciation fund. A construction that advances the legislative purpose is preferred over one that impedes it. Willoughby v. Loomis, 264 Mont. 44, 52, 869 P.2d 271, 276 (1994).

THEREFORE, IT IS MY OPINION:

Before school district trustees may transfer any portion or all of the district's bus depreciation reserve fund to any other fund maintained by the district, the trustees must have sold all of the district's buses and submitted the proposed transfer to the electors of the district.

Very truly yours,

MIKE McGRATH  
Attorney General

mm/cdt/jym

## **APPENDIX M**

### **OPI Publications**

School finance publications and forms are available at  
<http://www.opi.mt.gov/schoolfinance/forms.html>

## Enrollment

- Enrollment Reporting Instructions
- ANB Information
- Application for Additional ANB

## Budgeting

- Budget/ TFS Instructions (MAEFAIRS)
- Budget Amendment Packet
- FY06-07 General Fund Overview
- Basics of School Funding: Report to the 2005 Legislature
- Basics of School Funding: Report to the School Renewal Commission

## County Forms

- County Forms Information
- County Payments for Tuition (FP-7)
- County Treasurer Statement (FP-6a)
- FY06 Countywide School Funds (FP-6b)
- FY05 Countywide School Funds (FP-6b)
- Joint District Basic Data (FP-8a)
- Joint District Tax Levy Summary (FP-8b)
- County Transportation/Retirement Fund - Mill Levy Calculation Worksheet FY 2006-07 (FP-10a)
- County Transportation Block Grant Entitlement Report
- Certified Retirement GTB Subsidy Per Mill Per ANB

## Accounting

- School Accounting Manual
- Coding Payments between Districts & Coops
- Remittance Advice for Payments between Districts & Coops
- Preliminary Budget/TFS Worksheets
- List of Year End Encumbrances or Accruals Worksheet
- Final Budget Compared to Actual Expenditures Worksheet
- Interfund Transfers Spreadsheet
- Reconciling Cash to the County Treasurer
- Student Activity Fund Recap Spreadsheet

## Elections

- FY 2006 Elections Calendar
- Election Handbook
- OPI Memo Re: Voter ID Requirements (12/15/03)

## Attendance/Tuition

- FY2006 Tuition Rates
- Student Attendance Agreement Form (FP-14)
- Special Tuition Rates (FP-14A)

## Attendance Tuition cont.

- Tuition Report (FP-15)
- Summary of Montana's Tuition Laws

Taxation

Understanding Property Taxes

Grants

Annual Budget & Program Modification Request for Federal Programs

Cash Advance Request for State & Federal Grant Programs

Common Assurances for Federal Programs

ESEA Federal Programs Checklist - FY2005-06

Fiscal Closeout Report for State & Federal Grant Programs

Medicaid

CSCT

MAC

Other

2005 Legislative Session Summary of Legislation Related to K-12 Education

Independent Contractors Application

Records Retention Schedule

MASBO Student Activity Manual

**APPENDIX N**

**ARM 10.10.314**

SPECIAL ACCOUNTING PRACTICES [10.10.314](#)

10.10.314 INTERNAL SERVICE, ENTERPRISE, AND AGENCY FUNDS

(1) School districts may establish an internal service, enterprise, or agency fund if the intended purpose for which such fund will be used is approved by the superintendent of public instruction. These funds shall be operated and accounted for as nonbudgeted funds.

(2) If the purpose for which a district intends to establish one of these funds is approved, the superintendent of public instruction will provide the district guidance on the application of generally accepted accounting principles to that type of fund. If a district fails to comply with generally accepted accounting principles or with accounting policies established by the superintendent of public instruction, the superintendent may rescind approval to use the fund.

(3) Working capital needed to begin operations of an internal service fund may be derived from contributions of non-cash assets from other funds or an interfund loan from the general fund. Interfund loans must be repaid before the end of the fiscal year.

(4) The intended purpose of an internal service fund is to provide services within a district and to be self-supporting without accumulating a profit. For example, a district's centralized purchasing operation may be accounted for in an internal service fund. Total costs of the services being provided, such as the costs of supplies, operation and maintenance of machinery, salaries and benefits for personnel responsible for providing the services, etc., should be recouped through user charges.

(a) The fund balance of an internal service fund must be kept within a range sufficient to maintain the operation without accumulating excess resources. If the balance becomes too high, charges to the funds receiving the services should be reduced. Excess balances in an internal service fund are not available for other purposes and must not be transferred to other funds.

(b) Charges must be made to all funds that receive services. Charges to the user funds must be reasonably determined and must be paid within the budgets of the user funds in the year services were provided. Expenditures charged to the user funds must be supported by invoices. Charges must be supported by documentation of actual usage.