



OFFICE OF PUBLIC INSTRUCTION

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Linda McCulloch  
Superintendent

**DATE:** August 2004  
**TO:** Auditors of Montana School Districts  
**FROM:** Jim Oberembt  
Fiscal Officer Supervisor

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

**RE: SCHOOL DISTRICT AUDITS FOR FY 2003-04**

The purpose of this memo is to help you in your school district audits by answering some commonly asked questions and listing problems we need your assistance on. **Please call Jim Oberembt at 444-1257 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 FY02 to FY03 Budgets  
APPENDIX H Summary: Administrative Rules – Changes Effective FY03  
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 Request Regarding Transfers from the Bus Depreciation Fund  
APPENDIX M OPI Publications [http:// www.opi.state.mt.us/schoolfinance/forms.html](http://www.opi.state.mt.us/schoolfinance/forms.html)  
APPENDIX N List of Districts Requiring GASB 34 Audits for FY03

**WE REQUEST YOUR SPECIAL ATTENTION IN THESE AREAS DURING YOUR AUDITS FOR FY 2003-04:**

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

**2. RECORDS RETENTION SCHEDULE**

The official records retention schedule for schools ("Schedule No. 7") is available in hard copy or electronic form. If you need a hard copy, call Nica Carte at 444-4401. For an electronic copy, go to [http://sos.state.mt.us/css/RMB/Local\\_Forms.asp](http://sos.state.mt.us/css/RMB/Local_Forms.asp) and choose

## School District Audits for FY2003-04

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: Joan Anderson, OPI, Box 202501, Helena, MT 59620-2501, or fax to (406) 444-0509. This step is required by the standard audit contract. You can list multiple schools on one request. Please allow two weeks for response.

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

### 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 10.10.301 - APPENDIX F). However, payroll for teachers who work 100% in one school must be charged to that school. Proration of costs based on time is only appropriate when services are shared between elementary and high school.

### 6. REPORT COVERS

- a) If possible, please list the school district's common name (e.g., Cottonwood School).
- b) If 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.

### 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,

## School District Audits for FY2003-04

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 - 2002 EDITION

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

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.

#### 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?

## School District Audits for FY2003-04

### c) LATE A-133 AUDITS

If a school district spent more than \$500,000 in federal funds in FY2004, an A133 audit must be completed by March 31, 2005. 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,
2. provide a brief explanation why the March 31st due date can't be met, and
3. 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: 202-401-1823  
E-mail address: [pat.dever@ed.gov](mailto:pat.dever@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 FY03 and FY04 is due March 31, 2005.

### d) GRANT REPORTS INCORRECTLY FILED

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

### e) FREQUENT CASH OVERDRAFTS

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

Additionally, OPI offers an Excel spreadsheet to help clerks manage and reconcile grant cash. You can find this form on OPI's website. The direct address for the form is: <http://www.opi.state.mt.us/PDF/SchoolFinance/Acct/GrantProjRecapWkst.xls>.

### f) INDIRECT COST RECOVERIES

Please review the indirect cost rate application for FY04. School districts may take indirects

## School District Audits for FY2003-04

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

### 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.

## School District Audits for FY2003-04

### BUDGET

#### ITEMS TO CHECK WHEN AUDITING THE BUDGET

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

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

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

#### **11. FUND BALANCE AND EXCESS RESERVES IN GENERAL FUND**

(See APPENDIX G)

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

#### **13. 180 DAYS AND MINIMUM 1080 HOURS OF INSTRUCTION**

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

#### **14. BUDGETS**

##### **a) OVERDRAFTS**

State law requires individual districts to spend within adopted budget limits. Audits usually combine the elementary and high school general fund in one column. However, if either the elementary OR high school 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.

##### **b) VOTED AMOUNTS**

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

## School District Audits for FY2003-04

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

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

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

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 Mike Waterman at 444-4524 or Nica Carte at 444-4401.

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

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

### 18. **RETIREMENT FUND**

#### a) REASONABLENESS OF BUDGET AMOUNT/OVERBUDGETING

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

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

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

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

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

#### c) SOCIAL SECURITY

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

## School District Audits for FY2003-04

### ITEMS TO CHECK WHEN AUDITING TRUSTEES' FINANCIAL SUMMARY

#### **19. DEBT SERVICE FUND**

a) 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 original bond issue. The transferred money must be used for constructing, equipping or enlarging school buildings or purchasing land. (MCA 20-9-443 and A.R.M. 10.10.319 (3))

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

c) 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@state.mt.us](mailto:bmaze@state.mt.us), if you have questions.

#### **20. SPECIAL EDUCATION**

a) EXPENDITURE CODING (special education expenditure program 280)

i) Coding of expenditures on the Trustees' Financial Summary (TFS) affects many types of state and federal funding. Please pay special attention to special education expenditures coded using program code 280, since overstatement of expenditures in the special education area may result in state overpayment of state special education funding. Understatement of expenditures may result in inappropriate special education reversion (refund to state).

ii) Federal regulations require schools to maintain effort in special education programs. This means schools must spend the same amount of state and local funds this year as last year. OPI monitors maintenance of effort.

iii) Please write up miscodings, especially when miscoding is widespread. Amended TFS may be submitted up to December 20<sup>th</sup>.

b) RESOURCE TRANSFERS FROM COOP TO DISTRICT (See APPENDIX D)

Please verify that any resource transfer between a special education cooperative and a school district is recorded as listed in APPENDIX D.

#### **21. USDA DONATED COMMODITIES** (OPI will post on our website each August)

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

a) Commodities USED

i) Audit Report – Show commodities used as a revenue and expenditure in the school food fund on school district financial statements. Most districts use the material portion of commodities received during the year. Either report commodities used as federal assistance, or footnote the value of commodities received on the schedule of Federal financial assistance in the audit report.

ii) Trustees' Financial Summary – should ignore the commodities used.



## School District Audits for FY2003-04

- b) Commodities inventories are the property of the Office of Public Instruction until used and are reported in the audit report of that agency.
  - i) Audit Report – School districts' commodities inventories **should not be reported** as district property on the audit report of a school district.
  - ii) Trustees' Financial Summary – Commodities inventories should not be reported on the Trustees' Financial Summary.

### 22. TRUSTEES' FINANCIAL SUMMARY CHANGES

#### a) 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 next year's report.

#### b) 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.

#### c) PRIOR PERIOD ADJUSTMENTS

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

### 23. NON-LEVY REVENUES (See APPENDIX C)

a) OPI is able to ensure the general fund non-levy revenues reported on the Trustees' Financial Summary for one year are used in budgeting for the next year if required by law. However, we need auditors to check the validity of coding used for non-levy revenues reported for the general fund on the Trustees' Financial Summary. Please write up instances of improper coding of non-levy revenues in the general fund if discovered. Non-levy account numbers begin after revenue source 1118. Please refer to the School Accounting Manual and Budgeting Instructions for more specific definitions and information concerning non-levy revenues.

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

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

d) In budgeting for the general fund some general fund non-levy revenue sources must

## School District Audits for FY2003-04

be estimated while most are still budgeted using actual prior year receipts (see Appendix C for list).

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

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

b) By encumbering purchase orders, accruing expenditures, or writing year-end warrants for expenditures, districts use up the budget at year-end. When these items are canceled in the next year, the fund balance is restored by recording prior year revenue adjustments. There is motivation for districts to record accruals, warrants, and purchase orders they know will later be canceled; fund balance in excess of allowable operating reserves is thus "saved" from being reappropriated to fund the budget. If the lowered reappropriation caused increased levies and the district subsequently received an overpayment of GTB, the school must refund the overpayment to OPI.

### 25. TRANSFERS BETWEEN FUNDS (See Item 16 also)

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

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

## School District Audits for FY2003-04

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

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

c) Effective FY2001, if the trustees of a district determine that its tuition fund is inactive and will no longer be used, the trustees shall close the fund by transferring any cash and account balances to the district's miscellaneous programs fund if the tuition fund does not have a cash or fund balance deficit. (20-9-201, MCA) Also effective FY2001, the trustees shall close inactive funds to any appropriate fund providing there is not a cash or fund balance deficit. (A.R.M. 10.10.319)

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

### **26. TRANSPORTATION FUND (See APPENDIX B)**

#### a) PAYROLL CHARGES

Many schools charge a portion of the superintendent's and clerk's salary and benefits to the Transportation Fund. Please audit whether the portion of an administrator's payroll costs charged to 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, in keeping with ARM 10.10.303 (APPENDIX F).

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

#### b) VEHICLE PURCHASES - 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.

#### c) ACTIVITIES, ATHLETICS, AND EMPLOYEE TRAVEL

Costs of providing activities and athletic trips travel costs for employees must not be charged to the transportation fund. Again, shrinking budgets in general funds cause motivation to move these costs to other funds. We request your increased audit scrutiny.

### **27. MONTHLY RECONCILEMENTS/ BUDGET REPORTS**

## School District Audits for FY2003-04

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

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

### **28. COMPENSATED ABSENCES LIABILITY FUND (CALF) TRANSFER**

a) Please refer to Section 5-1350 and 6-0200 of the School Accounting Manual for instructions on how to calculate the maximum balance and transfer that may be made from the general fund. The compensated absences fund limit at the end of 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.

b) The FY04 operating transfer from the General Fund to the CALF must be made within the FY04 general fund budget.

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

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

e) Excess balances in the CALF must be transferred back to the general fund. The transfer should be made during closing. (ARM 10.10.312) An excess balance in the CALF at year-end means the general fund was shorted by the excess amount in budgeting for the next year. The possible effects include: 1) 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.

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

### **29. STUDENT EXTRACURRICULAR FUND (84)**

The Student Activity Fund Accounting Manual is the authoritative source for accounting for student activity funds. You can request this manual from Lynda Brannon, Executive Director, Montana Association of School Business Officials (MASBO), One South Montana Avenue, Helena, MT 59601, (406) 442-5599 or download from the MASBO website at <http://www.masbo.com/Student%20Activity.PDF>. Please verify the schools you audit have

## School District Audits for FY2003-04

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

### 30. INTERNAL SERVICE FUNDS (73-79)

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

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

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

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

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

**Thanks for your assistance!!**

cc: Local Government Services Audit Division

**APPENDIX A  
ENROLLMENT / ANB AND ATTENDANCE**

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

**1. GENERAL INFORMATION**

- a) ANB funded in FY 2003-04 is calculated using an average of the enrollments on the first Monday in October, 2003, and February 2, 2004.
- b) When students are enrolled from out-of-district, they are counted for ANB and funded at the district where they attend.
- c) Students attending a special education cooperative are counted as enrolled in their regular district, which receives the ANB funding for them. Cooperatives do not report enrollments.
- d) Preschool enrollment is collected for statistical reports to the U.S. Department of Education. Preschool is not counted in ANB and is not funded by the state.
- e) Kindergarten pupils are reported as one enrolled student on the enrollment reports. When calculating ANB, OPI counts each kindergarten pupil as one-half ANB, as long as the pupil meets the hour requirement in (g) below.
- f) A pupil should not be counted as enrolled if the pupil has been absent (with or without excuse) more than 10 consecutive days unless the pupil resumes attendance by the day the enrollment count was made. Districts must drop kids from enrollment immediately when the student withdraws from school or is enrolled in another district. If the school has not received any indication the absent student has likely withdrawn, the district can consider an absent student enrolled on the count date if the student was in attendance for any length of time during the 10 school days before the count date.
- g) If a student is enrolled less than full-time, the district must include the student on the enrollment reports as enrolled AND as "part-time."
  - For Enrollment counted in October and February, part time and full time are judged on hours per year, as follows:

## School District Audits for FY2003-04

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

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

### 2. AUDITING ANB/ENROLLMENT

Please verify the accuracy of the October and February enrollment counts and accompanying information reported to OPI. For example, for your audit of FY 2003-04, please verify the enrollment reports for October 2003 and February 2004. The ANB calculation is done by OPI and does not require additional verification by auditors. The attendance report is considered part of the enrollment report and is necessary to audit. Attendance (present and absent) data drives the state's funding from several Federal programs. If you discover problems with enrollment or attendance reporting, please have the district file amended enrollment reports as soon as possible. You are welcome to contact OPI for a copy of reports. Contact Tal Redpath at 444-3024 or [redpath@state.mt.us](mailto:redpath@state.mt.us).

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

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

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

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

**School District Audits for FY2003-04**

Supplemental Schedule  
 School District Number 2  
 Yellowstone County  
 Billings, Montana

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

SCHEDULE OF ENROLLMENT  
 For the Year Ended June 30, 2004

<u>Fall Enrollment – October, 2003</u>	<u>Per Enrollment</u>	<u>Audit Per</u>	<u>Difference</u>
<u>Elementary School District</u>	<u>Reports</u>	<u>District Records</u>	
PreK - 8:			
(a) Pre-Kindergarten	88	88	0
(b) Kindergarten (enrolled 180+ hours per year)	1,062	1,062	0
(c) Kindergarten (enrolled <180 hours per year)	6	6	0
(d) Grades 1-6 (enrolled 360+ hours per year)	6,608	6,607	-1
(e) Grades 1-6 (enrolled 180-359 hours per year)	0	1	+1
(f) Grades 1-6 (enrolled <180 hours per year)	2	2	0
(g) Grades 7-8 (enrolled 360+ hours per year)	2,432	2,430	-2
(h) Grades 7-8 (enrolled 180-359 hours per year)	3	3	0
(i) Grades 7-8 (enrolled <180 hours per year)	<u>2</u>	<u>2</u>	<u>0</u>
(j) Total Elementary (add lines <b>a thru i</b> )	10,203	10,201	-2
<b>High School District 9-12:</b>			
(k) Grades 9-12 (enrolled 360+ hours per year)	5,562	5,557	-5
(l) Grades 9-12 (enrolled 180-359 hours per year)	34	36	+2
(m) Grades 9-12 (enrolled <180 hours per year)	<u>2</u>	<u>2</u>	<u>0</u>
(n) Total High School (add lines <b>k thru m</b> )	5,598	5,595	-3
(o) 19 Year-olds included on line <b>k</b>	22	23	+1
(p) Job Corps students included on lines <b>k thru m</b>	1	1	0
<u>Spring Enrollment – February, 2004</u>			
<u>Elementary School District</u>			
PreK - 8:			
(q) Pre-Kindergarten	102	102	0
(r) Kindergarten (enrolled 180+ hours per year)	1,074	1,074	0
(s) Kindergarten (enrolled <180 hours per year)	5	5	0
(t) Grades 1-6 (enrolled 360+ hours per year)	6,631	6,625	-6
(u) Grades 1-6 (enrolled 180-359 hours per year)	1	1	0
(v) Grades 1-6 (enrolled <180 hours per year)	2	2	0
(w) Grades 7-8 (enrolled 360+ hours per year)	2,409	2,399	-10
(x) Grades 7-8 (enrolled 180-359 hours per year)	4	5	+1
(y) Grades 7-8 (enrolled <180 hours per year)	<u>4</u>	<u>6</u>	<u>+2</u>
(z) Total Elementary (add lines <b>q thru y</b> )	10,232	10,219	-13
<b>High School District 9-12:</b>			
(aa) Grades 9-12 (enrolled 360+ hours per year)	5,389	5,389	0
(bb) Grades 9-12 (enrolled 180-359 hours per year)	42	43	+1
(cc) Grades 9-12 (enrolled <180 hours per year)	<u>2</u>	<u>2</u>	<u>0</u>
(dd) Total High School (add lines <b>aa thru cc</b> )	5,433	5,434	+1
(ee) 19 Year-olds included on line <b>aa</b>	16	17	+1
(ff) Early Graduates	15	14	-1
(gg) Job Corps students included on lines <b>aa thru cc</b>	2	2	0



**School District Audits for FY2003-04**

Supplemental Schedule  
 School District Number 2  
 Yellowstone County  
 Billings, Montana

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

**SCHEDULE OF ATTENDANCE AND ABSENCE**  
 For the Year Ended June 30, 2004

	<u>Per Attendance Area of Enrollment Report</u>	<u>Audit Per District Records</u>	<u>Difference</u>
<b><u>Fall Attendance – October, 2003</u></b>			
<b>Elementary School District</b>			
PreK-8:			
Pre-Kindergarten – number in attendance	82.00	82.00	0.00
Pre-Kindergarten – number absent	6.00	6.00	0.00
Kindergarten – number in attendance	1,019.00	1,015.00	-4.00
Kindergarten – number absent	49.00	53.00	+4.00
Grades 1-8 – number in attendance	8,686.00	8,684.00	-2.00
Grades 1-8 – number absent	<u>361.00</u>	<u>361.00</u>	<u>0.00</u>
Total	10,203.00	10,201.00	-2.00
<b>High School District</b>			
9-12:			
Grades 9-12 – number in attendance	5,241.00	5,242.00	+1.00
Grades 9-12 – number absent	<u>357.00</u>	<u>353.00</u>	<u>-4.00</u>
Total	5,598.00	5,595.00	-3.00
<b><u>Spring Attendance - February, 2004</u></b>			
<b>Elementary School District</b>			
PreK-8:			
Pre-Kindergarten – number in attendance	95.00	85.00	-10.00
Pre-Kindergarten – number absent	7.00	17.00	+10.00
Kindergarten – number in attendance	1,009.00	1,009.00	0.00
Kindergarten – number absent	70.00	70.00	0.00
Grades 1-8 – number in attendance	8,584.50	8,567.50	-17.00
Grades 1-8 – number absent	<u>466.50</u>	<u>470.50</u>	<u>+4.00</u>
Total	10,232.00	10,219.00	-13.00
<b>High School District</b>			
9-12:			
Grades 9-12 – number in attendance	4,845.00	4,845.00	0.00
Grades 9-12 – number absent	<u>588.00</u>	<u>589.00</u>	<u>+1.00</u>
Total	5,433.00	5,434.00	+1.00



Spring Enrollment Summary By District  
February 2, 2004 Enrollment

County: 56 Yellowstone  
District: 0965 Billings Elem

School Year: 2003-04  
Budget Unit: E1 M1

**TOTAL ENROLLMENT BY GRADE - DISTRICT**

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

**ATTENDANCE - DISTRICT**

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

\* Average Daily Attendance (ADA) for grades 1-12 is calculated by averaging the number of students 'present' on the Fall and Spring count dates. Pre-K and Kindergarten students 'present' are divided by two, then averaged. [A.R.M. 10.15.101(3)]



Spring Enrollment Summary By District  
February 2, 2004 Enrollment

County: 56 Yellowstone  
District: 0965 Billings Elem

School Year: 2003-04  
Budget Unit: E1 M1

**PARTTIME STUDENTS - DISTRICT**

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

**FY2004-05 PRELIMINARY ANB & DSA**

Budget Unit	Preliminary ANB	Basic Entitlement	Per ANB Entitlement	Direct State Aid
E1	7,432	\$14,894.25	\$28,573,378.40	\$12,778,957.87
M1	2,517	\$55,161.50	\$12,673,065.50	\$5,689,517.47
<b>Total</b>	9,949	\$70,055.75	\$41,246,443.90	\$18,468,475.34



Spring Enrollment Summary By District  
February 2, 2004 Enrollment

County: 56 Yellowstone  
District: 0966 Billings H S

School Year: 2003-04  
Budget Unit: H1

**SCHOOLS IN THIS DISTRICT**

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

**TOTAL ENROLLMENT BY GRADE - DISTRICT**

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

Students who turned 19 on or before September 10, 2003 are included in total enrollment by grade.

**ATTENDANCE - DISTRICT**

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

\* Average Daily Attendance (ADA) for grades 1-12 is calculated by averaging the number of students 'present' on the Fall and Spring count dates. Pre-K and Kindergarten students 'present' are divided by two, then averaged. [A.R.M. 10.15.101(3)]

**PARTTIME STUDENTS - DISTRICT**

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

Students who turned 19 on or before September 10, 2003 are not included in part-time enrollment.

Spring Enrollment Summary By District  
February 2, 2004 Enrollment

**County: 56 Yellowstone**  
**District: 096 Billings H S**

**School Year: 2003-04**  
**Budget Unit: H1**

**OTHER ENROLLMENT - DISTRICT**

Enrollment		Fall	Spring
19 Year Olds	H1	22	16
Early Graduates	H1	N/A	15
Job Corps	H1	1	2

**FY2004-05 PRELIMINARY ANB & DSA**

Budget	Preliminary	Basic Entitlement	Per ANB Entitlement	Direct State Aid
H1	5,697	\$220,646.00	\$28,482,435.50	\$12,830,277.43
<b>Total</b>	5,697	\$220,646.00	\$28,482,435.50	\$12,830,277.43



**OFFICE OF PUBLIC INSTRUCTION**

PO BOX 202501  
 HELENA MT 59620-2501  
 www.opi.state.mt.us  
 (406) 444-3680

Linda McCulloch  
 Superintendent

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

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

October 3, 2003

**TO: School District Officials**

**FROM: Tal Redpath, OPI Enrollment Specialist**

**RE: ENROLLMENT & ANB**

This is an annual reminder of important enrollment and ANB issues. You may use it for reference when conducting student counts on this year's official count dates of Monday, October 6, 2003 and Monday, February 2, 2004.

**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 (0-179 Hours)	Yes	Yes	No
Kindergarten (180+ Hours)	Yes	No	Yes (half)
Grades 1-12 (0-179 Hours)	Yes	Yes	No
Grades 1-12 (180-359 Hours)	Yes	Yes	Yes (half)
Grades 1-12 (360+ Hours)	Yes	No	Yes (full)
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 180 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-half ANB. This student would be reported as an enrolled 12<sup>th</sup>-grader, but also as a “part-time” student under the category “180-359 hrs/yr.” Districts should set part-time enrollment policies with hours of *pupil instruction time* in mind.

### **Part-time Student Example**

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

Assume that Bobby Q. Public is enrolled as a 5<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
Hours per Day	3 hrs/day	1 hr/day	
Total Semester Hours	270	90	360
Total Annual Hours / current program	<u>540</u>	<u>180</u>	

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

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

### **Attendance**

In general, absence of an enrolled student on the count date does not affect the enrolled status of the student. The exception would be if the count date were the 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].

### **Attendance (cont'd)**

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

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

To be eligible for ANB, a Kindergarten student that 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.

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

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

A district should include students that reached 19-years-old on or before September 10 of the current school year, in the regular grade line in which the student is enrolled. Also include the 19-year-old in the attendance and "Other Enrollment" sections of the OPI 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 in 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 student cannot be included in ABE counts. Further, the enrolled high school student cannot be served using Federal ABE funds. Separate record keeping of program costs relating to the ABE students and regularly enrolled high school students is very important.

### **“10-Day Rule”**

A district may 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 Schools and

Colleges, 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 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.

**High School Graduates**

Beginning with the Fall count of October 6, 2003, prior year high school graduates will no longer be reported via the MAEFAIRS enrollment program. Instead, prior year graduates are reported via the Annual Data Collection (ADC).

**Required Disaggregation of Pupil Attendance is Coming Soon!**

For purposes of measuring AYP (adequate yearly progress) for NCLB, Montana will use student attendance (present/absent) as the additional academic indicator for elementary and middle schools. This will require that attendance data be disaggregated. "Disaggregation" means to separate a whole into parts. Districts with elementary and/or middle schools will be required to disaggregate and report present/absent data using the following subgroups: gender, race/ethnicity, free/reduced price participation, limited English proficiency status, special education eligibility status, and migrant status.

The mechanism for reporting disaggregated attendance data to OPI has not been determined yet; however, districts should begin preparing internal data collection methods that will allow compliance with the upcoming reporting requirements. More information will be available soon.

**Additional Enrollment Topics:**

More enrollment topics and step-by-step MAEFAIRS enrollment reporting procedures can be found in OPI's "***Enrollment Instructions***," available at the following Internet location:

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

cc: County Superintendents  
Eric Feaver (MEA-MFT)  
Darrell Rud (SAM)  
Lance Melton (MSBA)  
Lynda Brannon (MASBO)  
Auditors

## 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 to state transportation funding. Please check:

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

### 3. COUNTY REIMBURSEMENT

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

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

### 4. BUS DEPRECIATION FUND

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

- a) The bus depreciation fund levy does not exceed 20% of the cost of the bus and up to 150% over time;
- b) The costs of the buses are accurately shown on the budget form;
- c) The fund is used for replacement of existing buses. The fund can purchase additional yellow school buses effective 7/1/99 due to legislative change. Additional activities buses cannot be purchased using the fund; the general fund or extracurricular fund must be

- used to purchase activity buses; and
- d) The fund is used only for buses and bus remodeling. Policy allows the installation of video cameras as "remodeling" in this fund.
- e) 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.

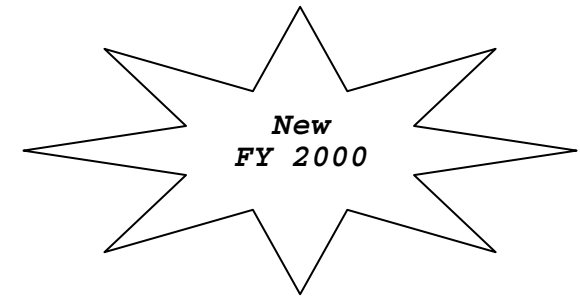
**APPENDIX C - NON-LEVY REVENUES  
FOR FY03**

**Budgeting Non-Levy Revenues for the General Fund**

Use this worksheet to estimate General Fund Non-Levy (i.e., non-tax) resources for the FY2003-04 budget (20-9-141,MCA)

Revenue Code	Description	Comments	FY2003-04 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 Svc. 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			
3444	School Block Grant (HB124) -- OPI will distribute 70% in November, 30% in May.	Must estimate using FY 2001-02 actual receipts (in each fund), increased by 0.76%.		
<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 60% X actual FY 1998-99 total receipts of all funds).		
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		

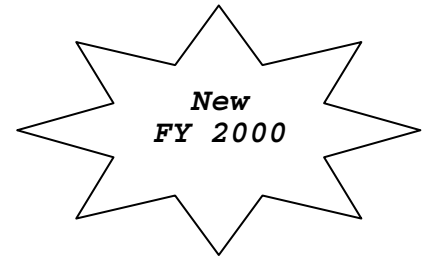
1320	Tuition from In-State Schools (If used to fund OverBASE budget)	Usually, for attendance in the prior year. Includes tuition rec'd from another in-state district or the state/county.		
1330	Tuition from Out-of-State Schools (If used to fund OverBASE budget)	Usually, for attendance in the prior year. 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>



**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>

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

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

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

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

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

## APPENDIX E - CASH ADVANCE REQUEST FORM

	Linda McCulloch, Superintendent Office of Public Instruction Accounting Division PO Box 202501 Helena, Montana 59620-2501	<h3 style="margin: 0;">Cash Advance Request for State and Federal Grant Programs</h3>
<p><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 FY03 TO FY04 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 FY2004-05 budget are valid current year receipts of prior year protested/delinquent taxes or tax audits.

#### 3) Other Information

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

#### 4) Invalid Excess Reserves

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

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

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

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

## APPENDIX G

### LIST OF DISTRICTS WITH EXCESS RESERVES ON FY 2002-2003 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 2002 And 2003

<u>District</u>	<u>2002 Total Excess Reserves</u>	<u>2002 Budget Amendment</u>	<u>2003 Excess Used To Bypass Base</u>	<u>2003 Total Excess Reserves</u>	
Alder Elementary	167.54	0.00	167.54	167.54	167.54
Amsterdam Elementary	945.33	0.00	0.00	0.00	-945.33
Augusta Elementary	40,640.37	0.00	0.00	40,640.37	0.00
Augusta High School	36,728.62	0.00	0.00	0.00	-36,728.62
Avon Elementary	1,509.37	0.00	0.00	309.67	-1,199.70
Baker K-12 Schools	9,303.67	0.00	0.00	16,705.83	7,402.16
Basin Elementary	57,071.53	0.00	0.00	57,199.65	128.12
Belfry K-12 Schools	54,370.79	0.00	25,000.00	32,808.05	3,437.26
Belgrade Elementary	10,000.00	0.00	0.00	0.00	-10,000.00
Belgrade High School	7,000.00	0.00	0.00	0.00	-7,000.00
Big Sandy Elementary	1,465.43	0.00	0.00	2,515.10	1,049.67
Big Sandy High School	7,697.13	0.00	0.00	8,628.53	931.40
Big Timber Elementary	10,724.94	0.00	0.00	2,595.01	-8,129.93
Bigfork Elementary	5,971.73	0.00	0.00	12,125.36	6,153.63
Bigfork High School	4,781.49	0.00	0.00	1,427.58	-3,353.91
Blue Sky K-12 Schools	82,188.99	0.00	0.00	84,668.79	2,479.80
Bonner Elementary	83,218.57	0.00	0.00	83,218.57	0.00
Boulder Elementary	48,664.76	0.00	0.00	42,488.82	-6,175.94
Boyd Elementary	1,444.89	0.00	0.00	710.35	-734.54
Brady K-12 Schools	0.00	0.00	0.00	1,194.18	1,194.18
Bridger K-12 Schools	41,897.35	0.00	0.00	58,354.19	16,456.84
Broadus Elementary	21,147.04	0.00	17,848.00	5,950.28	2,651.24
Broadview Elementary	69,015.59	0.00	0.00	69,231.95	216.36
Broadview High School	59,477.09	0.00	0.00	59,660.74	183.65
Butte Elementary	192,980.87	0.00	192,980.87	0.00	0.00
Butte High School	112,426.64	0.00	112,426.64	0.00	0.00
Carter County High School	27,938.16	0.00	0.00	28,040.82	102.66
Chinook High School	160,306.55	0.00	110,500.00	0.00	-49,806.55
Choteau Elementary	21,000.00	0.00	21,000.00	21,000.00	21,000.00
Choteau High School	20,000.00	0.00	20,000.00	19,800.00	19,800.00
Circle Elementary	103,614.12	0.00	0.00	118,719.49	15,105.37
Circle High School	61,598.33	0.00	0.00	74,540.62	12,942.29
Clancy Elementary	17,366.11	0.00	0.00	0.00	-17,366.11
Clinton Elementary	28,125.37	0.00	0.00	43,333.98	15,208.61
Columbia Falls Elementary	171,570.90	0.00	171,570.90	0.00	0.00
Columbia Falls High School	38,140.49	0.00	38,140.49	0.00	0.00
Conrad Elementary	49,036.70	0.00	26,686.19	70,306.34	47,955.83
Conrad High School	27,941.68	0.00	27,941.68	45,416.10	45,416.10
Culbertson Elementary	56,941.95	0.00	0.00	57,822.50	880.55
Culbertson High School	36,605.72	0.00	0.00	37,300.53	694.81
Darby K-12 Schools	84,250.18	0.00	0.00	72,428.67	-11,821.51
Dawson High School	37,058.92	0.00	0.00	0.00	-37,058.92
DeSmet Elementary	25,699.19	0.00	0.00	49,352.47	23,653.28
Dodson Elementary	7,307.98	0.00	7,307.98	0.00	0.00
Dodson High School	5,450.77	0.00	966.91	5,450.77	966.91
Drummond Elementary	34,447.85	0.00	0.00	34,447.85	0.00
Drummond High School	19,143.07	0.00	0.00	19,143.07	0.00
Dutton K-12 Schools	43,971.09	10,000.00	10,000.00	33,971.09	10,000.00
Ekalaka Elementary	8,525.25	0.00	0.00	17,952.06	9,426.81
Ennis K-12 Schools	96,021.93	0.00	0.00	569,443.51	473,421.58
Eureka Elementary	107,547.63	0.00	45,507.40	55,680.85	-6,359.38
Fairfield Elementary	16,000.00	0.00	16,000.00	1,485.50	1,485.50
Fairfield High School	7,081.38	0.00	0.00	0.00	-7,081.38
Fergus High School	4,336.98	0.00	0.00	0.00	-4,336.98
Florence-Carlton K-12	7,209.30	0.00	0.00	2,292.28	-4,917.02
Forsyth Elementary	130,130.00	0.00	0.00	143,340.00	13,210.00
Forsyth High School	95,444.00	0.00	0.00	105,300.00	9,856.00
Fort Benton Elementary	4,640.61	0.00	0.00	7,135.50	2,494.89

<u>District</u>	<u>2002 Total Excess Reserves</u>	<u>2002 Budget Amendment</u>	<u>2003 Excess Used To Bypass Base</u>	<u>2003 Total Excess Reserves</u>	
Fort Benton High School	2,956.55	0.00	0.00	4,934.50	1,977.95
Frenchtown K-12 Schools	126,073.53	0.00	0.00	142,461.92	16,388.39
Fromberg Elementary	911.37	0.00	0.00	1,895.88	984.51
Garrison Elementary	0.00	0.00	0.00	79.24	79.24
Geyser Elementary	31,343.47	0.00	0.00	31,568.31	224.84
Geyser High School	22,833.00	0.00	0.00	20,224.91	-2,608.09
Glasgow K-12 Schools	24,703.19	0.00	0.00	29,885.23	5,182.04
Glendive Elementary	57,665.00	0.00	0.00	0.00	-57,665.00
Greycliff Elementary	18,260.64	0.00	0.00	19,958.88	1,698.24
Hardin High School	2,387.72	0.00	0.00	292.98	-2,094.74
Harlowton High School	1,137.83	0.00	0.00	0.00	-1,137.83
Harrison K-12 Schools	0.00	0.00	0.00	3,918.15	3,918.15
Helmville Elementary	0.00	0.00	0.00	143.85	143.85
Hobson K-12 Schools	101,097.38	0.00	0.00	113,247.30	12,149.92
Jackson Elementary	540.50	0.00	500.00	881.42	840.92
Jefferson High School	278,214.81	0.00	0.00	202,240.60	-75,974.21
LaMotte Elementary	0.00	0.00	0.00	1,285.11	1,285.11
Landusky Elementary	0.00	0.00	0.00	4.61	4.61
Lavina K-12 Schools	13,614.63	0.00	0.00	10,774.15	-2,840.48
Lenep Elementary	0.00	0.00	0.00	101.46	101.46
Lewistown Elementary	9,051.63	0.00	0.00	0.00	-9,051.63
Libby K-12 Schools	37,878.82	0.00	0.00	38,433.63	554.81
Lima K-12 Schools	11,915.97	0.00	0.00	11,128.36	-787.61
Lincoln County High School	15,063.99	0.00	0.00	6,635.20	-8,428.79
Luther Elementary	7,000.00	0.00	0.00	0.00	-7,000.00
Luther Elementary	0.00	0.00	0.00	7,000.00	7,000.00
Malta K-12 Schools	106,830.94	0.00	90,000.00	109,000.00	92,169.06
Manhattan Elementary	1,893.10	0.00	0.00	0.00	-1,893.10
Manhattan High School	1,582.48	0.00	0.00	0.00	-1,582.48
McLeod Elementary	10,861.86	0.00	0.00	11,312.71	450.85
Melrose Elementary	14,369.74	0.00	0.00	15,526.17	1,156.43
Melstone Elementary	7,184.08	0.00	5,591.13	0.00	-1,592.95
Melstone High School	4,403.31	0.00	4,403.31	0.00	0.00
Melville Elementary	9,823.28	0.00	3,701.09	6,386.06	263.87
Missoula Elementary	340,588.44	0.00	0.00	112,686.90	-227,901.54
Montana City Elementary	192,746.76	0.00	0.00	93,002.59	-99,744.17
Moore High School	0.00	0.00	0.00	509.55	509.55
Olney-Bissell Elementary	9,943.31	0.00	0.00	3,962.36	-5,980.95
Ovando Elementary	0.00	0.00	0.00	513.75	513.75
Park City Elementary	489.07	0.00	0.00	530.81	41.74
Philipsburg K-12 Schools	9,912.53	0.00	0.00	3,679.77	-6,232.76
Plevna K-12 Schools	5,788.29	0.00	0.00	11,389.76	5,601.47
Potomac Elementary	16,414.64	0.00	0.00	18,362.75	1,948.11
Powder River Co Dist High School	28,993.31	0.00	11,130.00	3,806.78	-14,056.53
Powell County High School	184,637.74	0.00	0.00	180,889.03	-3,748.71
Power Elementary	72,347.99	15,343.00	0.00	59,163.07	2,158.08
Power High School	23,828.94	0.00	0.00	24,534.56	705.62
Ramsay Elementary	8,596.96	0.00	8,596.96	38,578.57	38,578.57
Rau Elementary	6,532.46	0.00	2,000.00	5,440.09	907.63
Red Lodge Elementary	28,383.43	0.00	3,084.16	27,817.07	2,517.80
Red Lodge High School	13,410.41	0.00	0.00	18,150.45	4,740.04
Reedpoint Elementary	312.88	0.00	0.00	0.00	-312.88
Reedpoint High School	146.51	0.00	0.00	0.00	-146.51
Reichle Elementary	574.90	0.00	0.00	0.00	-574.90
Roberts K-12 Schools	14,155.57	0.00	0.00	9,054.00	-5,101.57
Rosebud Elementary	23,425.33	0.00	0.00	18,562.25	-4,863.08
Rosebud High School	19,902.06	0.00	0.00	24,441.50	4,539.44
Saco Elementary	38,815.41	0.00	0.00	39,397.85	582.44
Saco High School	58,307.85	0.00	0.00	58,784.41	476.56
Seeley Lake Elementary	10,661.00	0.00	0.00	25,797.21	15,136.21
Sheridan Elementary	10,491.95	6,500.00	0.00	2,546.59	-1,445.36
Sidney Elementary	0.00	0.00	0.00	203,306.64	203,306.64
Sidney High School	0.00	0.00	0.00	96,411.69	96,411.69
St Regis K-12 Schools	18,381.44	18,381.44	0.00	0.00	0.00
Stanford K-12 Schools	17,829.50	0.00	0.00	18,676.18	846.68
Sunburst K-12 Schools	84,000.00	0.00	0.00	87,007.83	3,007.83
Sunset Elementary	835.61	0.00	0.00	1,889.25	1,053.64
Superior K-12 Schools	23,238.50	0.00	0.00	5,414.56	-17,823.94
Swan Valley Elementary	10,162.45	6,950.00	0.00	3,569.27	356.82
Sweet Grass County High School	39,648.39	0.00	0.00	25,998.25	-13,650.14
Terry K-12 Schools	0.00	0.00	0.00	33,095.32	33,095.32
Townsend K-12 Schools	3,636.30	0.00	0.00	8,729.75	5,093.45
Trego Elementary	2,366.45	0.00	1,000.00	3,066.11	1,699.66

<u>District</u>	2002	2002	2003	2003	
	<u>Total Excess Reserves</u>	<u>Budget Amendment</u>	<u>Excess Used To Bypass Base</u>	<u>Total Excess Reserves</u>	
Troy Elementary	2,746.55	0.00	2,746.55	2,746.55	2,746.55
Troy High School	1,675.45	0.00	1,675.45	1,882.76	1,882.76
Turner Elementary	2,220.19	0.00	0.00	0.00	-2,220.19
Twin Bridges K-12	121,211.60	0.00	0.00	100,811.12	-20,400.48
Valier Elementary	1,000.00	0.00	0.00	0.00	-1,000.00
Valier High School	200.00	0.00	0.00	0.00	-200.00
Vida Elementary	6,000.00	0.00	0.00	0.00	-6,000.00
Warrick Elementary	10.67	0.00	0.00	12.30	1.63
White Sulphur Spgs High School	0.00	0.00	0.00	1,719.19	1,719.19
Whitehall Elementary	26,456.86	26,456.86	0.00	0.00	0.00
Whitewater K-12 Schools	203,905.90	203,905.90	0.00	0.00	0.00
Wibaux K-12 Schools	31,241.85	0.00	0.00	31,241.85	0.00
Winifred K-12 Schools	31,400.30	0.00	25,000.00	32,361.61	25,961.31
Wisdom Elementary	1,496.46	1,496.46	0.00	5,780.00	5,780.00
Wise River Elementary	9,317.76	0.00	6,060.38	3,300.00	42.62
Woodman Elementary	2,650.78	0.00	0.00	4,920.20	2,269.42
<b>Total</b>	<b>5,377,605.09</b>	<b>324,258.37</b>	<b>1,099,736.58</b>	<b>4,513,413.21</b>	<b>559,803.07</b>

## APPENDIX H

### SUMMARY – ADMINISTRATIVE RULES - CHANGES EFFECTIVE FY03

10.20.106 STUDENTS PLACED IN EDUCATION PROGRAMS (1) The office of public instruction recognizes that a Montana state agency or court may place a Montana student in a facility located within a school district that is not the student's district of residence. The office of public instruction also recognizes that a district may contract with a private or public entity for the provision of a Montana student's education. If a district contracts and pays for the provision of a Montana student's education, the district may include that student in the district's enrollment count for purposes of calculating ANB, provided:

(a) the student, who otherwise qualifies for ANB, is enrolled at district expense in the district on the count date;

(b) the district retains written verification from the contractor documenting the student's participation in the education program on the count date;

(c) either:

(i) the contractor is accredited by the Montana board of public education; or

(ii) the student's education program is under the direction and supervision of the district and is provided by district staff or is provided pursuant to a special education individualized education program implemented by the district. This provision will be applied retroactively to July 1, 2002; and

(d) the contractor is a facility, center, home or other program licensed by and located within the state of Montana, excluding licensed day care centers.

(2) Payments made to contractors described in (1) are not considered tuition for purposes of applying the provisions in Title 20, chapter 5, part 3, MCA. When a district contracts for a Montana student's education, the cost for such services shall be paid from the district's general fund or from federal funds, provided the cost is an allowable use of the federal funds. Districts shall not use the tuition fund for payments to private education programs.

(3) If a student is not a resident of the district of attendance, the district may charge tuition in accordance with Montana law (see ARM 10.10.301).

(4) In accordance with 20-7-422, 20-7-402(4) and 20-5-323(5), MCA, when a child is placed by a Montana state agency in an out-of-state residential facility, the state agency making the placement shall be responsible for paying the education costs of the placement. (History: Sec. 20-7-419, MCA; IMP, Sec. 20-5-321, MCA; NEW, 2002 MAR p. 1662, Eff. 6/14/02; AMD, 2003 MAR p. 395, Eff. 3/14/03.)



## APPENDIX I

### LIST OF COMMON AUDIT FINDINGS FY2002

<u>Finding Description</u>	<u>Occurrences</u>	<u>Finding Description</u>	<u>Occurrences</u>
No comments	75	Encumbrances-Not pers prop or constr	1
Cash overdraft-Non Federal	4	Encumbrance accounting	5
Reconciliation to County Treasurer	25	Warr sequence/Independent verif	5
Petty cash accounting	2	Fund #/coding aprons not on warrant	1
Accys outside Cty Treasurer's Office	1	Cost allocation between districts	1
Year-end accruals	2	Purchase Orders (POs)	4
Bank account reconciliation/records	1	No Board approv on claims/in minutes	8
FDIC coverage exceeded (\$100,000)	1	Claim form procedures	4
County investments-Timely distribution	1	Facsimile signature machine or stamp	1
Investments - All findings	3	Warrants issued prior to rect of goods	3
Taxes receivable over/understated	4	Bids per MCA	2
Accounts Receivable/Report to Board	2	Expenditures paid wrong fund	3
Clearing account transfers	1	Misappropriation of funds	1
Payroll/claims not reported/recorded	2	Voided warrants not marred	2
Inventory accounting - supplies/lunch	1	Finance charges for late payments	1
Prepaid expense accounting	1	Payrolls reconciled	9
General Fixed Assets-Not recorded	15	Payroll over/underpayment	3
General Fixed Assets-Inadequate	26	Time cards/overtime not approved	3
General Fixed Assets-Cap Policy	1	Comp time records	2
Fixed Assets-Cap Policy not followed	7	Payroll and related internal control	7
General Fixed Assets-trade-ins	1	Payroll benefits in excess of contract	4
General Fixed Assets-Not labeled	1	W-4s payroll	1
Application of Depreciation Suggested	1	Personnel files incomplete/wrong	1
Unrecorded liability	3	Employees treated as subcontractors	1
Compensated Absences accounting	11	TRS coverage - Substitutes not paid	1
Accts Pay-Exp recorded PY & CY	1	Missing/incomplete payroll records	2
Clearing Acct not reconciling to cash	2	Errors in withholding calculations	10
Accounts Payable-Short-term accting	1	Contracts incomplete/nonspecific	1
Year-end accruals/prior year recording	3	W2s incomplete/incorrect	1
Deferred Revenue accounting	5	Payroll not based on hours worked	5
Capital leases over/understated	1	Payroll clearing fund out of balance	1
GLTDAG over/understate	7	Housing benefits not taxed as wages	1
Deficit fund balance	3	Travel claim documentation	1
Closure of funds (transfers)	1	Credit card charges internal control	2
Budgeted Reserves - Excess Reserves	1	Vacation and sick leave per MCA	2
Coding caused funds over/understated	1	Employee medical insurance plan	1
Lease Rental Fund > \$10,000	2	Vacation sick leave documentation	1
Fund Bal Overstated-Accting Adjust	1	Budget overexpended	24
Fund Bal Understated-Accting Adjust	1	Budgets not posted correctly	2
Revenue coding error	1	Budget bal not on accounting system	1
Enrollment/ANB Over/understated	17	Budget reports not accurate	2
Interest allocation	1	Transp Budget/Contingency-Other	1
Receipting procedures	1	Budget materially > actual	13
Budget to actual - Monitoring revenue	37	Davis-Bacon Act	1
County transportation revenue	1	Cash/Grant management	10
Eligible riders over/understate	2	Report(s) did not agree with records	1
Attendance over/understated	7	Report(s) on a cash basis	1
Expenditure coding error	18	Title III (Tech Lit) - All findings	1
Over/underpayment of claims	1	Title I - All findings	9
Documentation supporting exp	12	School Lunch - All findings	5
Invoices not marked paid	2	IDEA Part B - All findings	6
		Preschool IDEA - All findings	1

Impact Aid (PL 874) - All findings	3	Procedure-Sale of Fixed Assets	1
Bilingual - All findings	1	Lease agreements not per MCA	1
Headstart - All findings	1	Illegal transfers - funds/districts	3
Title II - All findings	2	Closed meeting questioned	1
Dwight Eisenhower - All findings	1	District exp paid from Activity Fund	1
Expenditures not within budget	2	Exp without approval/documentation	16
Optimum use of funds to avoid refunds	1	Petty Cash accounting	1
Refunds shown as exp not rev abtmnt	1	Handle fund/acquire MASBO	2
Year-end accting not GAAP	1	Athletic event workers	1
(TALES) - All findings	1	Financials not reviewed by Board	4
21st Century Grant - All findings	1	New fund - no Board approval	2
Inadequate segregation of duties	33	Neg balance - Activity acct overdrawn	3
Trustees submitted -- Timely/Error	20	Transfers not proper	2
Accounting back-up/disaster recovery	1	Beginning Bal < > Prior End Balance	1
Inadequate computer/manual system	12	Deposits not deposited intact/timely	5
No GL/ Trial Balance control	2	Receipt procedures/ticket collections	12
Accounting system	4	Club required to maintain proper acct	2
Miscellaneous fund reconciliation	1	Cash < > General Ledger	1
Internal control - Office efficiency	3	Not reported on TFS	4
Computer system training	1	Cancel stale dated O/S checks	1
Computer security	2	Extracurricular accounting	8
Safeguarding procedures not followed	2	Segregation of duties	3
Dual signature should be required	1	Bank reconciliations	6
Minutes book documentation	4	Uninsured cash - Exceeds FDIC	1
Policy Manual/Board policies	3	Disposition of Senior Class funds	4
Board approval of fund transfers	1	Questionable/illegal cost	2
Use of school facility - Charges	1		
Records retention	3		

## APPENDIX J

### Federal/State Grant Control Record

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

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

#### Section A    Grant Award

	Date
Proposal/Application	
Grant Award Notice	

#### Section B    Budget

	Date	Date	Date
Budget Submitted			
Revision Submitted			

#### Section C

	Date	Amount Requested	Annual or Periodical
<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.



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Linda McCulloch  
Superintendent

August 2, 2004

Attorney General Mike McGrath  
State of Montana  
Department of Justice  
215 North Sanders  
P. O Box 201401  
Helena, MT 59620-1401

**APPENDIX L**  
**Attorney General Opinion Request**  
**Regarding Transfers from the Bus**  
**Depreciation Fund**

Re: Request for Attorney General Opinion -- Transfers from Bus  
Depreciation Reserve Funds

Dear Attorney General McGrath:

Pursuant to Mont. Code Ann. §2-15-501(7), I hereby request your  
opinion concerning the following question:

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)?

As with most school finance issues, this question involves a  
number of complicated school finance laws. As background, I provide  
the following.

Mont. Code Ann. §20-10-147 authorizes a school district that  
owns at least one bus to establish a "bus depreciation reserve fund"  
(the Bus Fund). The main purpose of the Bus Fund is to accumulate  
property tax receipts over the life of district-owned buses for the  
replacement of those buses in the future. (Periodic replacement of  
buses is recommended by the national pupil transportation industry as  
a necessary component of school bus transportation safety.)

According to Mont. Code Ann. §20-10-147, money in the Bus Fund  
may also be used to convert, remodel or rebuild a bus, or to purchase  
an additional bus. The Bus Fund is supported by a permissive (non-  
voted) local property tax levy. The amount of each year's levy is  
limited to twenty percent (20%) of the original cost of the bus.  
Over time the amount levied may not accumulate to more than one  
hundred fifty percent (150%) of a bus' original cost. The fund is  
defined as a budgeted fund under Mont. Code Ann. §20-9-201(1)(a).

Prior to October 1, 1997, section 147(4) allowed school district  
trustees to transfer any portion or all of the cash balance in the  
district's Bus Fund to any other fund of the district after obtaining  
voter approval. In the 1997 Legislative Session, SB 244 (Ch 238

Montana Session Laws 1997) amended this section to add the condition that trustees must sell all of the district's buses before transferring money out of the fund.<sup>1</sup>

Another law, Mont. Code Ann. §20-9-201(3) allows trustees, "[e]xcept... as otherwise provided by law," to determine that a school fund "is inactive and will no longer be used" and close the fund. Prior to April 2001, section 201(3) allowed the trustees to close an "inactive" fund to the district's general fund only. Effective July 1, 2001, the Legislature, via SB 436 (Ch 480 Montana Session Laws 2001) amended this section to give trustees the discretion to close an inactive fund into any other fund of the district.

Mont. Code Ann. §20-9-208(2) authorizes certain types of transfers of money between funds of a school district, subject to other, more specific provisions regarding transfers in Mont. Code Ann. Title 20. Prior to July 2001, section 208(2) prohibited transfers between funds of the district "except as specifically provided by" Title 20. Effective July 1, 2001, the section was amended by SB 436 (Ch 480 Montana Session Laws 2001) to provide that "Unless otherwise restricted by a specific provision in this title, transfers may be made between different funds of the same district" under one of several listed circumstances. Mont. Code Ann. §20-9-208(2). Transfers of budget authority and cash are allowed from one budgeted fund to another budgeted fund, providing that "Transfers may not be made with funds approved by the voters or with funds raised by a non-voted levy unless the transfer is within or directly related to the purposes for which the funds were raised." Mont. Code Ann. §20-9-208(2) (a) (i).

In 2002, OPI adopted Administrative Rules implementing the fund closure and cash transfer provisions in sections 20-9-201 and 20-9-208, as amended by SB 436. Pertinent Administrative Rules are:

Admin. R. Mont. 10.10.319(4) "Pursuant to 20-10-147, MCA when all the buses of a district have been sold or otherwise disposed of, trustees may close a bus depreciation reserve fund to any other fund of the district contingent on voter approval."

Admin. R. Mont. 10.10.320(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."

In public comment to OPI's proposed rules noted above, the Montana School Boards Association (MTSBA) objected to the proposed rules' restriction on transfers from the bus depreciation fund (see "MTSBA Interpretations" below). OPI considered MTSBA's comments and concluded that the proposed rules were a correct interpretation of the statutes involved and of legislative intent. The rules were

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<sup>1</sup> SB 244 amended 20-10-147(4) as follows: "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. The electors qualified to vote at the election shall qualify under 20-20-301, and the election must be called and conducted in the manner prescribed by this title for school elections. If a majority of those electors voting at the election approve the proposed transfer from the bus depreciation reserve fund, the transfer is approved and the trustees shall immediately order the county treasurer to make the approved transfer."

adopted and published as originally proposed. However, OPI inadvertently included a draft affirmative response to MTSBA's comment in the final adoption notice.<sup>2</sup> The inadvertent inclusion of draft language that did not accurately reflect the final Rule as adopted and created confusion, which OPI's legal staff regrets.

The sequence of Legislative amendments, coupled with the "except as otherwise provided by law" language, leaves OPI and MTSBA disagreeing on the operation and interplay of Mont. Code Ann. §§20-9-208 and 20-10-147.

OPI interprets section 20-10-147(4) to require that all the buses belonging to a district be sold prior to transferring tax receipts out of the Bus Fund, regardless of whether or not the fund is subsequently closed. By allowing transfers from the Bus Fund only after a district has sold all of its buses, the law ensures that taxes levied for bus replacement remain available for that purpose as long as the district has buses that may require future replacement. In other words, if money in the Bus Fund is transferred to another fund and expended while the district still owns buses, taxpayers may later be required to pay taxes a second time for replacement of those buses. Section 20-10-147 protects the taxpayer by preserving taxes raised for bus replacement as long as the potential need exists, and by allowing the voters to approve an alternative use of their tax dollars only after all buses have been sold.

Transfers under section 20-9-208 and fund closures under section 20-9-201 are subject to restrictions imposed by other sections of Title 20. Section 20-9-201(3) states that "Except... as otherwise provided by law," trustees may determine that a fund "is inactive and will no longer be used," and close the fund. Section 20-9-208(2) authorizes certain types of transfers of money between funds of a school district, "Unless otherwise restricted by a specific provision

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<sup>2</sup> In the Comment and Response part of the OPI Notice of Adoption of these Rules, this language was included:

"New Rule VII Closure of a School District Fund

COMMENT NO. 9: One commenter stated that this rule defines an inactive fund in a more restrictive manner than provided by law, in that the law provides that the decision on determining when a fund is inactive rests with the trustees. He recommends that the provision in (1) be stricken. The commenter also argued that (5) is more restrictive than Senate Bill 436 intended and should be removed.

RESPONSE: The Superintendent agrees that the determination of when a fund is inactive is a judgment left to trustees pursuant to 20-9-201(3)(a), MCA and amends New Rule VII accordingly. *The Superintendent believes that 20-10-147(4), MCA is limited to situations in which Trustees sell all the district's buses and does not necessarily address the closure of the bus depreciation reserve fund. Closure of such fund is now governed by 20-9-201(3), MCA.* (Emphasis added).

The italicized language was from an earlier, internal draft used for discussion purposes within OPI. It reflected the MTSBA arguments concerning the statutory changes and the proposed rules. It did not accurately describe or interpret the Rule as adopted.



in" Title 20. We believe that the more specific laws limiting transfers between funds and the closure of funds prevail over the more general provisions of sections 20-9-208 and 20-9-201. Section 20-10-147 specifically limits transfers of money from the bus depreciation fund by imposing certain conditions.

In adopting Administrative Rules to implement the SB 436 amendments to sections 20-9-201 and 20-9-208, OPI attempted to clarify the relationship of those laws with other laws that govern school district transfers between funds. The rules list more specific provisions in Title 20 that prevail over the provisions in 20-9-201 and 20-9-208. See Admin. R. Mont. 10.10.319(4) and 10.10.320(4) above. These rules state OPI's interpretation that all transfers from the Bus Fund, including transfers upon fund closure, are subject to the conditions in section 20-10-147.

This professional disagreement between OPI and a constituency group with which we work closely and enjoy a good relationship involves the use of local property tax dollars levied for the replacement of school district buses. As an issue of pupil transportation safety and public funding for schools, it is a significant concern for the State. Consequently, I bring this question to the Attorney General for resolution.

If my staff or I can provide additional information, please do not hesitate to contact us. I look forward to and will follow your opinion in this matter.

Sincerely,

Linda McCulloch  
Superintendent

c: Lance Melton, Executive Director, MTSBA

## **APPENDIX M**

### **OPI Publications**

School finance publications and forms are available at [http://  
www.opi.state.mt.us/schoolfinance/forms.html](http://www.opi.state.mt.us/schoolfinance/forms.html) .

#### Enrollment

- Enrollment Reporting Instructions
- ANB Information

#### Budgeting

- Budget/ TFS Instructions (MAEFAIRS)
- Budget Amendment Packet
- FY04 General Fund Overview and Worksheets
- Basics of School Funding (PowerPoint)
- Basics of School Funding: Report to the 2003 Legislature

#### County Forms

- County Payments for Tuition (FP-7)
- County Treasurer Statement (FP-6a)
- FY03 and FY04 Countywide School Funds (FP-6b)
- Joint District Basic Data (FP-8a)
- Joint District Tax Summary (FP-8b)
- County Transportation/Retirement Fund - Mill Levy Calculation Worksheet FY 2003-04 (FP-10a)
- County Transportation Block Grant Entitlement Report
- Certified Retirement GTB Subsidy Per Mill Per ANB

#### Accounting

- School Accounting Manual

#### Elections

- FY 200X Elections Calendar
- Election Handbook

#### Attendance/Tuition

- Student Attendance Agreement Form (FP-14)
- Special Tuition Rates (FP-14A)
- Tuition Report (FP-15)
- Summary of Montana's Tuition Laws

#### Taxation

- Understanding Property Taxes

#### Other

- Records Retention Schedule
- Grant Control Record

**APPENDIX N**  
**List of Districts Requiring GASB 34 Audits for FY03**

The following is a list of school districts that meet the criteria to have a GASB 34 audit for FY 2002-2003.

<u>School District Name</u>	<u>FY99 Revenues</u>
Belgrade Public Schools	12,062,446
Billings Public Schools	91,674,006
Bozeman Public Schools	30,324,077
Browning Public Schools	20,755,284
Butte Public Schools	31,978,341
Colstrip Public Schools	10,291,896
Columbia Falls Pub Schls	13,107,173
Great Falls Public Schls	65,639,335
Hardin Public Schools	12,069,850
Havre Public Schools	13,016,443
Helena Public Schools	47,932,481
Kalispell Public Schools	29,684,224
Laurel Public Schools	10,530,492
Libby K-12 Schools	10,039,397
Miles City Public	10,374,267
Missoula Co Public Schls	60,760,145
Polson Public Schools	10,568,802
Poplar Public Schools	10,432,063
Whitefish Public Schools	10,253,337